

INCA ONE METALS CORP.

**(Formerly SUB Capital Inc.)
(An Exploration Stage Company)**

**FINANCIAL STATEMENTS
(Stated in Canadian Dollars)**

Years Ended April 30, 2011 and 2010



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Independent Auditor's Report

To the Shareholders of
Inca One Metals Corp.

We have audited the accompanying financial statements of Inca One Metals Corp., which comprise the balance sheets as at April 30, 2011 and 2010, and the statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Inca One Metals Corp. as at April 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, BC
August 26, 2011

INCA ONE METALS CORP.

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(An Exploration Stage Company)

Balance Sheets

(Expressed in Canadian Dollars)

As at April 30, 2011 and 2010

	2011	2010
	\$	\$
ASSETS		
CURRENT		
Cash and Cash Equivalents	700,853	163,483
Share Subscription Receipts in Transit (Note 5)	1,599	218,290
Amounts Receivable	42,703	10,439
Prepaid Expenses and Deposits	1,200	-
	<hr/> 746,355	<hr/> 392,212
Equipment (Note 6)	2,321	-
Resource Properties (Note 7)	158,097	-
	<hr/> 906,773	<hr/> 392,212
LIABILITIES		
CURRENT		
Accounts Payable and Accrued Liabilities (Note 11)	71,658	54,830
Loans Payable (Notes 8 and 11)	120,000	-
	<hr/> 191,658	<hr/> 54,830
SHAREHOLDERS' EQUITY		
Share Capital (Note 9)	4,848,237	4,067,480
Contributed Surplus (Note 10)	648,427	580,205
Deficit	(4,781,549)	(4,310,303)
	<hr/> 715,115	<hr/> 337,382
	<hr/> 906,773	<hr/> 392,212

On behalf of the Board:

"Edward Kelly"

Edward Kelly

Director

"Robert McMorran"

Robert McMorran

Director

Nature of Operations (Note 1)

Commitments (Notes 7, 9 and 15)

Subsequent Events (Notes 1, 7, 8 and 15)

See accompanying notes to financial statements

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

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Statements of Operations, Comprehensive Loss and Deficit

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

	2011	2010
	\$	\$
EXPENSES		
Amortization	410	-
Interest and Bank Charges (Note 11)	11,178	4,685
Consulting and Management Fees	69,245	-
Office, Rent and Administration (Note 11)	46,672	26,186
Professional Fees (Note 11)	65,736	90,867
Project Evaluation	9,063	-
Regulatory Fees	25,554	-
Stock-Based Compensation	27,739	88,600
Transfer Agent and Shareholder Information	73,894	22,041
Travel and Promotion	100,177	-
LOSS BEFORE OTHER ITEMS	<u>429,668</u>	<u>232,379</u>
Impairment of Resource Property (Note 7)	(40,545)	-
Exchange Loss	(2,020)	-
Interest Income	987	-
	<u>(41,578)</u>	<u>-</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(471,246)	(232,379)
Deficit, Beginning of the Year	<u>(4,310,303)</u>	<u>(4,077,924)</u>
DEFICIT, END OF THE YEAR	<u>(4,781,549)</u>	<u>(4,310,303)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>(0.04)</u>	<u>(0.07)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>10,735,756</u>	<u>3,154,117</u>

