SUB CAPITAL INC.

MANAGEMENT DISCUSSION AND ANALYSIS
Three and six months ended October 31, 2010 and 2009

The Management Discussion and Analysis ("MD&A") of SUB Capital Inc. (the "Company" or "SUB") for the six months ended October 31, 2010 and 2009 has been prepared by management in accordance with the requirements of National Instrument 51-102 as of December 15, 2010 and should be read in conjunction with the interim financial statements and related notes thereto of the Company as at and for the six months ended October 31, 2010 and 2009 and the audited financial statements and related notes thereto of the Company, as at and for the years ended April 30, 2010 and 2009, which were prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting currency is the Canadian dollar, and all monetary amounts in this MD&A are expressed in Canadian dollars unless otherwise stated.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise, other than as required by applicable law.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

Company Overview

The Company was incorporated under the laws of Canada on November 9, 2005. Effective September 5, 2008, the Company was designated as inactive and its listing was transferred to the NEX Board of the TSX Venture Exchange ("Exchange"). On June 25, 2010, the Company entered into an option agreement to acquire a 75% interest in a property located in Saskatchewan. The transaction constituted as the Company's Change of Business under the policies of the Exchange. On September 23, 2010, the Company received Exchange acceptance of its Change of Business and effective September 24, 2010, the Company's common shares was transferred from the NEX Board to the Exchange as a Tier 2 Mining Issuer and commenced trading on the Exchange under the trading symbol "SUB". See "*Description of Business*".

The Company has also commenced trading on the Frankfurt Stock Exchange under the ticker symbol "SU9". The German Securities Number is "A1C8PL" and the international security identification number (ISIN) is CA8642642059.

Appointments

Effective October 20, 2010, Thomas Henricksen was appointed as a Director of the Company. Mr. Henricksen, PhD, brings over 35 years of experience to the Company in the mineral exploration industry, which includes over 20 years with Bear Creek Mining (BCM–V), Kennecott Exploration and Rio Tinto Exploration (RIOZ). During his tenure at Rio Tinto, he successfully discovered significant borate deposits in southern Bolivia, and acquired the Ollachea and Corani precious metal projects in Peru. In 2005, he recommended to Centenario Copper the acquisition of the Pelusa copper project in Chile, part of the Franke Copper Project, acquired and currently in production by Quadra Mining (QUX-T). Mr. Henricksen also served as Chief Geologist of Norsemont Mining Inc. (NOM-T), where he initiated and managed the exploration of the Constancia copper porphyry deposit. Currently, Mr. Henricksen is Chief Geologist for AQM Copper (AQM-V) in Peru, responsible for the initial exploration at Zafranal, a 50/50 Joint Venture with Teck Resources Ltd.

(TCK-Z) Mr. Henricksen holds a BSc. in Geology from the University of Wisconsin-Oshkosh and a PhD in Economic Geology from Oregon State University.

Effective November 1, 2010, Oliver W. Foeste was appointed as a Director of the Company. Mr. Foeste is a chartered accountant with over 10 years of experience in corporate structuring, acquisitions, financial reporting and corporate governance. He started his career with the accounting firm of Deloitte & Touche and obtained his CA designation in 2006. Mr. Foeste also provided business consulting services to entrepreneurial start-up operations. Mr. Foeste is director of finance and corporate secretary of Huntingdon Real Estate Investment Trust, a Vancouver-based TSX-listed issuer. Previously, he was U.S. Divisional Controller at Precision Drilling Trust, a leading TSX and NYSE listed, oilfield services provider based in Calgary, Alberta.

Description of Business

The Company is a junior mineral resource exploration company with a focus on the acquisition, exploration and development of mineral properties. It presently holds, or has the right to acquire a 75% interest in the Thorburn Lake Property (the "Property") located in Saskatchewan. In addition to the Company's ongoing work program on the Property, it continues to actively evaluate new potential projects.

The Thorburn Lake Property

On June 25, 2010, the Company entered into an option agreement with Unity Energy Corp. ("Unity") to acquire a 75% interest in the Property. Unity currently has an option to acquire a 100% undivided interest in the Property pursuant to an agreement dated February 22, 2010 with GWN Investment Ltd. ("GWN"). The Company may exercise the option by incurring exploration expenditures totaling 2,400,000 prior to February 22, 2014 ($200,000 on or before December 31, 2011), making a cash payment to Unity totaling $30,000 (paid) and making the underlying cash payments to GWN totaling $600,000 over a period of three years.

