
SUB Capital Inc.
(A Development Stage Company)
Financial Statements
Years ended April 30, 2010 and 2009

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of SUB Capital Inc. (the "Company") have been prepared by and are the responsibility of the management of the Company. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on currently available information.

The Audit Committee of the Board of Directors, consisting of three directors, meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, BDO Canada LLP, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards. Their report outlines the scope of their audit and gives their opinion on the financial statements.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded, transactions are authorized and financial information is accurate and reliable.

[signed]: "**Edward Kelly**"

[signed]: "**Nilda Rivera**"

President and Chief Executive Officer

Chief Financial Officer

July 30, 2010



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BDO Canada LLP
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AUDITORS' REPORT

To the Shareholders,
SUB Capital Inc.

We have audited the balance sheet of SUB Capital Inc. as at April 30, 2010 and the statement of operations, comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

The financial statements as at April 30, 2009 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statement in their report dated August 20, 2009.

(signed) "BDO Canada LLP"

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia

July 30, 2010

SUB Capital Inc.

Balance Sheets

April 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current		
Cash	\$ 163,483	\$ 3,592
Share subscription receipts in transit - note 3	218,290	-
Amounts receivable	10,439	12,372
Pre-paid expenses	-	7,873
	<u>\$ 392,212</u>	<u>\$ 23,837</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities - note 10	\$ 54,830	\$ 41,673
Note payable due to a shareholder - notes 5 and 10	-	15,000
	<u>54,830</u>	<u>56,673</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital - note 6	4,067,480	3,553,483
Contributed surplus - note 6	580,205	491,605
Deficit	<u>(4,310,303)</u>	<u>(4,077,924)</u>
	<u>337,382</u>	<u>(32,836)</u>
	<u>\$ 392,212</u>	<u>\$ 23,837</u>

On behalf of the board:

[Signed]: "Edward Kelly"

Director

[Signed]: "Robert McMorran"

Director

Nature of Operations and Ability to Continue as a Going Concern – note 1

Commitments – notes 6 and 11

Subsequent Events – note 11

The accompanying notes are an integral part of these statements.

SUB Capital Inc.

Statements of Operations, Comprehensive Loss and Deficit
Years ended April 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Sales	\$ -	\$ 114,064
Operating expenses		
Depreciation on leasehold improvements	-	(4,398)
Financing facility fees paid on notes payable	-	(11,208)
Information systems	-	(5,199)
Interest paid on notes payable - note 10	(4,685)	(20,399)
Office	(26,186)	(27,560)
Professional - note 10	(90,867)	(67,999)
Rent	-	(20,476)
Salaries and benefits	-	(87,778)
Shareholder information	(22,041)	(4,320)
Stock-based compensation - note 6	(88,600)	-
	<u>(232,379)</u>	<u>(249,337)</u>
(Loss) before other item and taxes	(232,379)	(135,273)
Other Item		
Gain on sale of assets and related operations - note 4	-	148,256
(Loss) Income before taxes	(232,379)	12,983
Provision for income taxes		
Current	-	(5,280)
Recovery of income tax assets not previously recognized	-	5,280
	<u>-</u>	<u>-</u>
Net (loss) income and comprehensive (loss) income for the year	(232,379)	12,983
Deficit, beginning of year	(4,077,924)	(4,090,907)
Deficit, end of year	\$ (4,310,303)	\$ (4,077,924)
(Loss) Income per share information;		
Weighted average number of shares outstanding		
-basic and fully diluted	<u>3,154,117</u>	<u>3,042,045</u>
(Loss) income per share - basic and fully diluted	<u>\$ (0.07)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

SUB Capital Inc.
 Statements of Cash Flows
 April 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash Generated From (Used In):		
Operating Activities		
Net (loss) income for the year	\$ (232,379)	\$ 12,983
Add expenses (deduct income) not affecting cash		
Stock-based compensation	88,600	-
Gain on sale of assets and related operations	-	(148,256)
Depreciation on leasehold improvements	-	4,398
Financing facility fees paid on notes payable	-	11,208
	<u>(143,779)</u>	<u>(119,667)</u>
Decreases (increases) in non-cash working capital items		
Amounts receivable	1,933	46,047
Pre-paid expenses	7,873	18,180
Accounts payable and accrued liabilities	13,157	(228,453)
Deferred revenues	-	(71,127)
	<u>(120,816)</u>	<u>(355,020)</u>
Investing Activities		
Proceeds realized on sale of business - net of disposal costs of \$33,497	-	486,503
Financing Activities		
Net proceeds on private placement	513,997	-
Share subscription receipts in transit	(218,290)	-
Proceeds received on shareholder notes	15,000	15,000
Repayment of shareholder notes	(30,000)	(135,000)
Repayments on note prior to assumption by purchaser	-	(18,528)
	<u>280,707</u>	<u>(138,528)</u>
Net Cash Generated (Used)	<u>159,891</u>	<u>(7,045)</u>
Cash, beginning of year	<u>3,592</u>	<u>10,637</u>
Cash, end of year	<u>\$ 163,483</u>	<u>\$ 3,592</u>
Supplementary disclosure of cash flow information:		
Cash paid for interest	<u>\$ 3,626</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash transactions - note 13		

The accompanying notes are an integral part of these financial statements.

SUB Capital Inc.