See accompanying notes to financial statements

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Statements of Cash Flows

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

	2011	2010
	\$	\$
CASH WAS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net Loss for the year	(471,246)	(232,379)
Items Not Affecting Cash		
Amortization	410	-
Impairment of Resource Property	40,545	-
Stock-Based Compensation	27,739	88,600
	<u>(402,552)</u>	<u>(143,779)</u>
Changes in Non-Cash Working Capital Accounts		
Amounts Receivable	(32,264)	1,933
Prepaid Expenses and Deposits	(1,200)	7,873
Accounts Payable and Accrued Liabilities	16,828	13,157
	<u>(419,188)</u>	<u>(120,816)</u>
FINANCING ACTIVITIES		
Loans Payable	120,000	(15,000)
Proceeds on Issuance of Securities	1,037,931	295,707
	<u>1,157,931</u>	<u>280,707</u>
INVESTING ACTIVITIES		
Purchase of Equipment	(2,731)	-
Resource Properties	(198,642)	-
	<u>(201,373)</u>	<u>-</u>
INCREASE IN CASH	537,370	159,891
Cash and Cash Equivalents, Beginning of Year	<u>163,483</u>	<u>3,592</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	700,853	163,483
CASH AND CASH EQUIVALENTS CONSIST OF		
Cash	620,853	163,483
Short-term Investments	80,000	-
	<u>700,853</u>	<u>163,483</u>
SUPPLEMENTARY INFORMATION		
Non-cash investing and financing transactions:		
Cash Paid for Interest	10,146	3,626
Cash Paid for Income Taxes	-	-
Shares Issued for Settlement of Debt	-	60,000
Shares Issued for Finder's Fees	7,245	44,051
Reclassification of Contributed Surplus on Exercise of Options	2,448	-
	<u>2,448</u>	<u>-</u>
See accompanying notes to financial statements		

INCA ONE METALS CORP.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 1 – NATURE OF OPERATIONS

Inca One Metals Corp. (the "Company") was incorporated under the laws of Canada on November 9, 2005. 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. Subsequent to April 30, 2011, the Company changed its name from SUB Capital Inc. to Inca One Metals Corp.

Effective September 5, 2008, the Company was designated as inactive and its listing was transferred to the NEX ("NEX") Board of the TSX Venture Exchange ("Exchange"). On June 25, 2010, the Company entered into an option agreement with Unity Energy Corp. ("Unity"), a public company incorporated under the laws of the Province of British Columbia and listed on the Exchange, pursuant to which the Company may acquire a 75% interest in Thorburn Lake Property located in Saskatchewan (Note 7(a)). The transaction constituted 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 listing was transferred from the NEX to Tier 2 of the Exchange.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts capitalized for resource properties and related deferred exploration expenditures are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves, the attainment of future profitable production or proceeds from disposition of the Company's resource properties. The outcome of these matters cannot be predicted at this time.

These financial statements have been prepared in accordance with Canadian 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 the next year. As at April 30, 2011, the Company had not yet achieved profitable operations, has working capital of \$554,697 (2010 - \$337,382), accumulated losses of \$4,781,549 and expects to incur further losses in the development of its business. Subsequent to April 30, 2011, the Company raised an aggregate of \$2,093,958 from a private placement financing and exercise of warrants. Management believes that it has sufficient liquidity to meet its obligations for fiscal 2012. The Company will be required to raise additional capital in order to meet its option payments and incur expenditures to maintain its option to acquire an interest in the Las Huaquillas property and to fund working capital requirements in the long term. However, there can be no assurance 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.

INCA ONE METALS CORP.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) and reflect the following significant accounting policies:

a) Estimates, Assumptions and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to going concern assessments, the impairment of mineral property interests, the determination of reclamation obligations, determining the fair value of stock-based payments, the useful life of its equipment, financial instruments and estimating the future tax rates used to determine future income taxes. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

b) Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits, which are all guaranteed investment certificates with a maturity of less than one year and cashable at anytime at the option of the holder.

c) Equipment and Amortization

Equipment is recorded at cost and is amortized using the following rate on a declining balance basis, except in the year of acquisition, when one half of the rates are used:

Computer Hardware	30%
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d) Resource Properties

The cost of resource properties and related exploration and development costs are deferred until the properties are placed into production, sold or abandoned, or management has determined there has been impairment in value. These costs will be amortized over the useful life of the properties following the commencement of commercial production or written off if the properties are sold, allowed to lapse, or abandoned. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of resource properties and related deferred exploration costs could be written off. Amounts shown for resource properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Although the Company has taken steps to verify title to resource properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES - continued

e) Asset Retirement Obligation

The Company accounts for asset retirement obligations and site rehabilitation costs in accordance with the requirements of Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3110 *Asset Retirement Obligations*. Under this policy, the present value of future closure obligations is recorded as a liability when that liability is incurred with a corresponding increase in carrying value of the related Mining Property assets. The increased carrying value of the mining property asset will be amortized over the life of the related mining assets on a unit of production basis when the property comes into production. The liability for asset retirement obligations is accreted to the amount ultimately payable over the period to the date it is paid. As at April 30, 2011 and 2010, the Company has not commenced exploration work on its resource properties.

