

# OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

Date: April 5, 2007

<b>THE ISSUER</b>	LINUX GOLD CORP. #240 – 11780 Hammersmith Way Richmond, BC V7A 5E9 Telephone : 604-278-5996 Fax: 604-278-3409 Email: <a href="mailto:jr@ihiway.com">jr@ihiway.com</a>
Currently listed or quoted	OTC BB: LNXGF
Reporting Issuer	British Columbia, Alberta, United States
SEDAR Filer	Yes
<b>THE OFFERING</b>	
Securities Offered:	Up to 8,000,000 Units, consisting of one treasury share of common stock and one half share purchase warrant. Two ½ warrants shall entitle the holder to purchase one additional share of common stock at a price of \$0.25 in the first year and \$0.30 in the second year from the date the units are issued.
Price per Unit:	US\$0.20 per unit (Note: All references to \$ are in U.S. dollars)
Minimum/Maximum Offering	\$0 / \$1,600,000 <b>You may be the only purchaser.</b>
Minimum Subscription Amount	There is no minimum subscription amount an investor must invest.
Payment Terms:	Bank draft, certified cheque, personal cheque
Proposed Closing Date:	One or more dates prior to April 30, 2007. Dates may be amended.
Income Tax Consequences	There are important tax consequences to these securities. See Item 6.
Selling Agent:	None.

B.C. Securities  
Commission

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## RESALE RESTRICTIONS

You will be restricted from selling your securities for 4 months and a day in Canada, or one year on the OTC BB under Regulation S or Rule 144, as applicable. See Item 10.

## PURCHASER'S RIGHTS

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11.

**NO SECURITIES REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THESE SECURITIES OR REVIEWED THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE. THIS IS A RISKY INVESTMENT. SEE ITEM 8.**

## **ITEM 1      Use Of Net Proceeds**

### **1.1      Net Proceeds**

The net proceeds of the offering and the funds that will be available to us after this offering are as follows:

		Assuming Minimum Offering	Assuming Maximum Offering
A	Amount to be raised by this offering	\$ 0	\$1,600,000
B	Selling commissions and fees	\$ 0	\$ 112,000
C	Estimated offering cost (e.g. legal, accounting, audit, etc.)	\$ 20,000	\$ 20,000
D	Net Proceeds: D= A-(B+C)	\$ (20,000)	\$1,468,000

### **1.2      Use of Net Proceeds**

How we intend to spend the net proceeds of this offering:

Description of intended use of net proceeds listed in order of priority	Assuming Minimum Offering	Assuming Maximum Offering
Granite Mountain-Exploration	\$0	\$ 325,000
Accounts payable (1)	\$0	\$ 500,000
Working capital (1)		\$ 643,000
Commissions	\$0	\$ 112,000
Cost of offering	\$20,000	\$ 20,000

(1)The company has payables of \$303,067 payable to various related parties and intercompany accounts as disclosed in our financial statements for the nine months ended November 30, 2006. These related parties waive payments until a future date, without interest.

### **1.3      Reallocation**

We intend to spend the available funds as stated in item 1.2 above. We will reallocate funds only for sound business reasons.

### **1.4      Working Capital Deficiency**

The Company does not have a working capital deficit.

## **Item 2. Business of Linux Gold Corp.**

### **2.1 Structure**

The Company was incorporated on February 27, 1979 under a perpetual charter pursuant to the British Columbia Company Act by registration of its Memorandum and Articles and was extraprovincially registered in the Province of Alberta on October 12, 1995 under the name Flame Petro-Minerals Corp. At an extraordinary general meeting held on March 15, 2000, our shareholders approved the change of name of the Company from Flame Petro-Minerals Corp. to LinuxWizardry Systems, Inc. which name change was effected on March 21, 2000. At our annual meeting of shareholders on February 20, 2003, our shareholders approved the change of name of the Company from LinuxWizardry Systems, Inc. to Linux Gold Corp., which name change was effected March 18, 2003. Our authorized capital consists of 200,000,000 Common Shares without par value.

### **2.2 Our Business**

We are an exploration stage company. We hold an option to a 100% interest in 21 units in the Bralorne/Lillooet mining division in British Columbia, called the TY Gold Property which is adjacent to our ORO Property. We now have a total of 41 units in the Bralorne area.

We also hold a 50% interest in the Fish Creek property in Alaska, which is optioned to Teryl Resources Corp.

In March of 2005, we staked 148 State of Alaska 160-acre MTRSC mining claims at several locations near Granite Mountain on the eastern Seward Peninsula of Alaska and increased the claim position to 284 claims or 68 square-miles. A drilling program on the Granite Mountain Property has been completed, testing four separate mineralized zones, in September 2006.

We also hold an option to purchase all the issued and outstanding shares of the private company that holds an 85% interest in a co-operative joint venture company that has an option on certain mineral exploration rights for the Bo Luo Nuo Gold Mine covering an area of 161 square kilometres in Hebei Province, People's Republic of China

Further exploration will be required before a final evaluation as to the economic and legal feasibility is determined for the above properties.

The following is a description of our principal, material properties.

#### ***Fish Creek Property, Fairbanks Mining District, Alaska***

We currently own a 50% joint venture interest in 30 state of Alaska mining claims, comprising 1,032 acres, known as the Fish Creek Prospect, located in the Fairbanks Mining District in Alaska. These claims are subject to an option agreement with Teryl Resources Corp. Teryl Resources Corp. may purchase the 5% net royalty for \$500,000 U.S. within 1 year after production on a 25% working interest. Teryl also agrees to expend a minimum of \$500,000 U.S. after three years from the date of the agreement. The claims are legally maintained by recording an affidavit of annual labor for a minimum expenditure of \$100 per claim (\$3,000 total) and by paying annual rental to the State of Alaska in the amount of \$130 per claim (\$3,900 total). All mechanized exploration activity must be permitted by the Alaska Division of Mining, Alaska Department of Fish and Game, and the U.S. Corps of Engineers. Water can be withdrawn from Fish Creek to support exploration activities with oversight from the Alaska Department of Conservation. Currently, we are permitted to conduct exploration by drilling. To the best of our knowledge, we are operating in compliance with all applicable environmental regulations. There currently are no unusual social, political or environmental encumbrances to mining on the

project. We currently holds a valid exploration permit on the project. Additional permits for future work will be acquired from the Division of Mining, Alaska Department of Fish and Game, and the U.S. Corps of Engineers on an as-needed basis.

The Fish Creek project is located 25 miles north of Fairbanks in an important mining district with permissive land status and excellent road access to the property. Currently, there are only primitive trails developed within the property to access exploration sites. The project is located within metamorphic and plutonic host rocks that are similar in composition and age to rock units that contain commercially viable mineralization elsewhere in the Fairbanks Mining District. The property is also located on a drainage that was mined extensively for alluvial gold in the past both upstream and downstream of the Fish Creek project. Limited exploration conducted between 1992 and 2003 did not reveal significant bedrock exposures of mineralization, however, very widely spaced placer drilling over a large area of the property conducted in 1996 indicated the presence of placer gold in the alluvial deposits. More extensive and closer spaced placer gold drilling conducted in 2004 confirmed the presence of significant concentrations of placer gold on the claims.

Two independent technical consultants are utilized by the Company for work on the Fish Creek property. Evaluations for alluvial (placer) gold are managed by Jeff Keener of NordWand Enterprize, P.O. Box 82811, Fairbanks, Alaska, 99708, USA. Mr. Keener is a graduate of the University of Alaska, with a B.S. degree in Geology (1991). Mr. Keener is a member of the Alaska Miners Association and has applied for membership with the American Institute of Professional Geologists. From 1986 to the present he has been actively employed in various capacities in the mining industry in numerous locations in Alaska, Nevada, Arizona, and California and is recognized as an expert in the field of placer examination.

For lode gold exploration we utilize Avalon Development Corp. of Fairbanks, Alaska, to conduct any proposed exploration work on the Fish Creek Property. Mr. Curt Freeman is the President of Avalon Development Corporation, P.O. Box 80268, Fairbanks, Alaska, 99708, USA. Mr. Freeman is a graduate of the College of Wooster, Ohio, with a B.A. degree in Geology (1978), and a graduate of the University of Alaska with an M.S. degree in Economic Geology (1980). Mr. Freeman is a licensed geologist in Alaska (AA#159) and is a member of the American Institute of Professional Geologists (CPG#6901), the Society of Economic Geologists, the Geological Society of Nevada, the Alaska Miners Assoc. and the Prospectors and Developers Assoc. of Canada. From 1980 to the present, he has been actively employed in various capacities in the mining industry in numerous locations in North America, Central America, South America, New Zealand and Africa.

A ground magnetic survey was completed on the Fish Creek property on November 20, 2003 on the right limit (southeast) side of Fish Creek Valley, approximately 600 – 700 feet down-valley from the toe of the Fort Knox mine fresh water supply dam. This program was an orientation survey to test the right limit bench of Fish Creek for a suspected buried placer gold-bearing channel. Magnetic surveys of this type have been successful in locating elevated magnetic field intensities associated with the heavy, magnetic mineral concentrations often associated with placer gold accumulations. The field survey consisted of two lines with 200-foot line spacing and 10-foot station spacing, which appears to provide sufficient detail to extrapolate magnetic data between lines. Signatures from the two traverses are interpreted to cross five features, of which three have the possibility of being associated with alluvial concentrations of various

characteristics. A program of additional ground magnetics surveying followed by trenching and/or large-diameter auger drilling to evaluate the two most promising alluvial gold targets was recommended for early 2004.

In May, 2004, we commenced a closely spaced magnetic survey over the previous magnetic targets that were discovered in 2003. The magnetic survey located two anomalies indicative of a potential buried placer gold bearing channel. Total cost of this program was about \$8,500.

In July, 2004, a total of 20 soil samples were collected near Odden Creek with a hand held power auger to depths from 2 to 7.5 feet. These holes were placed on a grid pattern with a hole spacing of 200 feet to test for metal anomalies and to examine bedrock chips in proximity to intrusive colluvium found at the surface and in the stream bed. Several groupings of holes were weakly anomalous in gold pathfinder elements and identified as prospective lode gold targets. Total cost of this program was \$1,800.

In September and October, 2004, a 22 hole (1,506 feet) reverse circulation drilling program was completed on the property. Twenty holes were drilled on two widely spaced lines (4,000 feet apart) to test the placer gold potential while two deeper holes were drilled near Odden Creek to test an intrusive-related lode gold target (Keener, 2005b). One of the deep holes intersected weakly anomalous concentrations of gold at a depth of 195 to 205 feet, whereas six of the twenty placer holes returned intervals with gold values in excess of 0.01 ounces of gold per cubic yard (Table 1.).