The Company has the right to terminate the Option at anytime by giving 30 days' notice subject to a requirement to meet any unsatisfied obligations that shall have accrued up until such termination.

The Property consists of one mineral disposition comprising approximately 4,966 hectares, located within the Athabasca Basin, in the La Ronge Mining District of Northern Saskatchewan. The Property is situated approximately 17 kilometers east of Cameco's Cigar Lake mine, the world's second largest known high-grade unconformity-related uranium deposit, with a NI 43-101-compliant Proven and Probable Mineral Reserves estimate of over 209 million pounds of U3O8. The target of interest on the Property is uranium mineralization located below, above, or across the major structural unconformity between Athabasca Basin sandstones and underlying meta-sedimentary rocks.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business and the present stage of exploration of its resource properties (which are primarily early stage exploration properties with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial

resources, operational experience and technical capabilities than the Company. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that any of its mineral properties could be mined at a profit.

Permits and Licenses: The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its mineral properties. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its properties, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Uninsured or Uninsurable Risks: Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary

losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral properties; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Share Price Volatility: During the past year, worldwide securities markets, particularly those in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Financing Risks: The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil

its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. Future property acquisitions and the development of the Company's properties will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing, short or long-term borrowings or other means. There is no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its properties. In particular, failure by the Company to raise the funding necessary to maintain in good standing its various option agreements could result in the loss of its rights to such properties.

Dilution to the Company's existing shareholders: The Company will require additional equity financing be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

Title: Although the Company has taken steps to verify the title to the mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Acquisition of Mineral Concessions under Agreements: The agreement pursuant to which the Company has the right to acquire a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. The Company does not presently have the financial resources required to complete all expenditure obligations under its property acquisition agreement over their full term. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations thereunder, with the result that the Company could forfeit its interest in one or more of its mineral properties.

Selected Annual Information

See annual management discussion and analysis for the year ended April 30, 2010, which is available at www.sedar.com.

Results of Operations

Three months ended October 31, 2010 compared with three months ended October 31, 2009

During the three months ended October 31, 2010, the Company reported a net loss of $71,596 compared to a net loss of $14,361 during the three months ended October 31, 2009, representing an increase in loss of $57,235. The increase in loss was primarily attributable to an increase in general and administrative expenses of $57,417 offset by an increase in interest income of $182.

General and administrative expenses increased by $57,417 from $14,361 during the three months ended October 31, 2009 to $71,778 during the three months ended October 31, 2010. The increase resulted from increases in amortization of $205, consulting and management fees of $14,745, interest and bank charges of $3,124, office, rent and administration of $2,541, regulatory fees of $6,956, stock-based compensation of $27,739, transfer agent and shareholder information of $3,126 and travel and promotion of $4,861 offset by an decrease in professional fees of $5,880.

The overall increase in general and administrative expenses was attributable to increased corporate activity as a result of the Company's Change of Business and related transactions such as private placement financings in April and May 2010 and management changes. During the three months ended October 31, 2009, the Company's operations were restricted to sustaining the NEX listing and seeking new business opportunities to reactivate the Company, hence, minimal operating expenses were incurred.

During the three months ended October 31, 2010, the Company recorded stock-based compensation of $27,739 for stock options granted to directors, officers and employees of the Company to purchase 136,000 shares at $0.22 per share for a period of ten years expiring September 23. The Company did not incur stock-based compensation costs during the three months ended October 31, 2009.

Six months ended October 31, 2010 compared with six months ended October 31, 2009

During the six months ended October 31, 2010, the Company reported a net loss of $99,775 compared to a net loss of $15,858 during the six months ended October 31, 2009, representing an increase in loss of $83,917. The increase in loss was primarily attributable to an increase in general and administrative expenses of $84,099 offset by an increase in interest income of $182.