f) Impairment of Long-Lived Assets

The Company follows the recommendations of the CICA Handbook Section 3063 *Impairment of Long Lived Assets*. Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment charge is recognized in the statement of operations when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If an asset is considered to be impaired, the impairment charge is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

g) Stock-Based Compensation

The Company has a stock option plan for its directors, officers, employees and consultants. Under this plan, stock options are not issued at less than their fair market value.

The Company recognizes compensation cost for options and other stock-based awards granted using the fair value based method. Compensation cost is measured using the Black-Scholes option pricing model at the date of the grant and is expensed over the vesting period of the equity instrument awarded, with the offsetting amounts credited to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus amount is transferred to share capital.

h) Earnings (Loss) per Common Share

The Company uses the treasury stock method for the computation and disclosure of earnings (loss) per share. Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. Diluted loss per share is the same as basic loss per share as the effect of issuance of shares on the exercise of stock options is anti-dilutive.

For the years ended April 30, 2011 and 2010, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 3,172,019 (2010 - 8,307,430) were not included in the computation of loss per share because their effect was anti-dilutive.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES - continued

i) Comprehensive Loss

Comprehensive loss reflects net loss and other comprehensive income (loss) for the year. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective. The Company has no transactions in other comprehensive income for the years ended April 30, 2011 and 2010.

j) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values (temporary differences) and tax loss carry forwards. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply when the temporary differences and losses carry forwards are expected to be recovered, or settled. The effect on futures income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

k) Financial Instruments

Financial instruments include cash and cash equivalents, share subscription receipts in transit, amounts receivable, accounts payable and accrued liabilities and loans payable. The Company is not exposed to significant interest, credit or exchange risk arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these financial instruments.

The Company's financial instruments are classified into one of the following categories: held-for-trading, loans and receivables, or other financial liabilities. Financial assets and liabilities held-for-trading are recorded at fair value with gains and losses recognized in net income. Loans and receivables and other financial liabilities are recorded at amortized cost using the effective interest method.

Cash and cash equivalents are classified as held-for-trading and accordingly carried at fair value. Amounts receivable and share subscription receipts in transit are classified as loans and receivables, and are carried at their amortized costs. Accounts payable and accrued liabilities and loans payable are classified as other financial liabilities and are carried at their amortized cost.

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments, and approximate carrying values unless otherwise noted. The Company does not use any hedging instrument.

The Company considers net smelter return ("NSR") and other production related commitments associated with mineral property interests to be derivative instruments. Until such time as economically recoverable resources are identified such derivatives are not considered to have reliably measurable value.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 3 – ADOPTION OF NEW ACCOUNTING STANDARDS

Effective May 1, 2010, the Company adopted the provisions of the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standard:

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.

The Company categorizes all of its financial instruments which are measured at fair value as Level 1 inputs.

NOTE 4 – FUTURE ACCOUNTING PRONOUNCEMENTS

a) 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 financial statements.

b) International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed January 1, 2011 as the date that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP for publicly accountable enterprises, with a transition date of January 1, 2010. Effective May 1, 2011, the Company will adopt IFRS as the basis for preparing its financial statements. The Company will issue its financial statements prepared on an IFRS basis commencing with the quarter ended July 31, 2011, and provide comparative data on an IFRS basis as required.

INCA ONE METALS CORP.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 5 – SHARE SUBSCRIPTION RECEIPTS IN TRANSIT

As at April 30, 2011, there was a share subscription receipt in transit of \$1,599 from the exercise of 222,222 warrants at \$0.125 per share which was received subsequent to April 30, 2011.