Fish Creek Hole Number	From (ft)	To (ft)	Thickness (ft)	Grade (oz/yd3)	Value (\$/yd3)
UFL2 H1	40	45	5	0.0116	4.18
UFL2 H1.5	40	45	5	0.0129	4.64
UFL2 H2	40	45	5	0.0223	8.03
UFL2 H3	40	45	5	0.0629	22.64
UFL2 H3.5	40	47	7	0.0159	5.72
UFL10 H13	52	58	6	0.0108	3.89

Table 1. Significant drill holes from the 2004 Fish Creek placer drilling program.  
Gold price used is 3-year average (2002 to 2004).

These values suggest that there is a potential to develop a commercially viable alluvial gold resource on the Fish Creek project. Total cost of the combined placer and lode drilling program was approximately \$54,000.

In the 2004 drilling program, samples were collected every five feet. Placer samples were concentrated on-site with a small hydraulic concentrator and panned to extract the visible gold. The placer gold particles were dried and weighed with a precision Haigis balance and retained in glass sample vials. Placer analysis was performed by Mr. Keener, who also is storing the gold samples and concentrate reject in his office located in Fairbanks, Alaska. Bedrock samples were collected in large sample bags and transported to the Kinross rock core storage facility in Fox, Alaska where they were subsequently transferred to Alaska Assay Laboratory for splitting and preparation. Reduced samples were sent to Nevada Assay Laboratory of Reno, Nevada to be analyzed for 69 elements by ICP-MS techniques and for gold by fire assay. The pulps and rejects are being stored by Alaska Assay Laboratory at their facility in Fairbanks, Alaska. Bedrock chip

samples, collected every five feet from the two lode holes, are retained in conventional chip trays and are being stored in Mr. Keener's Fairbanks office.

In June, 2005, we commenced an auger drilling program near Too Much Gold Creek to collect soil samples from the top of bedrock. An auger track rig was used to drill 36 holes to a maximum depth of 60 feet on lines spaced 500 feet apart where holes were spaced 200 feet apart. No significant mineralization was found in the 2005 soil sampling program. Soil samples were transferred to Alaska Assay Laboratory in Fairbanks, Alaska, for preparation and were analyzed by ICP-MS for 69 elements and fire assay for gold by Reno Assay Laboratory in Reno, Nevada. Pulps and rejects are being stored by Alaska Assay Laboratory at their Fairbanks facility. The total cost for the 2005 soil sampling program was \$16,000.

Currently, there are no resources or reserves on the Fish Creek property that comply with the Canadian Institute of Mining and Metallurgy (CIM) Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by CIM Council on August 20, 2000. While encouraging in its results, the drill-hole density of the 2004 placer drilling campaign at Fish Creek was not sufficient to allow estimation of CIM compatible resources or reserves.

Additional work on the Fish Creek property will be based on results from the previous drilling programs. Each successive phase of exploration is dependent on generation of encouraging results from the previous programs and the increasing potential for delineation of commercially viable resources on the project.

We anticipate utilizing the services of NordWand Enterprize and Avalon Development Corp. in the future to advance the exploration of the Fish Creek property. A two phase program has been recommended as follows:

1. Phase One Infill Reverse Circulation Drilling: Infill drilling using large diameter reverse circulation methods is warranted on the property to better define the placer gold mineralization outlined in 2004. Previous experience by Keener and other operators within the Fish Creek drainage has shown that drilling is an effective method of sampling and valuating the placer deposit and provides predictable estimates of recovered gold in subsequent production. Sampling procedures similar to those utilized in 2004 should be followed. Additionally, all holes should be continued into bedrock for at least 25 feet to test for the presence of lode gold mineralization. The primary goal of this program would be to develop measured mineral resources compliant with industry criteria (CIM). A secondary goal would be to determine if significant lode gold mineralization exists in the area drilled. Recommended future work on the Fish Creek property should include drilling 20 reverse circulation drill holes (8" diameter) for a total of 1,600 feet of drilling. Construction of an all-weather creek crossing for off-road vehicles, near the mouth of Odden Creek, will facilitate this work. The estimated cost of such work is \$50,000. Fieldwork will take about one to two weeks, whereas sample analysis and reporting will take an additional two to four weeks.
2. Phase Two Step-out Reverse Circulation Drilling: if results of the Phase One infill drilling are encouraging, step-out drilling using large diameter reverse circulation methods is warranted, to add greater detail to the outlined mineral resource and to develop additional measured mineral resources. Recommended Phase Two work on the Fish Creek property should include drilling 55 reverse

circulation drill holes (8" diameter) for a total of 4,400 feet of drilling. The estimated cost of such work is \$150,000. Fieldwork will take about two to three weeks, whereas sample analysis and reporting will take an additional four to six weeks.

In August 2005, we commenced an extensive auger drilling program on the All Gold Creek geophysical anomaly. The auger track rig can drill up to a depth of 80', several auger drill holes are planned to test the aerial geophysical anomaly and the coincident gravity low target for future R/C drilling, based on positive results for the auger drilling program.

On October 3, 2006 we announced that six new geophysical targets were located on the Fish Creek property, near the Fort Knox Mine, in the Fairbanks Mining Division, Alaska.

Six main targets on the Fish Creek property have been identified as follows:

**Proposed Drill Sites:**

The following interpreted targets are based on linear resistivity features inferring regional structural trends. Conductive gradients at depth or along a structure suggest areas of higher fracture density. The high magnetic anomalies with good depth extent are interpreted as intrusives and the linear magnetic highs may be calc-silicates.

Proposed Drill Site 01: Interpreted Target – Conductive Shear / High Fracture Density  
Proposed Drill Site 02: Interpreted Target – Conductive Shear / High Fracture Density  
Proposed Drill Site 03: Interpreted Target – Calc-silicate / High Fracture Density  
Proposed Drill Site 04: Interpreted Target – Calc-silicate / High Fracture Density  
Proposed Drill Site 05: Interpreted Target – Intrusive Contact / High Fracture Density  
Proposed Drill Site 06: Interpreted Target – Manto Type Magnetic Anomaly

***Granite Mountain Property, Seward Peninsula, Alaska***

In March 2005, we staked several mineralized areas in western Alaska, near Granite Mountain on the eastern Seward Peninsula, Alaska. Granite Mountain lies on the boundary of the historic Koyuk Mining District and Fairhaven Mining District and is known for the productive placer gold and platinum group metal deposits and igneous hosted base-metal, precious metal and uranium prospects located on its flanks. All the staked lands are State of Alaska public lands and open to mineral entry. A portion of the claims lie within the North West Arctic Borough. Staking was accomplished by helicopter and conforms to the MTRSC method of locating 160 acre state mining claims.

The Kiwalik igneous-hosted polymetallic property is located in western Alaska, approximately 240 kilometers (150 miles) northeast of the city of Nome and 56 kilometers (35 miles) north of the village of Koyuk (Candle B-5 and C-5 quadrangles). The property's east boundary is four kilometers (2½ miles) west of Granite Mountain the tallest point on this part of the eastern Seward Peninsula, at 864 meters (2,835 feet) above sea level. The continental divide runs just east of the Kiwalik property and all streams originating within the property flow to the Kiwalik River, which flows north to Kotzebue Sound.

The Kiwalik Claim Block includes 120 State of Alaska 160 acre MTRSC mining claims covering almost 7770 hectares (19,200 acres) of state lands open to mineral entry. The mining claims are located on the Quartz Creek pluton and the surrounding volcanic and sedimentary country rock and is thought to be prospective for lode deposits of precious metals and base metals.

The Peace River Claim Block includes 16 mining claims (4 square-miles) and is located on a satellite intrusive stock on the east flank of Granite Mountain at the headwaters of the Peace River. This area was examined in the early 1950s for its potential as a uranium prospect and was re-examined during the 1968 USGS Heavy Minerals Program. Samples of soil and rock indicated anomalous concentrations of base metals including over 2,000 ppm molybdenum obtained from a composite grab sample of veined syenite rubble. Pan concentrates collected from these headwater streams by the U.S. Geological Survey in 1951 and 1952 (Gault, et al, 1953, USGS Circ-250) showed an abundance of base metal sulfide minerals including bornite, as well as concentrations of uranothorianite and gummite (up to 0.76%eU). Particles of placer gold were also found. The local concentration of uranothorianite in the placer deposits is believed to be the best lead to a potentially economic uranium lode deposit.

The Dime Creek Claim Block is located about 15 miles to the south of Granite Mountain and is composed of 12 mining claims (3 square-miles). The placer gold-platinum deposits on Dime Creek were discovered in 1910, but it wasn't until 1915 that rich pay was found, setting off a stampede to the area. By 1917, about 12,500 ounces of gold and platinum were recovered from shoveling-in on the creek placer and from underground drifting on several bench placers (Harrington, 1917, USGS B-692). The placer gold is unusually pure with a fineness of 960 and occurs in placer concentrates in a ratio to native platinum particles of 25:1 to 10:1. In later years, a small bucket-ladder dredge operated on the valley bottom from 1928 to 1941 while small open-cut and drifting operations continued on the benches until at least 1955. Total production is not known, but incomplete historical data shows production to be at least 25,000 ounces of gold and platinum. The placer deposit is considered to be highly prospective for significant additional placer reserves, as well as for lode sources of the placer gold and platinum.

## ACCESS, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE, AND PHYSIOGRAPHY

The property is located in a remote region in western Alaska, about 240 kilometers (150 miles) by air northeast of the city of Nome. Nome is a modern city of about 4,000 residents with an international airport, a recently improved small boat harbor, and barge loading facilities. Villages near the property include Koyuk, 56 kilometers (35 miles) to the south, Council, about 130 kilometers (80 miles) to the west, and Buckland, about 97 kilometers (60 miles) to the north. There are several winter trails that may be permitted by government regulatory agencies to access the property with heavy equipment from Koyuk, Council, or Kiwalik Lagoon, about 64 km (40 miles) to the north. Currently, there is no improved overland access to the property and the only immediate access is by air transport. Koyuk, the nearest village to the Kiwalik property, is located at the mouth of the Koyuk River at the northeast head of Norton Bay. Koyuk enjoys a 760 meter (2,500 foot) airstrip capable of landing a loaded DC-6. Barge facilities are limited to loading from a stationary barge moored to the western bank of the Koyuk River. Koyuk is the seat of the Koyuk Village Corporation and owns the surface of the lands from the coast to the south shore of the Koyuk River near Dime Landing, 35 kilometers (22 miles) to the north. The Koyuk River is shallow and, without dredging, is only navigable by shallow-draft watercraft, barges and landing craft.



