

SUB CAPITAL INC.

(A Development Stage Company)

FINANCIAL STATEMENTS
(Stated in Canadian Dollars)

Three Months Ended July 31, 2010 and 2009

**SUB CAPITAL INC.
(the “Company”)**

**INTERIM FINANCIAL STATEMENTS
Three months ended July 31, 2010**

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of Company’s management.

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

September 23, 2010

SUB CAPITAL INC.

Balance Sheets

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

As at July 31, 2010 and April 30, 2010

	July 31, 2010	April 30, 2010
	\$	\$
ASSETS		
CURRENT		
Cash and Cash Equivalents	390,717	163,483
Share Subscription Receipts in Transit (Note 4)	-	218,290
Amounts Receivable	14,817	10,439
Prepaid Expenses and Deposits	4,896	-
Deferred Costs (Note 5)	10,545	-
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	420,975	392,212
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LIABILITY		
CURRENT		
Accounts Payable and Accrued Liabilities	51,224	54,830
SHAREHOLDERS' EQUITY		
Share Capital (Note 6(b))	4,085,097	4,067,480
Contributed Surplus (Note 7)	623,136	580,205
Deficit	(4,338,482)	(4,310,303)
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	369,751	337,382
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	420,975	392,212
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Nature of Operations and Going Concern (Note 1)

Change of Business (Note 11)

Subsequent Events (Notes 1, 11 and 12)

See accompanying notes to financial statements

SUB CAPITAL INC.

Statements of Operations and Deficit
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

	2010	2009
	\$	\$
EXPENSES		
Bank Charges	258	147
Consulting and Management Fees	7,500	-
Office, Rent and Administration	4,061	-
Professional Fees	8,762	1,350
Regulatory Fees	3,450	-
Transfer Agent and Shareholder Information	3,198	-
Travel and Promotion	950	-
	<u>28,179</u>	<u>1,497</u>
NET LOSS FOR THE PERIOD	(28,179)	(1,497)
Deficit, Beginning of the Period	<u>(4,310,303)</u>	<u>(4,077,924)</u>
DEFICIT, END OF THE PERIOD	<u>(4,338,482)</u>	<u>(4,079,421)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>-</u>	<u>-</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>10,247,165</u>	<u>3,042,045</u>

See accompanying notes to financial statements

SUB CAPITAL INC.

Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

	2010	2009
	\$	\$
NET LOSS FOR THE PERIOD	(28,179)	(1,497)
Other Comprehensive Income for the Period	-	-
COMPREHENSIVE LOSS FOR THE PERIOD	(28,179)	(1,497)

See accompanying notes to financial statements

SUB CAPITAL INC.

Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

	2010	2009
	\$	\$
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net Loss for the Period	(28,179)	(1,497)
Changes in Non-Cash Working Capital Accounts		
Amounts Receivable	(4,378)	283
Prepaid Expenses and Deposits	(4,896)	-
Accounts Payable and Accrued Liabilities	(3,606)	(58)
	<u>(41,059)</u>	<u>(1,272)</u>
FINANCING ACTIVITY		
Net Proceeds on Private Placement	<u>278,838</u>	-
INVESTING ACTIVITY		
Deferred Costs	<u>(10,545)</u>	-
INCREASE (DECREASE) IN CASH	227,234	(1,272)
Cash and Cash Equivalents, Beginning of the Period	<u>163,483</u>	<u>3,592</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>390,717</u>	<u>2,320</u>

See accompanying notes to financial statements

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 1 – NATURE OF OPERATIONS

SUB Capital Inc. (the "Company") was incorporated under the laws of Canada on November 9, 2005. The Company's is currently designated as inactive and its shares are currently trading on the NEX Exchange. The Company's main focus is to identify a business, property or an asset with the objective of acquiring them or an interest therein.

On November 25, 2009, the Company consolidated its capital stock on a ten-for-one basis. All share and per share information contained in these financial statements reflect the post-consolidated share numbers.

On June 25, 2010, the Company entered into an option agreement to acquire a 75% interest in a property located in Saskatchewan. The proposed transaction will constitute as the Company's Change of Business under the policies of the TSX Venture Exchange ("Exchange"). If the acquisition is completed, the Company will be classified as a Tier 2 Mining Issuer of the Exchange. Subsequent to July 31, 2010, the Company received Exchange acceptance of the Change of Business. See Note 11.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. As at July 31, 2010, the Company had not yet achieved profitable operations, has working capital of \$369,751 (April 30, 2010 - \$337,382) and accumulated losses of \$4,338,482 since inception and expects to incur further losses in the development of its business. The Company expects that sufficient liquidity and additional financing will be available to meet its obligations during the period ending March 31, 2011. However, there can be no assurances that the Company will be able to obtain additional financial resources necessary and/or achieve profitability or positive cash flows. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying financial statements.

NOTE 2 – BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The unaudited interim financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended April 30, 2010.

The accounting policies followed by the Company are set out in note 2 to the audited financial statements for the year ended April 30, 2010 and have been consistently followed in the preparation of these financial statements.