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, all of which were received during the year ended April 30, 2011.

NOTE 6 – EQUIPMENT

	Cost \$	Accumulated Amortization \$	April 30, 2011 Net Book Value \$	April 30, 2010 Net Book Value \$
Computer equipment	2,731	410	2,321	-

NOTE 7 – RESOURCE PROPERTIES

	Thorburn Lake Property Saskatchewan, Canada (a) \$	Las Huaquillas Peru (b) \$	Total \$
Balance, April 30, 2010	-	-	-
Acquisition Costs:			
Cash Consideration	30,000	74,175	104,175
Others (Professional and Regulatory Fees)	10,545	83,922	94,467
Impairment of resource property	(40,545)	-	(40,545)
Balance, April 30, 2011	-	158,097	158,097

(a) Thorburn Lake Property

On June 25, 2010, the Company entered into an option agreement with Unity Energy Corp. ("Unity") whereby the Company may 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").

INCA ONE METALS CORP.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 7 – RESOURCE PROPERTIES - continued

(a) Thorburn Lake Property - continued

Unity had 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. In addition, there was 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 paying Unity \$30,000 (paid), making the above Underlying Payments directly to GWN and incurring \$2,400,000 in exploration expenditures prior to February 22, 2014, including not less than \$200,000 on or before December 31, 2011.

Subsequent to the year end, the Company determined that it would not pursue the option agreement for the Thorburn Lake Property and as a result, \$40,545 in resource property costs was written off as at April 30, 2011.

(b) Las Huaquillas Project

On March 25, 2011, the Company entered into a definitive letter agreement with Rial Minera SAC (“Rial”) and its shareholders (collectively the “Optionors”) pursuant to which the Company has been granted an option to acquire all of the issued and outstanding shares of Rial (the “Rial Shares”). Rial is a private Peruvian company that owns a 100% interest in the Las Huaquillas gold-copper project located in the Department of Cajamarca in northern Peru. Pursuant to the agreement, the Company can acquire 100% of the Rial Shares, of which 95% may be acquired by (a) paying an aggregate of US\$5,000,000 to the Optionors; (b) issuing 5,000,000 common shares of the Company to the Optionors; and (c) incurring exploration expenditures of US\$10,000,000 over a period of four years as follows:

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 7 – RESOURCE PROPERTIES - continued

(b) Las Huaquillas Project – continued

	Cash payment US\$		Shares to be issued #
Within 5 days of execution of the Letter Agreement	75,000	Paid ⁽¹⁾ Paid subsequent to year end	-
Within 5 days of Exchange approval Concurrently with the execution of the public deed formalizing the Mining Assignment Agreement (“dated July 26, 2011”)	125,000	⁽¹⁾ Paid subsequent to year end	200,000
Within 5 days from the date in which the Supreme Decree is granted and published in the Official Gazette "El Peruano"	50,000		-
On or before January 26, 2012	125,000		125,000
On or before July 26, 2012	375,000		375,000
On or before July 26, 2013	1,500,000		1,500,000
On or before July 26, 2014	1,500,000		1,550,000
On or before July 26, 2015	1,125,000		1,125,000
Total	5,000,000		5,000,000

Upon the Company acquiring 95% of the Rial Shares, a 1% net smelter royalty shall be payable to the Optionors on all future production. After completion of the cash and share payments and exploration expenditures, the Company may earn a further 5% of the Rial Shares by issuing an additional 3,000,000 common shares of the Company to one of the Optionors within 15 days of notice of exercise of the option (“Second Option”). In addition, the Company shall issue to one of the Optionors as bonus payments one common share of the Company per each new ounce of gold or gold equivalent that is found or determined to exist on the project, in excess of 560,000 ounces of gold or gold equivalent, to be delivered upon public announcement of such discovery.