A fifty-foot easement from Koyuk to Dime Landing exists through the private corporate lands and allows for passage of heavy equipment. A native allotment at Dime Landing has been applied for by a resident of Koyuk, however, the grant has not been approved by the Bureau of Land Management. From Dime Landing to the Kiwalik mining claims, access is by way of existing winter trails for which authorization from the appropriate regulatory agencies must be acquired. Several airstrips are located near the Kiwalik property: at Granite Mountain, Quartz Creek, Bear Creek and at Haycock, near the Dime Creek claim block. The Granite Mountain airstrip was constructed by the U.S. Air Force in 1957 to support the U. S. Department of Defense microwave relay facility ("White Alice") on the summit of Granite Mountain. This facility was decommissioned in 1978 and lies abandoned. The Granite Mountain airstrip is located about five kilometers (three miles) east of the Kiwalik property at an elevation of 380-400 meters (1250-1300 feet ) above sea level. It is improved with crushed and graded gravel over a length of 1220 meters (4,000 feet ). The landing surface is occasionally maintained by local miners and hunters who use it as primary access to stage equipment and supplies to outlying mines and hunting camps. The Granite Mountain airstrip is formally closed to the public, however, local air charter services have permission to land there.

The Quartz Creek airstrip, at 305 meters (1,000 feet) above sea level, is limited to short take-off and landing aircraft and is located about 800 meters (one-half mile) east of the Kiwalik property. The Bear Creek airstrip is 150 meters (500 feet) above sea level and about 460 meters (1,500 feet) long and has been maintained well by the local placer miners. This airstrip is located about 15 kilometers (9 miles) northeast of the Kiwalik property and is linked the Granite Mt. airstrip and the Kiwalik property by unimproved trails. The airstrip at Haycock is 520 meters (1,700 feet) long, but has not been maintained for several years.

The property is rugged and dominated by tundra and talus covered hills and ridges. Elevation varies from approximately 137 meters (450 feet) along the Kiwalik River, to 512 meters (1680 feet) on Weather Ridge; and climbs to 864 meters (2835 feet) a few kilometers to the east at Granite Mountain. Outcroppings of bedrock are sparse. Valley floors are narrow and recently developed, perhaps initiated by former alpine glaciation and controlled by regional structures. The climate is semi-arid with short moderate summers and long cold winters, typical of sub-arctic, interior Alaska.

The area is usually snow-free from early June to mid-September. There is no infrastructure developed on the any of the claim blocks on the property and no power is available. As development of the property progresses roads and other infrastructure may allow for year-round operation.

## GEOLOGIC SETTING

Country rocks underlying the Granite Mountain area consist of interlayered mafic lava flows and sedimentary rocks deposited over a time span lasting from about 160 million years to about 110 million years ago. The sedimentary rocks are predominantly pebbly sandstone, but include sparsely scattered conglomerate and mudstone. The mudstone is composed of numerous layers that are one to several centimeters thick. In the conglomerate well rounded volcanic fragments as large as 5 cm in diameter are suspended within a fine to medium grained sandy matrix. Layering in the conglomerate, if present, is too thick to be observed in outcrop.

The interlayered lava flows and sedimentary rocks are crosscut by numerous dikes and larger intrusive bodies. The Kiwalik claim block is centered around the ~109 million year old quartz monzonite of the Quartz Creek pluton. The Peace River claim block is underlain in part by a syenitic intrusion that is a satellite of the larger Granite Mountain syenite. Dikes range in composition from mafic rocks similar to the lava flows, to silicic rocks more like the larger plutonic bodies. All of the volcanic rocks in the prospect area have been metamorphosed to greenstone. Many of the volcanic rocks are magnetic; some have traces of very fine-grained sulfide minerals, probably pyrite. Primary igneous and sedimentary features are preserved and the rocks are not foliated.

The structural geology of the Granite Mountain area is poorly understood, but landforms and drainage patterns suggest that the bedrock in the prospect area is tilted, folded, and faulted. The few bedding orientations measured during reconnaissance mapping in 2005 suggest broad folding around a west or northwest trending axis and are consistent with bedding orientations mapped in outcroppings north and east of the prospect area. In some parts of the Dime Creek claim block the tilted lava flows and sedimentary rocks are overlaid by younger, mostly flat-lying lava flows. These younger flows have been eroded away in the Kiwalik and Peace River claim blocks.

Mineralization within the Kiwalik claim block is concentrated along the eastern contact of the Quartz Creek pluton, where it abuts volcanic and sedimentary country rocks. At the north end of the Kiwalik claim block mineralized rocks and silicic dikes are exposed in a fault zone that crops out along the west bank of Quartz Creek. On Gossan Ridge, deeply weathered sulfide veins are marked by rusty orange and red altered rock that locally have elevated contents of gold and base metals.

During August of 2005, we conducted geologic mapping and geochemical sampling on the Kiwalik, Peace River, and Dime Claim Blocks. Although the results to date are very encouraging, no trenching or drilling has taken place. No quantifiable mineral resource has been established on any part of the properties. Phase I orientation and reconnaissance exploration consisted of mapping rock contacts and units and collecting rock, soil, stream sediment and pan concentrate samples during ridge and stream traverses. This work confirmed and added more detail to previous mapping and sampling performed by the U.S. Geological Survey. Phase II mineral exploration during 2006 is recommended to consist of an airborne geophysical survey, additional geological mapping and geochemical sampling, and drilling two- 1,000 ft and four-500 ft (total 4,000 ft) diamond drill holes.

Four types of geochemical samples were collected from the Kiwalik and Peace claim blocks, including 153 soil samples, 93 rock samples, 45 stream sediment samples, and 31 pan concentrate samples. The results of this program indicate that on the Kiwalik claims, a mineralized trend, striking north with a length of over 11 kilometers, is spatially associated with the eastern contact of the Quartz Creek pluton (quartz monzonite) and the andesitic flows and volcanoclastic country rock. A similar trend was detected on the Peace claims, where mineralization was found within plutonic (syenite) bedrock over a strike length of 1.7 kilometers. On both properties the limits of the mineralized trends are not clearly defined and may be more extensive than currently known.

At the ground surface, the Quartz Creek mineral trend appears to be zoned and can be partitioned into base-metal deposits within the volcanic wallrock and precious-metal deposits within both intrusive and volcanic rocks. Soil and rock samples collected within the base-metal zones are

anomalous in gold, silver, and antimony and highly anomalous in lead and zinc. Precious metal zones were sampled with a soil grid placed on veined, brecciated, and oxidized volcanic rock, as well as with grab samples of veined and intensely altered intrusive rock, resulting in anomalous concentrations of gold, silver, arsenic, lead, copper, and antimony. Pan concentrates that were collected on the upper branches of the Kiwalik River show a marked enrichment of gold where the streams erode mineralized intrusive bedrock.

The Peace claims were sampled similarly to the Kiwalik claims, but to less extent. This work indicates that the eastern branch of the headwaters of the Peace River is eroded into mineralized syenite and is anomalous in precious and base metals in a relatively narrow trend, striking northeast. Pan samples resulted in highly anomalous concentrations of gold, tungsten, and uranium; whereas, rock and soil samples were anomalous in gold, silver, antimony, and lead and were highly anomalous in molybdenum, copper, and bismuth.

Exploration and development activities, require permits from various foreign, federal, state and local governmental authorities. To the best of our knowledge, we are operating in compliance with all applicable environmental regulations. There currently are no unusual social, political or environmental encumbrances to mining on the project. Linux currently holds a valid Hardrock Exploration Permit on the project. Additional permits for future work will be acquired from the Alaska Department of Natural Resources on an as-needed basis.

Detailed analysis of the geochemical data is ongoing, however, the results to date suggest that several types of polymetallic deposits may be found near the surface along the Quartz Creek mineral trend and that a large porphyry system may lie at depth. The relationship of the Peace River polymetallic deposit to the Quartz Creek mineral belt is not known, but may represent another phase or portion of a larger plutonic porphyry system. A US\$1.5 million budget is recommended in 2006 to explore the igneous system at depth and to search for additional evidence of mineral deposits near the surface. This work should include:

1. A regional airborne geophysical survey to indicate rock contacts, structure and alteration, as well as for the presence of sulfide enrichment zones;
2. Additional geological mapping and geochemical sampling to explore the extensions of the known mineralized trends and to investigate unexplored areas;
3. Diamond drill holes to explore the rocks underlying significant geochemical and (anticipated) geophysical anomalies;
4. Structural, chemical, and geochronological studies to examine the relationship of the Kiwalik and Peace igneous rocks and mineral trends with the goal of expanding the potential mineral resource.

This report was prepared by Jeffrey O. Keener, project geologist for the Granite Mountain exploration program and reviewed and approved by Robert B. Murray, registered geologist with the state of Oregon. Robert Murray is currently completing a National Instrument 43-101 report on the Granite Mountain property.

Robert Murray, registered geologist and qualified person for the 2005 project has recommended the following drilling and exploration plan for 2006.

## Objectives for Drilling and Exploration Plan for 2006:

To initiate a scout drilling program by placing four diamond-core drill holes on the mineral deposits located in 2005.

- The Gossan Ridge sub-volcanic gold-silver-copper prospect.
- The Saddle “cordilleran-vein” lead-zinc-silver prospect.
- The Quartz Creek plutonic gold-copper-bismuth prospect.
- The Peace River plutonic molybdenum-copper-gold-uranium prospect.
- An additional hole will be placed to drill into the cupola of the Quartz Creek pluton to investigate the volcanic thermal contact zone overlying the intrusive.

Continue the geochemical surveying program by expanding the soil grids on the Gossan Ridge and Peace River prospects, place a soil grid on the Saddle prospect, and run discreet soil lines across linear structures identified in the geophysical survey or through surface geological mapping. Ongoing geological mapping will be conducted at a scale of 1:63,360 in previously unmapped areas and at a scale of 1:10,000 for detailed structural and mineralogical data.

The proposed budget to accomplish these goals is (U.S.) \$1,500,000. Contracts and permits are currently being negotiated and applied for to start-up field work. There are no conditions that must be met in order to obtain or retain title to the property.

In December we announced the preliminary results of the 2006 exploration program which indicated two new and significant gold anomalies were located by geochemical sampling of soils and rocks, one at the head of the Kiwalik River and the other on the lower reach of Quartz Creek. Limited core drilling verified significant base metal mineralization at the Saddle Prospect and indicate gold mineralization at the Quartz Pluton Prospect. Pan samples of alluvial deposits at Dime Creek revealed high-grade placer gold and platinum concentrations, as well, as uranium at the head of Quartz Creek.