General and administrative expenses increased by $84,099 from $15,858 during the six months ended October 31, 2009 to $99,957 during the six months ended October 31, 2010. The increase resulted from increases in amortization of $205, consulting and management fees of $22,245, interest and bank charges of $3,234, office, rent and administration of $6,602, professional fees of $1,533, regulatory fees of $10,406, stock-based compensation of $27,739, transfer agent and shareholder information of $6,324 and travel and promotion of $5,811.

The overall increase in general and administrative expenses was attributable to increased corporate activity as a result of the Company's Change of Business and related transactions such as private placement financings in April and May 2010 and management changes. During the six months ended October 31, 2009, the Company's operations were restricted to

sustaining the NEX listing and seeking new business opportunities to reactivate the Company, hence, minimal operating expenses were incurred.

During the six months ended October 31, 2010, the Company recorded stock-based compensation of $27,739 for stock options granted to directors, officers and employees of the Company to purchase 136,000 shares at $0.22 per share for a period of ten years expiring September 23. The Company did not incur stock-based compensation costs during the six months ended October 31, 2009.

Stock-based compensation expenses were charged against operations as follows:

	Six months ended October 31	
	2010	2009
	$	$
Management fees	10,198	-
Administration	17,541	-
	27,739	-

Summary of Quarterly Results

Quarter ended	Interest Income	Income (Loss)	Earnings (Loss) per share
	$	$	$
October 31, 2010	182	(52,237)	-
July 31, 2010	-	(28,179)	-
April 30, 2010	-	(157,567)	(0.03)
January 31, 2010	-	(58,954)	(0.02)
October 31, 2009	-	(14,361)	(0.02)
July 31, 2009	-	(1,497)	-
April 30, 2009	-	(82,341)	(0.01)
January 31, 2009	-	(41,397)	(0.02)

There are no general trends regarding the Company’s quarterly results and the variation seen over the quarters is primarily due to the Company’s change of business. Since the sale of substantially all of the Company’s assets and business operations in September 2008 (“Asset Sale”) and throughout the year ended April 30, 2010, the Company's operations have been restricted to sustaining its listing on the NEX and seeking new business opportunities. The quarterly results for the quarters ended January 31, 2009 and April 30, 2009 contain revenues and operating expenses related to business activities prior to the Asset Sale. The variation in these two quarters was largely attributable to professional or legal fees incurred during the quarter ended April 30, 2009 related to shares for debt transactions. The Company was designated as inactive and its listing was transferred to the NEX Exchange and these factors accounted for the variation in the Company’s net losses for the quarters ended July 31, 2009 and October 31, 2009. Management actively began searching for new business opportunities to reactivate the Company and there was an increase in operating expenses as a result of increased corporate activity related to property acquisition, financings and management changes. These are reflected in the quarters ended January 31, 2010 and April 30, 2010. In September 2010, the Company completed its property acquisition and its listing was transferred to the TSX Venture Exchange as a tier 2 mining issuer.

Liquidity and Capital Resources

The Company has financed its operations and met its capital requirements primarily through the sale of capital stock and from loans from related parties. The Company's main source of liquidity consisted of cash and cash equivalents. As at October 31, 2010, the Company had cash and cash equivalents of $375,545 representing an increase of $212,062 compared with cash and cash equivalents of $163,483 at April 30, 2010.

The Company's cash and cash equivalents at October 31, 2010 were held for working capital purposes and were invested primarily in Guaranteed Investment Certificates.

The Company reported working capital of $274,930 at October 31, 2010 as compared to working capital of $337,382 as at April 30, 2010, representing a decrease in working capital by $62,452. Cash and cash equivalents increased by $212,062 from $163,483 at April 30, 2010 to $375,545 at October 31, 2010. The increase in cash resulted mainly from net inflows of cash of $278,838 from private placements, $18,750 from exercise of warrants and $120,000 from loans offset by outflows of cash for operations of $139,238, acquisition of resource properties of $63,557 and purchase of equipment of $2,731.

Current assets excluding cash at October 31, 2010 consisted of amounts receivable of $25,048, prepaid expenses and deposits of $1,200 as compared to share subscription receipts in transit of $218,290 and amounts receivable of $10,439 at April 30, 2010.

During the six months ended October 31, 2010, the Company closed a non-brokered private placement of 805,001 units at $0.09 per unit for gross proceeds of $72,450. The Company paid a finder's fee consisting 80,500 common shares at a deemed price of $0.09 per share for a gross consideration of $7,245 and legal fees of $11,902 totaling $19,147.