⁽¹⁾ Subsequent to April 30, 2011, the Company advanced US\$125,000 to the Optionors pursuant to a loan agreement dated June 28, 2011. The loan was advanced against the above cash consideration to be paid to the Optionors. The loan was non-interest bearing and was to be settled upon the Company’s receipt of Exchange approval of the acquisition. The Company received Exchange approval on August 19, 2011.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 7 – RESOURCE PROPERTIES - continued

(b) Las Huaquillas Project – continued

As consideration for the acquisition, the Company entered into a finder's fee agreement July 31, 2011 and shall pay a finder's fee of US\$282,500 and 400,000 common shares over a period of four years as follows:

	Cash payment US\$		Shares to be issued #	
Within 5 days of execution of the Letter Agreement	7,500	⁽¹⁾ Paid subsequent to year end	-	
Within 5 days of Exchange approval Concurrently with the execution of the public deed formalizing the Mining Assignment Agreement ("dated July 26, 2011")	12,500	⁽¹⁾ Paid subsequent to year end	10,000	Issued subsequent to year end
Within 5 days from the date in which the Supreme Decree is granted and published in the Official Gazette "El Peruano"	5,000		-	
On or before January 26, 2012	10,625		6,250	
On or before July 26, 2012	9,375		6,250	
On or before July 26, 2013	28,125		18,750	
On or before July 26, 2014	78,125		75,000	
On or before July 26, 2015	75,000		77,500	
Within 15 days as of the date in which the Second Option is exercised by the Company	56,250		56,250	
	-		150,000	
Total	282,500		400,000	

NOTE 8 – LOANS PAYABLE

During the year ended April 30, 2011, 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. As at April 30, 2011, \$60,000 of the \$120,000 loan was payable to a company controlled by an officer of the Company. During the year ended April 30, 2011, the Company paid \$10,145 (2010 - \$Nil) in interest on the loans. The loans were fully repaid subsequent to April 30, 2011.

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Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 9 – 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	9,619,039	4,067,480
Shares Issued for Cash (ii)	805,001	72,450
Finder's Fees (ii)	80,500	7,245
Share Issue Costs (ii)	-	(19,147)
Cancellation of Escrow Shares (Note 9(c))	(109,245)	(42,931)
Exercise of Warrants (iii)	6,064,412	758,052
Exercise of Options (iv)	12,000	2,640
Reclassification from Contributed Surplus on Exercise of Options (iv)	-	2,448
Balance, April 30, 2011	16,471,707	4,848,237

- (i) During the year ended April 30, 2010, the Company closed a 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 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) During the year ended April 30, 2011, the Company closed a 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.

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 9 – SHARE CAPITAL - continued

b) Issued and Outstanding - continued

- (iii) During the year ended April 30, 2011, 6,064,412 common shares were issued for gross proceeds of \$758,052 on the exercise of 6,064,412 warrants at \$0.125 per share.
- (iv) During the year ended April 30, 2011, 12,000 stock options at \$0.22 per share were exercised for total proceeds of \$2,640. A reclassification of \$2,448 from contributed surplus to share capital was recorded on the exercise of these options.

c) Escrow Shares

As of April 30, 2011, the Company has 1,674,666 (2010 - 109,246) common shares held in escrow. Pursuant to an escrow agreement dated July 7, 2010, 1,196,444 common shares of the Company were deposited in escrow in connection with the Company's Change of Business. In addition, a total of 260,000 stock options (120,000 at \$0.135 expiring February 18, 2015 and 140,000 at \$0.125 expiring April 17, 2015) and share purchase warrants to purchase up to 1,036,444 common shares of the Company at \$0.125 expiring April 28, 2011, are also subject to the escrow agreement. During the year, 777,333 warrants were exercised and 777,333 common shares were deposited into escrow.

Under the escrow agreement, 10% of the escrowed securities were released from escrow following receipt of Exchange approval of the Change of Business. The remaining 90% of the securities will be released from escrow in increments of 15% every six months thereafter over a period of thirty six months. In the event the Company becomes a Tier 1 issuer of the Exchange, the escrow release schedule will be accelerated to 18 months.

On July 26, 2010, 109,246 common shares held in escrow pursuant to an escrow agreement dated January 10, 2007 were cancelled and returned to treasury.