The results of the 2006 exploration program suggest the potential to locate important deposits of precious and base metals on the Granite Mountain and Dime Creek properties. The following highlights are offered for review:

- Samples of mineralized rocks at the surface of the Saddle Prospect yielded assays of up to 2.58 g/t gold, 250 g/t silver, and 3.0% combined lead and zinc. Soil samples collected on a 100m x 100m grid placed over the Saddle Prospect defined a new precious metal anomaly on an altered contact zone over an area measuring 1,500 meters by 200 to 300 meters with concentrations of gold to 148 ppb and silver to 12.8 ppm. Coincident arsenic anomalies (arsenic to 9,817 ppm) are found in soils overlying the plutonic and volcanic rocks outboard of the gold and silver anomaly within the contact zone.
- A new gold prospect was found in exposures of oxidized veins within intensely altered plutonic rocks along Quartz Creek at the north end of the claims. Grab samples of rocks, over a distance of 550 meters of exposed gossan, yielded assays of gold from 14 to 325 ppb, silver from 10.6 to 35.4 ppm, with copper to 872 ppm and combined lead and zinc to 2.1%.

- The Gossan Ridge soil grid (100m x 100m) was extended to the west and indicate a low-level precious metal anomaly over an area of about 1,300 meters x 100 to 400 meters with concentrations of gold to 66 ppb, silver to 9.5 ppm, lead to 2,163 ppm, and zinc to 3,223 ppm.
- Pan concentrates collected from the head of Quartz Creek yielded visible grains of gold and values of uranium to 186.2 ppm and thorium to 685.9 ppm.
- Significant molybdenum-uranium mineralization was found in silicified, syenite breccia at the Peace River Prospect where rock samples gave concentrations of molybdenum from 587 to 632 ppm, uranium from 65.8 to 131.9 ppm, and silver to 4.0 ppm. Two rock samples collected near this site in 2005 assayed 1,111 and 1,159 ppm molybdenum with copper to 561 ppm copper and silver to 5.1 ppm.
- Pan samples of alluvial gravels within old placer workings on Dime Creek yielded grades of 1.4 to 3.5 grams of coarse gold per cubic meter. Assays of the pan concentrates yielded platinum from 0.63 to 9.23 g/t and chromium to 1.2%. Documentation of early mining indicates that the placer gold found on Dime Creek is of unusually high purity, averaging 960 fine. The high purity of the placer gold and the presence of platinum and chromium in the concentrates suggests the presence of mineralized plutonic rocks within the drainage.
- Two other gold prospects were found in scout sampling with gold assays as high as 3.48 g/t in soils collected near an exposure of silicified volcanic rocks.

Four small-diameter (BXTW), diamond drill holes were also completed for a total of 2,970 feet during 2006 and the final results from the split core samples have been received. All drill holes intersected well mineralized, hydrothermally altered volcanic rocks, intruded by dikes or sills of syenite and granodiorite, and both invaded by later swarms of narrow rhyolitic to dacitic dikes. Alteration patterns exhibit propylitic, sericitic, and potassic assemblages going into the plutonic rocks. The volcanic rocks are composed of clastic flows, from fine-grained tuffs and siltstones to coarse sandstones. The volcanoclastic country rocks display brittle fracture and have high to very high quartz and quartz-carbonate vein densities. These rocks are considered to be ideal hosts for deposition of fracture-filling mineralization.

The best results were found in Hole 3 (KW06-03), drilled to a depth of -499 feet at an angle of -60° to explore the contact zone of the volcanic country rock and altered intrusive rocks at the Saddle Prospect. Significant base metal mineralization was intersected at the surface. From -5 feet to -110 feet, six 5-ft intervals exceeded 1,000 ppm lead (up to 6,600 ppm) and twelve intervals exceeded 1,000 ppm zinc with three intervals exceeding 10,000 ppm (1.1% to 2.3%) zinc and silver is present to 10.2 grams per ton. Within this section is a higher grade zone, with average values summarized as:

#### Saddle Prospect

Drill Hole (ft)	From (ft)	To (ft)	Length	Lead (ppm)	Zinc (ppm)	Silver (ppm)
KW06-03	-70	-105	35	2,374	9,396	5.1

Hole 2 (KW06-02) was placed at the Quartz Pluton Prospect, located ~2,000 meters south of Hole 3, and was also drilled at an angle of -60° to explore the contact zone to a depth of 767 feet. This hole intersected rocks similar to Hole 3 and penetrated a stibnite rich zone from -260 feet to -420 feet where seventeen 5-ft intervals exceeded 100 ppm antimony with two intervals exceeding 4,000 ppm. Towards the base of the antimony zone, vein densities increase and the

volcaniclastic andesite is intruded by dacite breccia with a narrow zone of gold mineralization from -395 to -405 feet. Assays for gold average 0.28 grams per ton and silver average 9.15 grams per ton within the breccia zone.

Jeff Keener, project geologist, has noted that polymetallic mineralization has been traced for 17 kilometers along the Kiwalik Mineral Trend and that the evidence gathered so far, suggests the possibility of locating porphyry-related epithermal and mesothermal vein deposits, as well as intrusive-hosted gold and molybdenum deposits on the Granite Mountain mining claims. In addition, Mr. Keener believes the Dime Creek alluvial gold and platinum deposit has a high potential for development and production. Keener recommends a 9,000 feet drilling program with details of the 2007 exploration program to be announced.

### ***2.3 Development of Business***

Since our inception and during the two fiscal years ending in February 2006, we had been involved in oil and gas exploration/production and mineral property development. We have investigated several mineral properties in Canada, the United States and more recently in China.

We are currently in the development stage and equity financing is required to continue development and commercial exploitation of the software. As a result of the uncertainty that is typical in a development stage company there is doubt about our ability to continue as going concern as ultimate success will be based on securing adequate equity financing and/or the attainment of a commercially profitable business.

### ***2.4 Long Term Objectives***

Our principal long term objectives are to joint venture and explore our mineral properties in Northern B.C., Alaska and China. The Company has acquired a 100% interest in the TY and ORO properties in B.C. and has a 50% interest in the Fish Creek property in Alaska, which is optioned to Teryl Resources Corp. We acquired an option to earn a 100% in the private company that has a Co-Operative joint venture on several known gold zones with Bo Luo Nuo Wang Yuan Gold Mine Company in the Hebei Province, China. We have several mineralized areas in western Alaska, near Granite Mountain on the eastern Seward Peninsula.

Our long term goals is to raise capital to further develop the Granite Mountain properties as stated in our phase 2 program of \$325,000 or the Company will investigate entering into a joint venture agreement where the joint venture partner will pay the costs required pursuant to the 43-101 report.

### ***2.5 Short Term Objectives and How We Intend to Achieve Them***

Our business objective for the next 12 months is to complete this offering and to continue the exploration program on the Granite Mountain property. To explore the Dime Creek Au-Pt sampling and the Quartz Creek Au-U sampling with 2 geologists and R44 helicopter on-standby from the Granite Mountain airstrip (7 days on-site, possibly avoiding the \$2,500 permit from the Northwest Arctic Borough), the preliminary estimated total cost is \$75,000.

The following table discloses how we intend to meet those objectives for the next 12 months.

What we must do and how we will do it	Target completion date or, if not known, number of months to complete	Our cost to complete (US)
Commence the exploration program during the summer months.	3 months to be completed in the summer months.	\$325,000

## ***2.6 Insufficient Proceeds***

The proceeds of the offering will not be sufficient to accomplish all of our proposed objectives and there is no assurance that alternative financing will be available. Additional financing will be required to complete the sampling program. Funds can be raised through additional financing, or in the event that the Warrants which make up the Units, are exercised, in which case an additional \$1,000,000 to \$1,200,000, dependant upon the exercise price of the warrants, may be raised which would be sufficient to finance the sampling program.

## ***2.7 Material Agreements***

The following summarizes the material agreements to which we are a party:

### **Fish Creek Joint Venture Agreement**

On March 5, 2002 we announced that a joint venture has been completed for a 50% interest in 30 Fish Creek claims in Alaska based on the following terms and conditions. Teryl Resources Corp. will issue 200,000 treasury shares of its common shares, which shares were issued on December 16, 2002, and will give to Linux Gold Corp. a 5% royalty interest until \$2,000,000 U.S. has been received from the royalty payments. Teryl Resources Corp. may purchase the 5% net royalty for \$500,000 U.S. within 1 year after production. Teryl also agrees to expend a minimum of \$500,000 U.S. after three years from the date of the agreement.

On November 4, 2002, we amended the March 5, 2002 agreement with Teryl Resources Corp. We agreed that in consideration for receiving a mining license which was not disclosed to us at the time of the March 5, 2002 agreement, both parties agreed to grant Linux a back in working interest for a 25% interest in the mining lease after Teryl completes the US\$500,000 expenditures.

In March 2005, the joint venture agreement was extended until March 5, 2007. Other than the extension, all other terms remain the same. Subject to regulatory approval, Teryl shall issue 100,000 shares of its common stock to Linux Gold Corp. as consideration for the extension.

## **Item 3 Directors, Management, Promoters and Principal Holders**

### ***3.1 Compensation and Securities Held***

The following table provides the specified information about each director, officer and promoter of the Company and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company (a "principal holder"). If the principal holder is not an individual, we have stated in a note to the table the name of any person or company that, directly or indirectly, beneficially owns or controls more than 50% of the voting rights of the principal holder.