During the six months ended October 31, 2010, 150,000 warrants at a price of $0.125 per unit were exercised for gross proceeds of $18,750.

During the year ended April 30, 2010, the Company closed a non-brokered private placement of 6,011,078 units at $0.09 per unit for gross proceeds of $540,997. The Company paid a finder's fee consisting 489,463 common shares at a deemed price of $0.09 per share for a gross consideration of$ 44,051 and legal fees of $27,000 totaling $71,051.

As at the date of this MD&A, the other source of funds currently potentially available to the Company are through the exercise of the following outstanding exercisable options:

Number of options	Exercise price	Expiry date
311,000	$0.135	February 15, 2015
600,000	$0.125	April 7, 2015
136,000	$0.220	September 23, 2020
1,047,000		

and the following share purchase warrants:

Number of warrants	Exercise price	Expiry date
125,000	$2.000	January 12, 2012
916,666	$1.500	May 9, 2012
343,686	$1.000	December 12, 2012
5,861,078	$0.125	April 28, 2011
805,001	$0.125	May 27, 2011
8,051,431		

However, there can be no assurance that these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the Exchange does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company presently has sufficient funds to continue its anticipated ongoing operations through the end of fiscal 2011. However, the Company will be required to raise additional capital in order to meet its obligations under its property option agreement for the next three years. Although the Company has previously been successful in raising the funds required for its operations, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company's overall success will be affected by its current or future business activities. The Company is in the process of acquiring and exploring its interests in a resource property and has not yet determined whether this property contain mineral deposits that are economically recoverable. The recoverability of expenditures incurred to earn an interest in this resource property are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the property, obtaining necessary financing to explore and develop the property, and upon future profitable production or proceeds from disposition of its resource property. See "*Risk Factors*".

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Transaction with Related Parties

The Company has entered into certain transactions with related parties during the three and six months ended October 31, 2010. All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Purpose of Transaction	Three Months Ended		Six Months Ended	
		October 31, 2010 $	October 31, 2009 $	October 31, 2010 $	October 31, 2009 $
Edward Kelly, Director, President & CEO	Management fees	3,750	-	7,500	-
James Harris, Secretary	Legal fees	14,553	-	28,443	-
Remstar Resources Ltd., a company with a common officer	Office, rent and administration (1)	8,300	-	11,000	-
Ultra Lithium Inc., a company with a common director and a common officer	Rent (2)	1,800	-	2,400	-
JLHLC Holding Inc., a company controlled by an officer of the Company	Loan to the Company (3)	60,000	-	60,000	-
	Interest on loan (3)	1,502	-	1,502	-

(1) The Company entered into a month-to-month arrangement for the rental of office premises and the provision of accounting, financial reporting and administrative services with Remstar Resources Ltd., a public company related by a common officer.

(2) The Company entered into a month-to-month arrangement for the rental of office premises with Ultra Lithium Inc., a public company related by a common director and a common officer.

(3) The Company received a short-term loan from JLHLC Holdings Inc., a company controlled by James Harris, pursuant to a loan agreement dated August 16, 2010. The loan has a term of one year maturing August 31, 2011 and bears interest at 12% per annum.

Included in prepaid expenses is a rent deposit of $1,200 (April 30, 2010 - $1,200) paid to companies having an officer in common.

Adoption of New Accounting Standards

(a) Fair Value Hierarchy

In 2009, the CICA amended 3862, Financial Instruments – Disclosures, to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosure. This amendment requires a three level hierarchy that reflects the significance of the inputs used in measuring the fair value as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

The amended section relates to disclosure only and did not have a material impact on the financial results of the Company.

Future Accounting Pronouncements

(a) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS, replacing Canadian GAAP, for fiscal years beginning on or after January 1, 2011 with early adoption permitted.

The Company will prepare its first consolidated financial statements in accordance with IFRS for the year ending April 30, 2012. In accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company will retrospectively apply IFRS, except for mandatory and elected optional exemptions from full retrospective application of IFRS as provided by IFRS 1.