A summary of the status of the escrow shares outstanding follows:

	<u>Number of Escrow Shares</u>
Balance, April 30, 2009	345,614
Released	(236,368)
Balance, April 30, 2010	109,246
Cancelled	(109,246)
Issued	1,196,444
Warrants Exercised	777,333
Released	(299,111)
Balance, April 30, 2011	<u>1,674,666</u>

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 9 – SHARE CAPITAL - continued

d) Stock Options - continued

The Company 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 10 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	911,000	0.128
Granted	136,000	0.220
Exercised	(12,000)	(0.220)
Balance, April 30, 2011	1,035,000	0.140

The following table summarizes the options outstanding as at April 30, 2011:

Number of Options	Weighted Average Remaining Contractual Life	Exercise Price \$	Expiry Date	Number of Options Exercisable
311,000 ⁽¹⁾	3.81 years	0.135	February 18, 2015	311,000
600,000 ⁽¹⁾	3.94 years	0.125	April 7, 2015	600,000
124,000	9.41 years	0.220	September 23, 2020	124,000
1,035,000	4.60 years	0.140		1,035,000

⁽¹⁾ Of these options, 120,000 and 140,000 are held in escrow respectively (Note 9(c)).

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 9 – SHARE CAPITAL - continued

d) Stock Options - continued

During the year ended April 30, 2011, the Company recognized stock-based compensation expense of \$27,739 (2010 - \$88,600) for stock options granted to directors, officers and employees.

The fair value of stock options was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2011	2010
Risk-Free Annual Interest Rate	1.44%	3.25%
Expected Annual Dividend Yield	0%	0%
Expected Stock Price Volatility	225%	100%
Average Expected Life of Options	3 years	5 years

The weighted average fair value of stock options granted during the year ended April 30, 2011 was \$0.20 (2010 - \$0.09) per option.

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
Exercised	(6,064,412)	0.125
Balance, April 30, 2011	2,137,019	0.965

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 9 – SHARE CAPITAL - continued

e) Warrants - continued

The following table summarizes the share purchase warrants outstanding at April 30, 2011:

Number of Warrants	Weighted Average Remaining Contractual Life	Exercise Price \$	Expiry Date
125,000	0.70 years	2.000	January 12, 2012
916,666	1.03 years	1.500	May 9, 2012
343,686	1.62 years	1.000	December 12, 2012
751,667	0.07 years	0.125	May 27, 2011
2,137,019	0.77 years	0.965	

NOTE 10 – 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 9(c))	42,931
Stock-based compensation	27,739
Reclassification to share capital on exercise of options	(2,448)
Balance, April 30, 2011	648,427

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 11 – RELATED PARTY TRANSACTIONS

During the year ended April 30, 2011 and 2010, in addition to a related party transaction described in Note 8, the Company entered into the following transactions with directors, officers and companies controlled by them:

	2011	2010
	\$	\$
Management fees	33,500	-
Office, rent and administration	33,000	11,500
Legal fees and share issuance costs	47,457	63,114
Interest paid	5,073	3,626

Included in prepaid expenses were rent deposits of \$1,200 (2010 - \$Nil) paid to companies with an officer in common.

Included in accounts payable and accrued liabilities were legal fees of \$7,627 (2010 - \$9,800) payable to a company controlled by an officer of the Company.

Included in accounts payable and accrued liabilities were management fees of \$6,003 (2010 - \$Nil) payable to a company controlled by an officer of the Company.

Included in accounts payable and accrued liabilities were accounting fees of \$Nil (2010 - \$8,500) payable to a company controlled by a director of the Company.

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 12 – FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. 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.

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 \$42,254 and interest receivable of \$449.

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 12 – FINANCIAL INSTRUMENTS - continued

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 April 30, 2011, the Company had cash and cash equivalents of \$700,853 to settle current liabilities of \$180,592 which consist of accounts payable that are considered short term and settled within 30 days and interest bearing loans. Subsequent to April 30, 2011, the Company raised \$2,000,000 from a private placement financing and \$93,958 from warrants exercises. The Company also repaid in full the interest bearing loans of \$120,000 subsequent to April 30, 2011. The Company believes that it has sufficient capital to meet its requirements for fiscal 2012.