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

a) International Financial Reporting Standards (“IFRS”)

In February 2008, the CICA confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 01, 2011 with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter ended July 31, 2011, with restatement of comparative information presented. The conversion to IFRS will impact the Company’s accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also impact business activities, such as foreign currency activities, certain contractual arrangements, capital requirements and compensation arrangements.

The Company has completed a preliminary assessment of how each IFRS standard impacts the financial statements. It was initially determined that the area of accounting difference that will likely be impacted based on existing IFRS will be impairment of assets and the initial adoption of IFRS under the provisions of IFRS 1 “First-Time Adoption of IFRS”. In addition, the Company anticipates a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required.

b) Business Combinations

CICA Handbook Section 1582, “Business Combinations”, replaces Section 1581, “Business Combinations”, and provides the Canadian equivalent to International Financial Reporting Standards (“IFRS”) 3 – “Business Combinations”. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. Early adoption is permitted. The Company does not expect to adopt this standard prior to January 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

c) Consolidations and Non-Controlling Interests

Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-Controlling Interests”, replace Section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), “Consolidated and Separate Financial Statements”. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company does not expect to adopt this standard prior to January 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

NOTE 4 – SHARE SUBSCRIPTION RECEIPTS IN TRANSIT

On April 28, 2010, the Company issued 2,425,444 common shares at \$0.09 per share pursuant to a private placement which the Company’s lawyer was holding against payments in transit of \$218,290. The full amount was received during the three months ended July 31, 2010.

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 5 – DEFERRED COSTS

As at July 31, 2010, the Company recorded \$10,545 (April 30, 2010 - \$nil) in deferred costs related to its proposed property acquisition or Change of Business (Note 11). These costs will be deferred until the completion of the Change of Business, at which time the costs will be recorded under resource property or charged to operations if the transaction does not complete. Any costs which do not directly relate to the property acquisition are expensed as incurred.

NOTE 6 – SHARE CAPITAL

a) Authorized

Unlimited Number of Voting Common Shares without Par Value

b) Issued and Outstanding

	Number of Common Shares	Amount \$
Balance, April 30, 2009	3,118,498	3,553,483
Shares Issued for Cash (i)	6,011,078	540,997
Finder's Fees (i)	489,463	44,051
Share Issue Costs	-	(71,051)
Balance, April 30, 2010	<u>9,619,039</u>	<u>4,067,480</u>
Shares Issued for Cash (ii)	805,001	72,450
Finder's Fees (ii)	80,500	7,245
Share Issue Costs	-	(19,147)
Cancellation of escrow shares (iii)	<u>(109,245)</u>	<u>(42,931)</u>
Balance, July 31, 2010	<u>10,395,295</u>	<u>4,085,097</u>

- (i) During the year ended April 30, 2009, the Company closed a non-brokered private placement of 6,011,078 units at \$0.09 per unit for gross proceeds of \$540,997. Each unit consists of one common share and one common share purchase warrant entitling its holder to acquire an additional common share at \$0.125 per share on or before April 28, 2011. The Company applied the residual approach and allocated total proceeds to the common shares and none to the attached warrants. 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.
- (ii) On May 27, 2010, the Company closed a non-brokered private placement of 805,001 units at \$0.09 per unit for gross proceeds of \$72,450. Each unit consists of one common share and one common share purchase warrant entitling its holder to acquire an additional common share at \$0.125 per share on or before May 27, 2011. 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.
- (iii) On July 26, 2010, the Company cancelled and returned to treasury 109,245 common shares held in escrow.

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 6 – SHARE CAPITAL (Continued)

c) Escrow Shares

As of July 31, 2010, the Company has Nil (April 30, 2010 - 109,245) common shares held in escrow pursuant to the requirements of the Exchange and escrow agreement (Note 6(b)(iii)).

d) Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options will be exercisable for a period of up to 5 years from the date of grant. Options granted during the year vested immediately. Options granted to Investor relations vest in accordance with Exchange requirements.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of twelve months after such death, subject to the expiry date of such option.

A summary of the status of the options outstanding follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, April 30, 2009	241,000	1.397
Forfeited	(241,000)	(1.397)
Granted	911,000	0.128
Balance, April 30, 2010 and July 31, 2010	911,000	0.128

The following table summarizes the following options outstanding as at July 31, 2010:

Number of Options	Weighted Average Remaining Contractual Life	Exercise Price \$	Expiry Date	Number of Options Exercisable
311,000	4.56 years	0.135	February 15, 2015	311,000
600,000	4.69 years	0.125	April 7, 2015	600,000
911,000	4.64 years	0.128		911,000

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 6 – SHARE CAPITAL (Continued)

e) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants outstanding follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, April 30, 2009	1,385,352	1.420
Issued	6,011,078	0.125
Balance, April 30, 2010	7,396,430	0.370
Issued	805,001	0.125
Balance, July 31, 2010	8,201,431	0.344

The following table summarizes the share purchase warrants outstanding at July 31, 2010:

Number of Warrants	Weighted Average Remaining Contractual Life	Exercise Price \$	Expiry Date
125,000	1.45 years	2.000	January 12, 2012
916,666	1.78 years	1.500	May 9, 2012
343,686	2.37 years	1.000	December 12, 2012
6,011,078	0.74 years	0.125	April 28, 2011
805,001	0.82 years	0.125	May 27, 2011
8,201,431			