Preparation of the first consolidated financial statements in accordance with IFRS will require presentation of comparative information in accordance with IFRS. Accordingly, the Company will be required to restate its balance sheet as at May 1, 2010 to comply with IFRS ("transition date").

The execution of the Company's IFRS conversion plan is underway, including the evaluation of the financial impact upon IFRS adoption, development of IFRS accounting policies, and redesign of business processes. The Company anticipates there will be changes in accounting policies and these changes may materially impact our consolidated financial statements but the impact cannot be reasonably estimated at this time. The Company does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required. However, the Company has initially determined that its accounting and financial reporting systems will not be significantly impacted.

The Company's transition to IFRS and conversion plan consist of three phases:

1. Planning and Scoping

This phase covered project planning and identification of differences between existing Canadian GAAP and IFRS which have been completed during the fourth quarter of 2010. The areas of accounting differences that have been identified that will potentially be impacted are impairment of assets, property, plant and equipment, share based payments and initial adoption of IFRS under the provisions of IFRS 1.

2. In-depth Analysis

This phase involves detailed evaluation of the financial impacts of various options and alternative methodologies available under IFRS, analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition to IFRS, compilation of IFRS disclosure requirements and development of required solutions to address identified issues.

3. Implementation and Review

This phase is expected to commence in the first quarter of 2011 and will include the preparation and reconciliation of opening balance sheet and collection of financial information required to complete IFRS compliant consolidated interim and annual financial statements.

First time adoption of IFRS

IFRS 1 generally requires that all IFRS standards and interpretations be accounted for on a retrospective basis. However, IFRS 1 provides for certain optional exemptions and other mandatory exceptions in specific areas of certain standards that do not require retrospective application of IFRS. The most significant IFRS optional exemptions which the Company is expected to apply are:

IAS 16, Property, Plant and Equipment	The Company has decided not to use an optional IFRS 1 election to measure its property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost, or use a previous GAAP revaluation of property, plant and equipment as its deemed cost at the transition date. Instead, the Company will retrospectively apply recognition and measurement requirements of IAS 16, Property, Plant and Equipment. Under IAS 16, the Company made an accounting policy choice to measure its property, plant and equipment after its recognition at its cost less any accumulated depreciation and any accumulated impairment losses.
IAS 39, Financial Instruments: Recognition and Measurement	As at transition date, the Company will not make any additional optional designations of financial instruments as available for sale, or financial asset or financial liability at fair value through profit or loss, unless such designation has been made on initial recognition of such instruments in accordance with IAS 39.

IFRS to Canadian GAAP differences

IAS 36, Impairment of Assets

Both Canadian GAAP and IFRS require an entity to undertake impairment testing where there is an indication of impairment. Annual impairment tests are required for goodwill and indefinite-lived intangible assets.

Canadian GAAP generally uses a two-step approach to testing a long-lived asset for impairment if an indication of impairment exists. The first step is a test for recoverability whereby the carrying value is compared to the undiscounted cash flows that the asset is expected to generate. If the undiscounted cash flows exceed the carrying amount, then no impairment charge is necessary. If the undiscounted cash flows are lower than the carrying amount of the asset, then the asset is written down to the estimated fair value, determined based on the discounted cash flows.

Under IFRS, if there is an indication of impairment the entity must compare the carrying value of the asset to the recoverable amount. Recoverable amount is defined as the higher of an asset less costs to sell and its value

in use. Value in use is the present value of the future cash flows expected to be derived from an asset. An impairment loss is recognized to the extent that the carrying value exceeds the recoverable amount. Unlike Canadian GAAP, IFRS requires impairment charges to be reversed if the circumstances leading to the impairment no longer exist.

The Company preliminarily assessed the carrying value of its exploration project in accordance with IAS 36 and found that no impairment losses are required to be recognized as at the transition date.

IFRS 2, Share-based payments

Canadian GAAP requires that share-based payments are measured at fair value and an expense recorded over the vesting period of the instrument. IFRS standards require each tranche in the grant to be amortized over their respective vesting period, and estimates of forfeiture rates are applied at the outset. The Company's accounting policy under IFRS is largely consistent with Canadian GAAP except for the initial inclusion of a forfeiture rate in the fair value estimation.