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the issuer held after completion of min. offering	Number, type and percentage of securities of the issuer held after completion of max. offering
<b>John Robertson</b> Richmond, B.C.	President, CEO and Chairman of the Board and Director of the Company since 1979; President of Reg Technologies since 1984; of SMR Investments Ltd. since 1979, of Rand Energy Group Inc. since 1993, of Access Information Services Inc. since 1993, President of Teryl Resources Corp., President of REGI U.S., Inc., President of IAS Communications, Inc., of Information-Highway.com, Inc. since 1995.	(3) (4) / (3) (4)	1,426,156 common shares (directly) 8,482 common shares (indirectly) (1) 2.0%	1,434,638 common shares (1) 1.9%
<b>Jennifer Lorette</b> Richmond, B.C.	Became a director of the Company on November 2, 2000; Director and Vice President of Teryl Resources Corp. since 2001; Vice President of Administration and Secretary of Reg Technologies Inc. since 1994 and a director and Secretary of the Reg Technologies Inc. since 2001 Vice President of REGI U.S., Inc. Secretary and director of Information Highway.com, Inc.; and Secretary of IAS Communications, Inc.	Nil / Nil	88,100 common shares 0.2%	88,100 common shares 0.2%
<b>Susanne Robertson</b> Richmond, B.C.	Became a director of the Company in August 2001; Businesswoman; Director of Teryl Resources Corp., Director of SMR Investments Ltd., and Director of Reg Technologies Inc.	Nil / Nil	797,000 common shares (directly) 4,666,772 common shares (indirectly) (2) 7.6%	5,463,772 (2) 7.6%
<b>Monique van Oord</b> North Vancouver, BC	Director of Teryl Resources Corp. Became a director of the Company in August 2004; Businesswoman.	Nil / Nil	25,000 common shares	25,000 common shares

- (1) includes 8,482 common shares registered in the name of Access Information Services, Ltd., a corporation controlled by the Robertson Family Trust. Mr. Robertson is one of three trustees of the Robertson Family Trust, which acts by the majority vote of the three trustees. Mr. Robertson disclaims beneficial ownership of the shares owned or controlled by the Robertson Family Trust.
- (2) includes 4,666,772 common shares registered in the name of SMR Investments Ltd.
- (3) The Company accrued \$12000 as a Director's fee payable to the President of the Company
- (4) Pursuant to a management services agreement, the Company accrued management fees of \$30,000 and rent of \$6,000 to a company controlled by the President of the Company.

Current information regarding the securities held by directors, senior officers and principal holders can be obtained from the SEDI website at [www.sedi.ca](http://www.sedi.ca). The Company cannot guarantee the accuracy of this information.



**3.2 Management Experience** - The following table discloses the principal occupations of the directors and senior officers over the past five years. In addition, for each individual, we have described any relevant experience in a business similar to the issuer's.

Name	Principal occupation and related experience (see above)
<b>John Robertson</b>	Businessman
<b>Jennifer Lorette</b>	Businesswoman
<b>Susanne Robertson</b>	Businesswoman
<b>Monique van Oord</b>	Businesswoman

### **3.3 Penalties, Sanctions and Bankruptcy**

There have been no penalties or sanctions that have been in effect during the last 10 years against any director, senior officer or control person of the issuer, or an issuers of this a person or company referred to above was a director, senior officer or control person at the time.

Further, there has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any (i) director, senior officer or control person of the issuer, or (ii) issuer of which a person or company referred to in (i) above was a director, senior officer or control person at that time.

## **Item 4: Capital Structure**

### **4.1 Share Capital – Outstanding Securities**

The following represents the outstanding securities of the issuer (including options, warrants and other securities convertible into shares) other than debt:

Description of security	Number authorized to be issued	Number outstanding as at [a date not more than 30 days prior to the offering memorandum date]	Number outstanding after min. offering	Number outstanding after max. offering
Common	200,000,000	72,775,089	72,775,089	80,775,089
Options	7,277,508	2,443,750	2,443,750	2,443,750
Warrants	N/a	4,811,427	4,811,427	8,811,427

### **4.2 Long Term Debt**

We have no long-term debt.

### 4.3 Prior Sales

The issuer has issued the following securities of the class being offered under the offering memorandum (or convertible or exchangeable into the class being offered under the offering memorandum) within the last 12 months:

Date of issuance	Reason for Issuance	Type of security issued	Number of securities issued	Price per security	Total funds received (US \$)
April 2, 2007	Convertible Debenture - Conversion	Common Shares	695,838	US\$0.2017	N/a
March 30, 2007	Exercise of Options	Common Shares	62,500	US\$0.10	US\$6,250
March 1, 2007	Convertible Debenture - Conversion	Common Shares	616,652	US\$0.2276	n/a
March 1, 2007	Exercise of Option	Common Shares	150,000	US\$0.10	US\$1,500
February 22, 2007	Exercise of Warrant	Common Shares	50,000	US\$0.25	US\$12,500
February 20, 2007	Exercise of Warrant	Common Shares	2,500	US\$0.25	US\$625
February 1, 2007	Convertible Debenture - Conversion	Common Shares	614,492	US\$0.2284	n/a
December 14, 2006	Convertible Debenture - Conversion	Common Shares	701,751	US\$0.40	n/a
December 1, 2006	Convertible Debenture - Conversion	Common Shares	701,751	US\$0.40	n/a
November 1, 2006	Convertible Debenture - Conversion	Common Shares	334,166	US\$0.40	n/a
October 11, 2006	Exercise of Stock Options	Common Shares	12,500	US\$0.10	US\$1,250
September 7, 2006	Convertible Debenture - Conversion	Common Shares	52,631	US\$0.40	n/a
September 6, 2006	Convertible Debenture - Conversion	Common Shares	181,285	US\$0.40	n/a
August 10, 2006	Exercise of Stock Options	Common Shares	55,000	US\$0.18	US\$9,900
August 2, 2006	Exercise of Stock Options	Common Shares	6,250	US\$0.20	US\$1,250
June 6, 2006	Exercise of Stock Options	Common Shares	150,000	US\$0.30	US\$45,000
May 15, 2006	Exercise of Stock Options	Common Shares	25,000	US\$0.10	US\$1,250
May 11, 2006	Exercise of Stock Options	Common Shares	6,250	US\$0.10	US\$625
April 26, 2006	Exercise of Stock Options	Common Shares	12,500	US\$0.10	US\$1,250
April 20, 2006	Exercise of Stock Options	Common Shares	6,250	US\$0.20	US\$1,250
April 17, 2006	Exercise of Stock Options	Common Shares	50,000	US\$0.10	US\$5,000

## **Item 5 Securities Offered**

**5.1 Terms of Securities-** The material terms of the securities being offered are as follows:

Units, consisting of one treasury share of common stock and one half share purchase warrant. Two ½ warrants shall entitle the holder to purchase one additional share of common stock at a price of \$0.25 in the first year and \$0.30 in the second year from the date the units are issued.

The Warrants forming part of the Units will contain, among other things, provisions for appropriate adjustment in the class, number and price of shares issuable pursuant to any exercise thereof upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the common shares of the Issuer, the payment of stock dividends or the amalgamation of the Issuers. The Warrants will be non-transferable.

### **5.2 Subscription Procedure**

If you wish to subscribe for any of the Units being offered by the Issuer, you must execute and deliver to the Issuer at 240 – 11780 Hammersmith Way, Richmond, B.C. V7A 5E9 the following:

1. A completed Subscription Agreement
2. A completed copy of a Risk Acknowledgement (Form 45-106F4) – you should keep a signed copy of this form
3. A certified cheque or bank draft in the amount of your investment payable to “Linux Gold Corp.”

We will hold your subscription funds in trust until midnight on the second business day after the day on which we received your signed subscription agreement.

We have the right to accept or reject subscriptions in whole or in part at our discretion and to close the subscription books at any time without notice. If we determine not to accept your subscription, we will promptly return your subscription funds.

We expect to close the offering before February 28, 2007. However, we may close the offering on an earlier or later date as we may determine.

At the closing of the offering we will deliver to you certificates representing fully paid and non-assessable common shares and warrants, provided you have paid the subscription price in full.

## **Item 6 Income Tax Consequences and RRSP Eligibility**

- 6.1 You should consult your own professional advisers to obtain advice on the tax consequences that apply to you.
- 6.2 There are no material income tax consequences relating to an investment in the Units offered hereunder.
- 6.3 Not all securities are eligible for investment in a registered retirement savings plan (RRSP). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities.

## ***Item 7 Compensation Paid to Sellers and Finders***

We agree to pay a cash fee or compensation to persons who may introduce investors to the Company, in accordance with securities laws. This fee is generally eight percent (8%) of the total subscription received. If this Offering is fully subscribed, we may pay up to US\$80,000 in finder's fees.

## ***Item 8 Risk Factors***

### **Investment Risks:**

#### **Our Securities are Speculative**

The purchase of these Units is highly speculative. You should buy them only if you can bear the risk of losing some or all of your investment and do not need immediate liquidity from your investment. An investment in the Units should not constitute a major portion of your portfolio. You should consult your own independent advisors as to the tax, business and legal considerations of an investment in our securities.

#### **Lack of Active Liquid Market**

Although our securities trade on the OTC BB, there may not always be an active liquid market for our securities meaning you may not be able to sell them when you want or at all or you may not be able to sell them at a price that you believe reflects the value of your securities.

**Volatility of The Over-the-Counter Bulletin Board ("OTC BB") may adversely affect the price of the Common Stock.** Certain stocks listed on the OTC BB have recently experienced significant price and volume fluctuations and decreases which have adversely affected the market price of our and other stocks listed on the OTC BB without any regard to the underlying fundamentals of such stocks. These broad market fluctuations, which may occur in the future, may continue to adversely affect the market price of the Common Stock.

#### **Resale Restrictions**

The Units offered hereunder are subject to certain statutory hold periods. See Item 10. There can be no assurances as to the market for the shares following the expiration of the hold period.

### **Issuer Risks:**

**Our Limited and Changing Operating History.** We initially focused the business of the Company on natural resource development. We changed direction becoming involved in the information technology industry to take advantage of the booming technology sector and the declining precious metals markets. We were not successful in that industry segment. We have returned our focus on mining and exploration.

**Financing Risks.** There is no assurance that we will be able to secure the financing necessary to explore, develop and produce our mineral properties.

We do not presently have sufficient financial resources or operating cash-flow to undertake solely all of our planned exploration and development programs. The development of our properties may therefore depend on obtaining a joint venture partners, and on our ability to obtain additional required financing.

There is no assurance we will be successful in obtaining the required financing, the lack of which could result in the loss or substantial dilution of our interests (as existing or as proposed to be acquired) in our properties as disclosed herein. In addition, we have no experience in developing mining properties into production and its ability to do so will be dependent upon securing the services of appropriately experienced personnel or entering into agreements with other major mining companies which can provide such expertise.

Our ability to continue as a going concern is dependent on continued financial support from our shareholders and other related parties, our ability to raise equity capital financing, and the attainment of

profitable operations, external financings and further share issuance to satisfy working capital and operating needs.

**Significant Losses for the Foreseeable Future.** We expect to incur significant losses for the foreseeable future and cannot be certain when or if we will achieve profitability. Failure to become and remain profitable will adversely affect the value of our Common Shares and our ability to raise capital and continue operations.

**We do not expect to pay cash dividends.** We intend to retain any future earnings to finance our business and operations and any future growth. Therefore, we do not anticipate paying any cash dividends in the foreseeable future.