NOTE 7 – CONTRIBUTED SURPLUS

A continuity of contributed surplus is as follows:

	\$
Balance, April 30, 2009	491,605
Stock-Based Compensation	88,600
Balance, April 30, 2010	580,205
Cancellation of escrow shares (Note 6(b)(iii))	42,931
Balance, July 31, 2010	623,136

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 8 – RELATED PARTY TRANSACTIONS

During the three months ended July 31, 2010 and 2009, in addition to a related party transaction described in Note 12(a), the Company entered into the following transactions with directors, officers and companies controlled by them:

	2010	2009
	\$	\$
Management fees	3,750	-
Office, rent and administration	3,300	-
Share issue costs	11,902	-
Legal fees	1,988	-
Interest paid	-	13,495
Premium paid	-	11,208
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	20,940	24,703

Included in prepaid expenses was a rent deposit of \$1,200 (April 30, 2010 - \$Nil) and prepaid rent of \$3,696 (April 30, 2010 - \$Nil) paid to companies with an officer in common.

Included in accounts payable and accrued liabilities was a legal fee of \$12,934 (April 30, 2010 - \$9,800) payable to a company with an officer in common.

These transactions are in the normal course of business operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 9 – FINANCIAL 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 July 31, 2010, the Company's financial instruments consist of cash and cash equivalents, amounts receivable, deposits, and accounts payable and accrued liabilities.

The risk exposure is summarized as follows:

a) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to 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 interest on cash and deposits 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.

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 9 – FINANCIAL INSTRUMENTS (Continued)

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalent and amounts receivable. The Company has reduced its credit risk by investing its cash equivalents in guaranteed investment certificates with a Schedule 1 Canadian chartered bank. Also, as the majority of its receivables are with the Governments of Canada in the form of goods and services tax recoverable, the credit risk is considered minimal.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. At of July 31, 2010, the Company had enough funds available to meet its financial liabilities and future financial liabilities from its commitments through the end of fiscal 2011. The Company handles liquidity risk through the management of its capital structure.

NOTE 10 – CAPITAL MANAGEMENT

In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

The Company's objectives when managing capital are: to safeguard its ability to continue as a going concern; to pursue the development of a business interest; and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or improve its liquidity, the Company will have to issue new shares, issue new debt, or, acquire or dispose of assets all in the effort to optimize liquidity by raising or conserving cash.

The Company is dependent on the capital markets as its sole source of operating capital. Its capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company has no debt and is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the three months ended July 31, 2010.

NOTE 11 – CHANGE OF BUSINESS

On June 25, 2010, the Company entered into an option agreement with Unity Energy Corp. ("Unity") whereby the Company has been granted an option (the "Option") to earn a 75% interest in the Thorburn Lake Property located within the Athabasca Basin, in the La Ronge Mining District of northern Saskatchewan (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") by paying GWN an aggregate of \$610,000 over a period of three years, issuing 750,000 common shares of Unity to GWN and incurring \$2,500,000 in exploration expenditures on the Property as follows:

SUB CAPITAL INC.

Notes to the Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the Three Months Ended July 31, 2010 and 2009

NOTE 11 – CHANGE OF BUSINESS (Continued)

- a) paying GWN \$10,000 and issuing to GWN 750,000 shares of Unity on or before March 1, 2010 (completed);
- b) paying GWN a further \$100,000 on or before December 31, 2011;
- c) paying GWN a further \$200,000 on or before December 31, 2012;
- d) paying GWN a further \$300,000 on or before December 31, 2013; (payments set out in (b) through (d) are hereinafter referred to as the “Underlying Payments”); and
- e) incurring \$2,500,000 in exploration expenditures prior to February 22, 2014.

In addition, there is reserved to GWN a 1% net smelter return (“NSR”) which may be purchased at any time by Unity by paying GWN \$1,000,000 less all amounts previously received by GWN as NSR payments.

The Company may exercise the Option by:

- a) paying Unity \$30,000 within three business days of Exchange approval (paid subsequent to July 31, 2010); and
- b) making the Underlying Payments directly to GWN as outlined above; and
- c) incurring \$2,400,000 in exploration expenditures prior to February 22, 2014, including not less than \$200,000 on or before December 31, 2011.

On September 23, 2010, the Company received Exchange acceptance of its Change of Business and effective September 24, 2010, the Company’s listing will be transferred from NEX to Tier 2 of the Exchange.

NOTE 12 – SUBSEQUENT EVENTS

The following events occurred subsequent to July 31, 2010:

- a) The Company arranged for loans totaling \$120,000 pursuant to loan agreements dated August 16, 2010. The loans have a term of one year maturing August 31, 2011 and bear interest at 12% per annum. Of the \$120,000 loan, \$60,000 is payable to a company controlled by an officer of the Company.
- b) The Company granted an aggregate of 136,000 stock options to directors, officers and employees of the Company at a price of \$0.22 per share expiring ten years from date of grant.