IFRS 6, Exploration for and Evaluation of Mineral Resources

Under Canadian GAAP, costs incurred in the acquisition, exploration, evaluation and development of mineral resources are capitalized as incurred. IFRS has no explicit guidance on the treatment of these costs. IFRS allows a company to set its accounting policy to expense or capitalize the costs incurred in the acquisition, exploration, evaluation and development of mineral resources. The Company's current accounting policy is likely to be maintained through transition with no differences anticipated.

The discussion above should not be regarded as a complete list of changes that will result from the Company's transition to IFRS. In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the applicable IFRS accounting standards at the transition date are known. The Company will continue to review new standards, as well as the impact of the new accounting standards, between now and the transition date to ensure all relevant changes are addressed.

(b) Business Combinations/Consolidated Financial Statements/Non-Controlling Interests

The AcSB issued CICA sections 1582, Business Combinations, 1601, Consolidated Financial Statements, and 1602, Non-Controlling Interests, which replaced sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Early adoption is permitted for these new standards. The Company does not expect the adoption of these sections to have a material impact on its consolidated financial statements.

Financial Instruments and Other Instruments

The Company manages its exposure to financial risks, including foreign exchange risk and interest rate risk, based on a framework to protect itself against adverse rate movements. All transactions undertaken are to support the Company's

ongoing business and the Company does not acquire or issue derivative financial instruments for trading or speculative purposes. The Company's Board of Directors oversees management's risk management practices.

As at October 31, 2010, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and loans payable.

Cash and cash equivalents are designated as held-for-trading and carried at their fair values. Amounts receivable are classified as loans and receivables and carried at their amortized cost. Accounts payable and accrued liabilities and loans payable are classified as other liabilities and carried at their amortized cost.

The fair values of these financial instruments approximate their carrying values due to their short-term nature and/or the existence of market related interest rate on the instruments.

The classification of the Company's financial instruments within the fair value hierarchy as at October 31, 2010 is included in Level 1.

The risk exposure is summarized as follows:

a) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The amounts receivable consist primarily of harmonized sales tax recoverable of $24,866 and interest receivable of $182.

b) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at October 31, 2010, the Company had cash and cash equivalents of $375,545 to settle current liabilities of $126,863 which consist of accounts payable that are considered short term and settled within 30 days and interest bearing loans which shall be repaid on or before August 31, 2011. The Company has sufficient capital to meet its requirements through the end of fiscal 2011.

c) Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents attract interest at floating rates and have maturities of 90 days or less. The Company's short-term investment is invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The interest on cash and GICs is typical of Canadian banking rates, which are low at present and the conservative

investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

(ii) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource property described in note 7 of these financial statements of which production is not expected in the near future.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting or any other factors during the period ended October 31, 2010, that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Summary of Outstanding Share Data

Authorized and issued common shares:

(a) Authorized:

Unlimited number of common shares without par value.

(b) Issued and fully paid:

	Number of Shares	Amount
Balance, April 30, 2009	3,118,498	$ 3,553,483
Common shares issued for cash	6,011,078	540,997
Finder's fees	489,463	44,051
Share issue costs	-	(71,051)
Balance, April 30, 2010	9,619,039	4,067,480
Common shares issued for cash	805,001	72,450
Finder's fees	80,500	7,245
Share issue costs	-	(19,147)
Cancellation of escrow shares	(109,245)	(42,931)
Exercise of warrants	150,000	18,750
Balance, December 15, 2010	10,545,295	$ 4,103,847

(c) Stock options:

As of December 15, 2010, the following stock options were outstanding:

Number of options	Exercise price	Expiry date	Exercisable
311,000	$0.135	February 15, 2015	311,000
600,000	$0.125	April 7, 2015	600,000
136,000	$0.220	September 23, 2020	136,000
1,047,000			1,047,000

(d) Warrants:

As of December 15, 2010, the following warrants were outstanding:

Number of warrants	Exercise price	Expiry date
125,000	$2.000	January 12, 2012
916,666	$1.500	May 9, 2012
343,686	$1.000	December 12, 2012
5,861,078	$0.125	April 28, 2011
805,001	$0.125	May 27, 2011
8,051,431		

Additional disclosures pertaining to the Company's prospectus, news release and other information are available on the SEDAR website at www.sedar.com.