**Potential lack of attractive investment targets.** Continued volatility of stock prices on the OTC BB may have a material adverse effect on our ability to raise capital on the OTC BB or by private investment, and the price of our common stock could fluctuate substantially.

**Conflict of Interest.** Some of our current officers and directors have other unrelated full-time positions or part-time employment. Some officers and directors will be available to participate in management decisions on a part-time or as-needed basis only. Our management may devote its time to other companies or projects which may compete directly or indirectly with us.

### **Industry Risks:**

**Exploration and Development Risks.** There is no assurance given by the Company that our exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body. The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, none of the Registrant's properties have defined ore bodies with reserves and resources, and the proposed exploration programs are an exploratory search for ore. There is no assurance that our mineral exploration and development activities will result in any discoveries of bodies of commercial ore.

Unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. We have relied and may continue to rely upon consultants and others for construction and operating expertise. The economics of developing gold and other mineral properties are affected by many factors including capital and operating costs, variations of the grade of ore mined, fluctuating mineral markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the price of gold or other minerals produced, we may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining.

No assurance can be given that funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond our control and which cannot be accurately foreseen or predicted, such as market fluctuations, the global marketing conditions for precious and base metals, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection.

**Estimates of Mineral Deposits.** There is no assurance that any estimates of mineral deposits herein will not change. Although all figures with respect to the size and grade of mineralized deposits included herein have been carefully prepared by the Company, or, in some instances have been prepared, reviewed or verified by independent mining experts, these amounts are estimates only and no assurance can be

given that any identified mineralized deposit will ever qualify as a commercially viable mineable ore body that can be legally and economically exploited.

**Mineral Prices.** There is no assurance that mineral prices will not change. The mining industry is competitive and mineral prices fluctuate so that there is no assurance, even if commercial quantities of a mineral resource are discovered, that a profitable market will exist for the sale of same.

**Title Opinions.** The existence of title opinions should not be construed to suggest that we have good and marketable title to all of our properties. We follow the usual industry practice in obtaining title opinions with respect to our lands. No examination has been made of the ground to determine if the Fish Creek Claims has been staked or assessment work carried out.

**Regulatory Approvals.** Our operations require the procurement of numerous permits and compliance with an extensive number of codes and regulations. Mining, exploration and exploitation permits are required. While we believe that all requirements in this regard have been met, failure to comply with regulatory requirements could result in permits being withdrawn or suspended. Further, changes in these regulations or in their application may adversely affect our operations.

**Environmental Issues.** We must comply with environmental laws and regulations. There can be no assurance that violations will not occur. In the event of a future violation of environmental laws we could be held liable for damages and for the costs of remedial actions. Environmental laws could become more stringent over time imposing greater compliance costs and increasing risks and penalties associated with a violation.

**Other Factors.** Our areas of business may be affected from time to time by such matters as changes in general economic conditions, changes in laws and regulations, taxes, tax laws, prices and costs, and other factors of a general nature which may have an adverse effect on our business.

## **Item 9 Reporting Obligations**

### **9.1 Documents**

We will send you the following documents if you own common shares of the Company:

- Audited annual financial statements together with management's discussion and analysis of our performance during the year
- Management Proxy and Information Circulars for annual general meetings of our shareholders
- Interim financial statements together with management's discussion and analysis of our performance during the period, provided you have completed the request form for this purpose.

### **9.2 Corporate or Securities Information**

Additional information about our company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and the United States Securities and Exchange Commission website via EDGAR [www.secd.gov](http://www.secd.gov).

## **Item 10 Resale Restrictions**

### **Limited Transferability of Securities**

This Offering is being made on a private placement basis to investors who are eligible to purchase the Units on an exempt basis under, and subject to compliance with, applicable securities laws. Under applicable securities laws, all of the Units being offered hereby (the "Offered Securities") will be subject to restrictions on resale until such time as:

- (a) the appropriate “hold periods” have been satisfied and the holder of the Offered Securities has complied with other applicable requirements, including the filing of appropriate reports pursuant to applicable securities legislation;
- (b) a further statutory exemption may be relied upon by the holder of the Offered Securities; or
- (c) an appropriate discretionary order is obtained pursuant to applicable securities laws.

The foregoing is a summary only of resale restrictions relevant to subscribers of Units offered hereby. Therefore, all Subscribers under the Offering should consult with their legal advisors to determine the extent of the applicable hold period and the possibilities of utilizing any further statutory exemptions or the obtaining of a discretionary order.

It is the responsibility of each individual subscriber to ensure that all forms required by the applicable securities legislation are filed as required upon disposition of the Offered Securities.

The Units have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States unless registered under the U.S. Securities Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available. As a result, the Units may be offered, sold or otherwise transferred only (A) to the Company, (B) outside the United States in accordance with Regulation S, or (C) inside the United States in accordance with (i) the exemption from registration under the U.S. Securities Act provided by Rule 144, or (ii) another applicable exemption from registration under the U.S. Securities Act and any applicable state securities laws, as evidenced by an opinion of counsel of recognized standing in form acceptable to the Company.

The exemptions from registration and/or qualification relied upon by the Company for this Offering may be dependent, in part, upon the “investment intent” of the Investor and would not be available if any Investor were acquiring the Securities with a view to further sale or distribution. Therefore, all such Securities cannot be resold unless they are subsequently registered and/or qualified, or there are available exemptions from such registration and/or qualification requirements. The Company reserves the right to require an opinion of legal counsel satisfactory to it regarding the availability of resale exemptions to be provided by a proposed seller of such Securities.

Rule 144 under the Securities Act permits the public resale of Securities under certain conditions after a one-year holding period by the Investor, including requirements with respect to the manner of sale, sales volume restrictions, filing requirements and a requirement that certain information about the Company is publicly available. A non-affiliate of the Company who has held and fully paid for such Securities for two years may resell them without restrictions. In addition to the foregoing requirements of Rule 144 under the federal securities laws, the various state securities laws may impose further restrictions on the ability of a holder to sell or transfer the Shares.

**INVESTORS CONTEMPLATING A PURCHASE OF UNITS PURSUANT TO THIS OFFERING SHOULD SEEK INDEPENDENT LEGAL ADVICE REGARDING THE EFFECT OF THESE RESTRICTIONS.**

10.1 For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec and Saskatchewan, these securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

10.2 Restricted Period - For trades in New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Prince Edward Island, Québec and Saskatchewan, unless permitted

under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date Linux Gold Corp. becomes a reporting issuer in any province or territory of Canada.

For trades in Alberta, British Columbia unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the distribution date.

Manitoba Resale Restrictions - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser :

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless

- (a) Linux Gold Corp. has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

### **Item 11 *Purchasers' Rights***

If you purchase these securities you have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

1. **Two-Day Cancellation Right** – You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2<sup>nd</sup> business day after you sign the agreement to buy the securities.
2. **Statutory Rights of Action in the Event of a Misrepresentation** – If there is a misrepresentation in this Offering Memorandum you have a right to sue:
  - a) The Company to cancel your agreement to buy these securities, or
  - b) For damages against the Company, every person who was a director of the Company at the date of this Offering Memorandum and every other person who signed this Offering Memorandum.

If you elect to exercise your right of rescission against the Company, you will not have the right of action for damages.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the persons or companies that you have a right to sue. In particular, they have a defense if you knew of the misrepresentation when you purchased the securities.

In the case of an action for damages, the Company will not be liable for all or any part of the damages that it proves does not represent the depreciation in value of the securities resulting from the misrepresentation and in no case will the amount exceed the price at which the securities were offered to you under this Offering Memorandum.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 year after you signed the agreement to purchase the securities.



**3. Contractual Rights of Action in the Event of a Misrepresentation** - If there is a misrepresentation in this offering memorandum, you have a contractual right to sue the Issuer:

- (a) to cancel your agreement to buy these securities, or
- (b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Issuer proves does not represent the depreciation in value of the securities resulting from the misrepresentation. the Issuer has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation and 3 years after you signed the agreement to purchase the securities.

**Item 12 Financial Statements**

**LINUX GOLD CORP.**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

LINUX GOLD CORP.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)  
(Unaudited)

November 30, 2006

LINUX GOLD CORP.  
(An Exploration Stage Company)  
INTERIM CONSOLIDATED BALANCE SHEETS  
(Stated in Canadian Dollars)  
(Unaudited)

	November 30, 2006	February 28, 2006 (Audited)
<b>ASSETS</b>		
<i>Current</i>		
Cash and cash equivalents	\$ 414,980	\$ 396,049
Amounts receivable	55,552	53,417
Marketable securities	216,000	72,000
Prepaid expenses and deposits	22,769	10,999
Total Current Assets	\$ 709,301	\$ 532,465
Debt Issue Costs, net of amortization of \$21,880	183,362	—
<i>Property and Equipment (Note 5)</i>	17,306	10,175
Total Assets	\$ 909,969	\$ 542,640
<b>LIABILITIES</b>		
<i>Current</i>		
Accounts payable	\$ 7,495	\$ 142,943
Accrued liabilities	31,000	26,643
Accrued liabilities to related parties (Note 7(a))	27,105	88,815
Due to related parties (Note 7(b))	303,067	204,394
Total Current Liabilities	\$ 368,667	\$ 462,795
<i>Convertible Debentures, less unamortized discount of \$1,573,822 (Note 8)</i>	495,769	—
Total Liabilities	\$ 864,436	\$ 462,795
<i>Commitments (Note 11)</i>		
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock (Note 9)		
Authorized:		
200,000,000 common shares without par value		
Issued:		
69,179,605 common shares (2005 – 68,287,773 shares)	11,536,874	9,005,424
Donated Capital	346,795	295,195
<i>Accumulated Other Comprehensive Income (Loss)</i>	(114,000)	(8,000)
Deficit Accumulated from Prior Operations	(7,524,145)	(7,524,145)
<i>Deficit Accumulated During the Exploration Stage</i>	(4,199,991)	(1,688,629)
Total Stockholders' Equity	\$ 45,533	\$ 79,845
Total Liabilities and Stockholders' Equity	\$ 909,969	\$ 542,640

Approved by the Directors:

\_\_\_\_\_  
J. Robertson – Director

\_\_\_\_\_  
J. Lorette – Director

(The accompanying notes are an integral part of these consolidated financial statements)

LINUX GOLD CORP.  
(An Exploration Stage Company)  
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT  
(Stated in Canadian Dollars)  
(Unaudited)