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 properties described in Note 7 of these financial statements from which production is not expected in the near future.

NOTE 13 – 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.

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 13 – CAPITAL MANAGEMENT - continued

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 is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the year ended April 30, 2011.

NOTE 14 – INCOME TAXES

The recovery of income taxes differs from the amounts computer by applying local tax rates to the loss before tax due to the following:

	2011	2010
	\$	\$
Net Loss for the Year	(471,246)	(232,379)
Income Tax Recovery at Applicable Rate	(131,000)	(68,600)
Permanent Differences	53,000	26,100
Provincial Tax Credits Forfeited	-	24,600
Effect of Share Issuance Costs	(5,000)	(17,800)
Effect of Change in Tax Rate	11,000	65,700
Change in Valuation Allowance	72,000	(30,000)
Income Tax (Recovery)	-	-

As at April 30, the significant components of future income tax assets and future income tax liabilities are as follows:

	2011	2010
	\$	\$
Non-capital Losses	948,000	849,000
Share Issuance Costs	16,000	14,000
Mineral Properties	(29,000)	-
Excess of Value over Carrying Value of Intangible Assets	11,000	11,000
Research and Development Tax Benefits	25,000	25,000
Valuation Allowance	(971,000)	(899,000)
	-	-

INCA ONE METALS CORP.

(Formerly SUB Capital Inc.)

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian Dollars)

Years ended April 30, 2011 and 2010

NOTE 14 – INCOME TAXES - continued

The Company has non-capital losses available to reduce taxes in future years of approximately \$3,792,000 (2010 - 3,394,000). The Company may use the tax benefit of these losses in the following periods:

	2011
	\$
2026	18,000
2027	579,000
2028	1,247,000
2029	1,392,000
2030	158,000
2031	398,000
	<u>3,792,000</u>

The balance of expenditure on research and development available to reduce taxes in future years is approximately \$36,500 (2010 - \$36,500). The Company may use the tax benefit of deferral of these expenses indefinitely.

The balance of tax credits for investments that would reduce taxes in future years is approximately \$16,000 (2010 - \$16,400). The Company may use the tax benefit of deferral of these funds until 2027.

The Company is in arrears of filing tax returns and some tax attributes cannot be confirmed.

NOTE 15 – SUBSEQUENT EVENTS

The following events occurred subsequent to April 30, 2011:

- a) The Company entered into a loan agreement dated May 24, 2011 with Minera Huaquillas SAC, a Peruvian company engaged in the exploration of mineral properties, pursuant to which the Company will lend Minera Huaquillas up to US\$100,000 to fund its exploration activities. The loan is non-interest bearing and due within one year from the date of the last amount advanced. Subsequent to April 30, 2011, the Company advanced US\$60,000 under this agreement.
- b) The Company completed a private placement of 5,000,000 units at \$0.40 per unit for gross proceeds of \$2,000,000. Each unit consists of one common share and one-half of one share purchase warrant. Each share purchase warrant entitles the holder to acquire one additional common share of the Company at \$0.75 per share expiring June 30, 2013. The warrants are subject to an acceleration provision whereby the warrant holders will be required to exercise their warrants within a period of 30 days if the Company's common shares close at or above \$1.00 per share for 10 consecutive trading days, otherwise the warrants will, if not exercised, expire at the end of such 30 day period. The Company paid \$136,790 and issued 87,750 common shares as finders' fees on this private placement.
- c) The Company granted 376,000 stock options at \$0.50 per share and 820,000 options at \$0.43 per share to directors, officers, employees and consultants of the Company, all expiring ten years from date of grant.
- d) 751,667 common shares were issued on exercise of 751,667 warrants at \$0.125 for proceeds of \$93,958.
- e) The Company formed its wholly-owned subsidiary in Peru named Inca One Metals S.A.