	For the Three Months Ended November 30, 2006	For the Three Months Ended November 30, 2005	For the Nine Months Ended November 30, 2006	For the Nine Months Ended November 30, 2005
Revenue	—	\$ —	—	\$ —
General and Administrative Expenses				
Amortization	11,180	6,797	24,205	28,051
Consulting and subcontract	105,959	29,849	418,995	98,618
Filing and regulatory fees	4,199	2,838	23,631	12,258
Foreign exchange	(6,587)	(324)	(2,457)	1,503
Imputed interest (Note 7(b))	17,164	12,183	51,599	32,077
Interest expense (Note 8)	403,089	—	847,741	—
Management and directors fees (Note 7(a))	10,500	10,500	25,500	31,500
Office, rent and telephone	18,806	38,286	78,644	90,084
Professional fees	10,835	6,288	70,106	33,873
Travel and promotion	15,563	10,528	150,790	15,496
Less: Interest income	(12,563)	(71)	(31,298)	(2,403)
	578,145	116,874	1,657,456	341,057
Natural Resources				
Exploration costs	280,059	74,619	900,186	254,299
	280,059	74,619	900,186	254,299
Loss before the following:	(858,204)	(191,493)	(2,557,642)	(595,356)
Gain on write-off of debt	—	—	46,280	—
Net loss for the period	(858,204)	(191,493)	(2,511,362)	(595,356)
Deficit, Beginning of Period	(10,865,932)	(8,796,941)	(9,212,774)	(8,393,078)
Deficit, End of Period	\$ (11,724,136)	\$ (8,988,434)	\$ (11,724,136)	\$ (8,988,434)
Basic and Diluted Loss Per Share	(0.01)	\$ (0.00)	(0.04)	\$ (0.01)
Weighted Average Number Of Shares Outstanding	68,930,000	64,964,000	68,598,000	64,956,000

(The accompanying notes are an integral part of these consolidated financial statements)

LINUX GOLD CORP.  
(An Exploration Stage Company)  
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Stated in Canadian Dollars)  
(Unaudited)

	For the Three Months Ended November 30, 2006	For the Three Months Ended November 30, 2005	For the Nine Months Ended November 30, 2006	For the Nine Months Ended November 30, 2005
<b>Cash Flows Used In Operating Activities</b>				
Net loss for the period	\$ (858,204)	\$ (191,493)	\$ (2,511,362)	\$ (595,356)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization	11,179	6,796	24,204	28,051
Interest expense relating to accretion of convertible debt	361,381	—	806,033	—
Imputed interest	17,165	12,184	51,600	32,077
Stock-based compensation	54,209	—	72,667	—
	(414,270)	(172,513)	(1,556,858)	(535,228)
<b>Changes in operating assets and liabilities</b>				
Accounts receivable	(5,423)	(1,633)	(2,135)	(585)
Prepaid expenses	(17,086)	(87)	(11,770)	(9,357)
Accounts payable and accrued liabilities	(63,006)	46,817	(131,091)	40,365
Accrued liabilities to related parties	(29,111)	12,466	36,963	30,833
	(114,626)	57,563	(108,033)	61,256
	(528,896)	(114,950)	(1,664,891)	(473,972)
<b>Cash Flows Used In Investing Activities</b>				
Purchase of property and equipment	(9,456)	—	(9,456)	(337)
Marketable Securities	—	—	(250,000)	—
	(9,456)	—	(259,456)	(337)
<b>Cash Flows Provided By Financing Activities</b>				
Advances from related parties	—	33,954	—	55,512
Debt issue costs	—	—	(205,242)	—
Proceeds from Convertible notes	—	—	2,226,250	—
Repayment of debt	(158,122)	—	(158,122)	—
Proceeds from issue of common stock	1,421	23,288	75,670	23,288
	(156,701)	57,242	1,938,556	78,800
(Decrease) Increase in Cash and Cash Equivalents	(695,053)	(57,708)	14,209	(395,509)
Foreign exchange effect on cash	4,722	—	4,722	—
Cash and Cash Equivalents, Beginning of Period	1,105,311	60,632	396,049	398,433
Cash and Cash Equivalents, End of Period	\$ 414,980	\$ 2,924	\$ 414,980	\$ 2,924
<b>SUPPLEMENTAL DISCLOSURES</b>				
Interest paid	\$ 15,812	\$ —	\$ 15,812	\$ —
Income taxes paid	\$ —	\$ —	\$ —	\$ —
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>				
Cash in bank	\$ 50,478	\$ 424	\$ 50,478	\$ 424
Term Deposits	364,502	2,500	364,502	2,500
	\$ 414,980	\$ 2,924	\$ 414,980	\$ 2,924

(The accompanying notes are an integral part of these consolidated financial statements)

## 1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

The Company was incorporated February 27, 1979 in Canada under the British Columbia Company Act and was extra-provincially registered in the Province of Alberta on October 12, 1995.

The Company voluntarily de-listed from the Canadian Venture Exchange on December 14, 1999. The Company's stock currently trades on the Over the Counter Bulletin Board in the United States under the symbol "LNXGF".

On February 20, 2003, the shareholders approved a change of name to Linux Gold Corp. and increased the authorized share capital to 200,000,000 common shares without par value. The Company had been previously pursuing various business opportunities and, elective March 1, 2003, the Company changed its principal operations to mineral exploration. Accordingly, as of March 1, 2003, the Company is considered an exploration stage company.

## 2. INTERIM FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information, and are presented in Canadian dollars. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited interim consolidated financial statements have been prepared in accordance with the accounting principles and policies described in the Company's annual financial statements for the year ended February 28, 2006, and should be read in conjunction with those statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the nine-month period ended November 30, 2006 are not necessarily indicative of the results that may be expected for the year ended February 28, 2007.

## 3. COMPREHENSIVE INCOME (LOSS)

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive income (loss) and its components in the financial statements. As at November 30, 2006 and 2005, the Company's only component of comprehensive income (loss) was unrealized holding gains and losses on available for sale securities.

	Three Months Ended November 30 , 2006	Three Months Ended November 30, 2005	Nine Months Ended November 30, 2006	Nine Months Ended November 30, 2005
Net Loss for the period	\$ (858,204)	\$ (191,493)	\$ (2,511,362)	\$ (595,356)
Other comprehensive income (loss)				
Unrealized holding loss on investments	(96,000)	—	(114,000)	(22,000)
Comprehensive loss for the period	\$ (954,204)	\$ (191,493)	\$ (2,625,362)	\$ (617,356)

## 4. RECENT ACCOUNTING PRONOUNCEMENTS

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on their results of operations, financial position or cash flow.

(The accompanying notes are an integral part of these financial statements)

## 5. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	November 30, 2006 Net Carrying Value \$	February 28, 2006 Net Carrying Value \$
Computer hardware	25,358	25,358	—	—
Office furniture	10,864	1,206	9,658	510
Vehicle	15,531	7,882	7,649	9,665
	51,753	34,446	17,307	10,175

## 6. MINERAL PROPERTIES

### a) Alaska Mineral Properties

- i) Fish Creek Property: The Company owns a 50% joint venture interest in 30 claims located in the Fairbanks Mining Division, Alaska, USA, known as the Fish Creek Claims. During fiscal 2003, the Company optioned its 50% interest in the 30 Fish Creek Claims to Teryl Resources Corp. ("Teryl") (a related company). Under the terms of the agreement, Teryl issued 200,000 common shares to the Company at a fair value of \$80,000 and must expend \$500,000 over three years. The Company retained a 5% net royalty interest, until US\$2,000,000 has been received, and may convert into a 25% working interest. The Company entered into an amending agreement with Teryl to extend the term of the original Fish Creek Claims agreement until March 7, 2007. Teryl will issue 100,000 common shares to the Company, and also agrees to expend a minimum of US\$500,000 within two years from the date of this amending agreement. All other terms of the original agreement remain the same.
- ii) Granite Mountain Property: The Company staked three claim blocks consisting of a total of 148 mining claims located in the State of Alaska.

### b) British Columbia Mineral Properties

- i. TY Property: The Company acquired the TY Area, TY Grid 2 and 3 (21 units) mineral claims located in the Lillooet Mining Division in British Columbia under the following terms and conditions:
  - a. The Company must pay \$30,000 in various stages to December 1, 2004 (paid).
  - b. The Company must issue 150,000 shares as follows: 100,000 upon signing the agreement and receiving regulatory approval (issued), and 50,000 shares upon completion of Phase III (issued).
  - c. The vendor will retain a 2% net smelter return interest ("NSR"). The Company may purchase the NSR for \$1,000,000 for each 1% prior to commercial production, in shares or in cash.

During the year ended February 29, 2004, the Company staked an additional three mineral claims representing 35 units.

(The accompanying notes are an integral part of these financial statements)



## 6. MINERAL PROPERTIES (continued)

### b) British Columbia Mineral Properties (continued)

ii. ORO Property: The Company acquired the ORO (20 units) claim in the Lillooet Mining Division in British Columbia under the following terms and conditions:

- a. The Company paid \$10,000 and issued 100,000 common shares.
- b. The vendor will retain a 2% net smelter return interest ("NSR"). The Company may purchase the NSR for \$1,000,000 for each 1% prior to commercial production, in shares or in cash.

During the year ended February 29, 2004, the Company staked an additional mineral claim representing 5 units. The President of the Company is the registered owner of the mineral properties. The Company is entered into a trust agreement stating that these mineral claims are held in trust on behalf of the Company. The Company has re-staked the TY property and acquired additional claims in the same area.

### c) China Mineral Property

On January 20, 2004, the Company acquired an option to purchase 100% of the shares of Ginyen Recovery Inc. Ginyen Recovery Inc. has an 85% interest in a co-operative joint venture with Bo Luo Neo Wang Yuan Gold Mine Company ("BLN Gold") of Heibei Province, China. BLN Gold holds an operational gold recovery mill; the right and license to operate all existing small mines in the district; the right to explore, develop and produce gold and silver in the district and options to expand to other districts.

To complete the option agreement, the Company must:

- i. pay \$55,000 as follows: \$10,000 upon regulatory approval; \$15,000 upon completion of Phase I; \$15,000 upon completion of Phase II; and a minimum of \$15,000 annually or 5% of net profits paid quarterly, which ever is greater.
- ii. issue 200,000 shares as follows: 50,000 upon regulatory approval (issued); 50,000 upon completion of Phase I; 50,000 upon completion of Phase II; and 50,000 upon completion of Phase III. The Company also issued 50,000 common shares as a finders' fee.
- iii. incur production expenses, subject to successful results in each phase, of \$500,000 as follows: \$160,000 (\$114,457 incurred) for Phase I; \$130,000 for Phase II; and \$210,000 for Phase III.

	Alaska Mineral Properties	British Columbia Mineral Properties	China Mineral Property	Nine Months Ended November 30, 2006
<i>Acquisition costs:</i>	\$ —	\$ —	\$ —	\$ —
<i>Exploration and development costs:</i>				
Staking and recording fees	116,395	—	—	116,395
Geological consulting	125,428	—	—	125,428
Assays	55,940	—	—	55,940
Field supplies	580,568	—	—	580,568
Transportation	21,855	—	—	21,855
<i>Incurred during the period</i>	\$ 900,186	\$ —	\$ —	\$ 900,186

(The accompanying notes are an integral part of these financial statements)

## 7. RELATED PARTY TRANSACTIONS

- a) All related party transactions have been measured at their exchange amounts and were considered to be fair market value transactions. The Company incurred the following transactions during the nine month period:
- i. Pursuant to a management services agreement, the Company paid management fees of \$22,500 (2005 - \$22,500), to a company where the President of the Company is a director. These amounts have been included in accrued liabilities at November 30, 2006.
  - ii. The Company paid a director's fee of \$9,000 (2005 - \$9,000) to the President of the Company.
  - iii. Refer to Note 6(a) for a joint venture agreement with a related company.
  - iv. Refer to Note 6(b) for ownership of mineral claims.
  - v. At November 30, 2006, the Company is indebted to a company where the President of the Company is a director in the amount of \$23,925 (2006 - \$88,815), representing unpaid rent and management fees. These amounts are non-interest bearing, unsecured and have no specific terms of repayment.
- b) Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. Imputed interest, at 15%, totalling \$51,599 (November 30, 2005 - \$32,077) was charged to operations and treated as donated capital. Unless otherwise indicated, the following table represents companies controlled by the President and CEO of the Company or companies where he is the President and CEO.

	February 28 2006	Advances/ (Repayments)	November 30, 2006
Access Information Services, Inc.	\$ 48,287	\$ —	\$ 48,287
IAS Communications Inc.	(3,151)	—	(3,151)
JGR Petroleum, Inc.	66,099	—	66,099
J. Robertson, President and CEO	3,029	—	3,029
Rainbow Network	68,610	—	68,610
REGI U.S., Inc.	(38)	—	(38)
SMR Investments Ltd.	(18,658)	138,889	120,231
Teryl Resources Corp.	40,216	(40,216)	—
	<u>\$ 204,394</u>	<u>\$ 98,673</u>	<u>\$ 303,067</u>

## 8. CONVERTIBLE DEBENTURES

The Company completed a private placement financing of US\$2,000,000 on May 8, 2006 with several institutional investors consisting of secured convertible discount notes (the "Discount Notes") with a principal amount of US\$2,105,250. The Discount Notes were issued at a discount of 5%, are convertible into common stock at a conversion price of \$0.40 per share and mature on November 8, 2007. The Company received proceeds of US\$1,500,000 at first closing, and the remaining US\$500,000 was received upon the filing of a resale registration statement with the United States Securities and Exchange Commission which was filed on August 9, 2006 and became effective September 1, 2006. The investors received Series A warrants to purchase, in the aggregate, 5,000,000 shares of common stock at \$0.50 per share exercisable immediately for a term of five years, and Series B warrants to purchase, in the aggregate, an additional 2,500,000 shares of common stock at \$0.52 per share exercisable upon the earlier of one year after the effectiveness of the resale registration statement or ten years. The securities were issued in a private placement transaction pursuant to Section 4(2) of the Securities Act of 1933, as amended. The Company is obligated to file a registration statement registering the resale of shares of the Company's common stock issuable upon conversion of the Discount Notes and exercise of the Warrants. The Company received US\$1,815,000 net proceeds from this transaction. The funds will be used for continued exploration and development expenses on the Granite Mountain claims and for general working capital purposes. Effective October 1, 2006, the Company is required to redeem 1/15 of the principal amount per month. During the nine month period ended November 30, 2006, the Company redeemed \$314,986 of principal, of which \$158,122 was paid in cash and \$156,863 was paid by the issuance of 568,082 common shares.

(The accompanying notes are an integral part of these financial statements)

## 8. CONVERTIBLE DEBENTURES (Continued)

In accordance with EITF 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Company recognized the value of the embedded beneficial conversion feature of CDN\$963,670 (US\$864,866) as additional paid-in capital as the debt was issued with a fair value conversion feature. In addition, in accordance with EITF 00-27 "Application of Issue No. 98-5 to Certain Convertible Instruments", the Company allocated the proceeds of issuance between the convertible debt and the detachable warrants based on their relative fair values. Accordingly, the Company recognized the fair value of the detachable warrants of US\$1,135,134 (CDN\$1,262,580) as additional paid-in capital. The carrying value of the Discount Notes will be accrued to the face value of the remaining principal, after redemptions, of CDN\$2,343,373 (US\$2,105,254) to maturity. To November 30, 2006, interest expense of \$847,741 has been accreted increasing the carrying value of the Discount Notes to \$495,769, after redemptions.

## 9. COMMON STOCK

Authorized:

200,000,000 common shares without par value.

Issued:

	NUMBER OF SHARES	AMOUNT
Balance, February 28, 2006	68,287,773	\$ 8,770,394
Issued during the period:		
Exercise of options	323,750	75,670
Shares issued upon conversion of debentures	568,082	156,863
Balance, November 30, 2006	69,179,605	\$ 9,002,927

- a) During the nine month period ended November 30, 2006, the Company issued a total of 106,250 common shares upon the exercise of 106,250 stock options at US\$0.10 per share for cash proceeds of \$12,070.
- b) During the nine month period ended November 30, 2006, the Company issued 55,000 common shares upon the exercise of 55,000 stock options at US\$0.18 per share for cash proceeds of \$11,086.
- c) During the nine month period ended November 30, 2006, the Company issued 12,500 common shares upon the exercise of 12,500 stock options at US\$0.20 per share for cash proceeds of \$2,834.
- d) During the nine month period ended November 30, 2006, the Company issued 150,000 common shares upon the exercise of 150,000 stock options at US\$0.30 per share for cash proceeds of \$49,680.
- e) During the nine month period ended November 30, 2006, the Company issued 568,082 common shares upon the conversion of debentures with a principal amount of \$156,863.

(The accompanying notes are an integral part of these financial statements)

## 10. WARRANTS

A summary of the changes in the Company's share purchase warrants is presented below:

	November 30, 2006		February 28, 2006	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of year	4,811,027	US\$ 0.20	3,563,527	US\$ 0.21
Granted	7,500,002	US\$ 0.51	1,500,000	US\$ 0.25
Exercised	—	—	(92,500)	US\$ 0.25
Forfeited / Expired	(16,000)	US\$ 0.08	(160,000)	US\$ 0.23
Balance, end of period	12,295,029	US\$ 0.39	4,811,027	US\$ 0.20

## 11. STOCK OPTIONS

The Company has a stock option plan to issue up to 10% of the issued common shares to certain directors and employees. A summary of the changes in the Company's common share purchase options is presented below:

	November 30, 2006	
	Number	Weighted Average Exercise Price
Balance, February 28, 2006	2,443,750	US\$ 0.13
Granted	1,550,000	US\$ 0.35
Exercised	(348,750)	US\$ (0.20)
Forfeited / Expired	—	—
Balance, November 30, 2006	3,645,000	US\$ 0.22

Additional information regarding options outstanding as at November 30, 2006 is as follows:

Exercise prices	Outstanding			Exercisable	
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of shares	Weighted average exercise price
US\$ 0.00 – \$ 0.10	1,762,500	1.28	US\$ 0.10	1,762,500	US\$ 0.10
US\$ 0.11 – \$ 0.20	257,500	0.90	US\$ 0.18	257,500	US\$ 0.18
US\$ 0.21 – \$ 0.30	100,000	3.03	US\$ 0.29	100,000	US\$ 0.29
US\$ 0.31 – \$ 0.40	1,525,000	4.69	US\$ 0.35	1,525,000	US\$ 0.35
	3,645,000	2.73	US\$ 0.22	3,645,000	US\$ 0.22

(The accompanying notes are an integral part of these financial statements)

## 12. COMMITMENTS

- a) The Company signed a consulting agreement with CEOcast, Inc. on March 8, 2006 for investor relations services at \$7,500 per month for six months, and 350,000 shares of the Company common stock.
- b) The Company entered into a consulting agreement dated August 9, 2006 for the provision of financial development services. Under the terms of the agreement, the Company agreed to pay US\$1,000 per month plus expenses for a term of two years, and issue stock options for 1,000,000 common shares exercisable at US\$ 0.35 per share. The agreement may be terminated by either party before the end of the term by giving a 90-day written notice. During the nine month period ended November 30, 2006, consulting fees of \$16,714 (2005 - \$nil) were incurred.
- c) The Company entered into a consulting agreement dated August 9, 2006 for the provision of financial development services. Under the terms of the agreement, the Company agreed to pay expenses incurred for a term of two years, and issue stock options for 500,000 common shares exercisable at US\$ 0.35 per share. The agreement may be terminated by either party before the end of the term by giving a 90-day written notice. During the nine month period ended November 30, 2006, consulting fees of \$5,802 (2005 - \$nil) were incurred.
- d) The Company entered into a lease agreement dated September 7, 2006 for a term of three years commencing November 1, 2006 to October 31, 2009. Under the terms of the agreement, the Company will pay monthly rent of \$1,833.33 plus a proportionate share of operating costs. The Company shares the rentable area with related parties who reimburse the Company for 2/3 of the total monthly rental fee.


(The accompanying notes are an integral part of these financial statements)

ITEM 12      DATE AND CERTIFICATE

Dated: April 5, 2007

**This offering memorandum does not contain a misrepresentation.**


**LINUX GOLD CORP.**

  
\_\_\_\_\_  
John G. Robertson, President and CEO  
Director

\_\_\_\_\_  
Susanne Robertson, Director

  
\_\_\_\_\_  
Jennifer Lorette, Director

ON BEHALF OF THE BOARD


  
\_\_\_\_\_  
Monique van Cord, Director and CFO


ITEM 12 DATE AND CERTIFICATE

Dated: April 5, 2007

This offering memorandum does not contain a misrepresentation.


LINUX GOLD CORP.

  
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John G. Robertson, President and CEO  
Director

  
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Susanne Robertson, Director

ON BEHALF OF THE BOARD

  
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Jennifer Lorette, Director

  
\_\_\_\_\_  
Monique van Gard, Director and CFO