Notes to Financial Statements

Years ended April 30, 2010 and 2009

1. Nature of Operations and Ability to Continue as a Going Concern

SUB Capital Inc. (the "Company") was incorporated as E-Claims Solutions Inc. under the laws of Canada on November 9, 2005. Initially listed as a capital pool company, as defined under Policy 2.4 of the TSX Venture Exchange (the "Exchange") until it completed a qualifying transaction and commenced business as a software development and service provider in the electronic processing and management of vehicular accident insurance claims.

On April 4, 2007, the Company changed its name to BUS Systems Inc. During the fiscal year ended April 30, 2008, the Company ceased operations. Since September 2, 2008 when the sale of its tangible and intangible business assets closed and the Company no longer qualified for the Venture Exchange, the Company's shares have traded on the NEX Exchange. Since that time, business operations have focused on a search for business opportunities with the objective of completing a refinancing that would allow the Company to re-list its shares on the Venture Exchange.

On November 25, 2008, the Company changed its name to SUB Capital Inc.

On April 28, 2010 the Company completed a private placement (the "Private Placement") that enabled the Company to repay its past-due accounts and to meet its anticipated minimal obligations as they normally become due over the next twelve months. Concurrent with the closing of the Private Placement, all eight of the previous directors resigned and three new directors and a new management team were appointed.

The new management team intends to identify and secure a new business opportunity that can be financed and enable the Company to re-list the shares on the Venture Exchange.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") applicable to a going concern, under which material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern must be disclosed. As at April 30, 2010, the Company has not yet achieved profitable operations and has a working capital of \$337,382 which is not sufficient to sustain operations over the next fiscal year, has accumulated losses of \$4,310,303 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company will require additional financing in order to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. 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.

2 Significant 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:

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

2 Significant Accounting Policies (continued)

a) Use of Estimates

Estimates by management represent an integral component of financial statements prepared in conformity with Canadian GAAP. The estimates made in these financial statements reflect management's judgments based on past experiences, present conditions, and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, revenues and expenses may differ from the amounts that may otherwise be reflected from the ultimate outcome of all uncertainties and future events. Significant estimates include the recoverability of mineral property acquisition and deferred exploration costs, the fair value of stock-based compensation and financial instruments, and the expected tax rates for future income tax recoveries.

b) Revenue recognition

The Company recognizes three revenue elements: the sale of rights to use software; the provision of technical support and training services; and application consulting services.

The Company sells its software primarily in the form of agreements including a right of limited use, with a bank of hours for support and training as well as monthly fees for support and ongoing maintenance. Revenues are recognized in accordance with Emerging Issues Committee Bulletin 141 - *Revenue Recognition* ("EIC 141") which states that a company is considered to have fulfilled its obligations to its customer or performance is considered to have been achieved when three criteria are met: i) there is persuasive evidence that an arrangement exists; ii) delivery has occurred or services have been rendered; and iii) the seller's price to the buyer is fixed or determinable.

Revenues derived from developed software packages under limited use agreements are recognized on a straight-line basis over the life of each respective contract, beginning on the date of client installation for training.

In accordance with EIC 142 - *Revenue Commitments with Multiple Deliverables*, when revenues from a single contract involve more than one revenue element and the Company has established that delivery has occurred or services have been rendered, revenues are individually attributed to the respective revenue elements when the three criteria for revenue recognition have been objectively established.

Revenues involving application consulting services are recognized when the service has been rendered unless they are earned pursuant to an agreement for which a separate accounting is not possible, in which case the revenue is recognized over the life of the related contract.

c) Customer rebates

The Company grants rebates to customers either in the form of cash incentives or in the form of non-cash considerations. Cash incentives are recorded as a reduction of revenue. In those instances where a non-cash rebate is granted and the customer receives a non-cash economic benefit and the fair value can be reasonably estimated, the estimated value is in certain instances recognized as an increase to operating expenses.

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

2 Significant Accounting Policies (continued)

d) Basic and diluted loss per share

Basic loss per share is calculated by dividing the net loss for the period available to common shareholders by the weighted average number of shares outstanding during the period. Diluted loss per share reflects the potential dilution of securities that could share in earnings of an entity. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and accordingly, basic loss per share figures will equal diluted figures in a loss period.

For the years ended April 30, 2010 and 2009, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totaling 8,307,430 (2009: 1,626,352) were not included in the computation of loss per share because their effect was anti-dilutive.

e) Depreciation of leasehold improvements

The cost of leasehold improvements has been amortized over the remaining life of the lease on a straight-line basis.

f) Stock-based compensation

The Company records a compensation cost attributable to all share purchase options granted at fair value at the grant date using the Black-Scholes valuation model. The fair value of all share purchase options are expensed over their respective vesting periods with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

g) Financial instruments

The Company follows Canadian Institute of Chartered Accountants ("CICA") Sections 3855, "Financial Instruments – Recognition and Measurement". Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities.

All held-for-trading and available-for-sale financial instruments are measured at the balance sheet date at fair value. Loans and receivables, held-to-maturity investments, and other financial liabilities are measured at amortized cost. The Company has determined that it does not have derivatives or embedded derivatives associated with any of its financial instruments.

The Company's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities. Cash is measured at face value, representing fair value, and is classified as held-for-trading. Receivables are measured at amortized cost and are classified as loans and receivables. Accounts payable and accrued liabilities and note payable due to a shareholder are measured at amortized cost and are classified as other financial liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

2 Significant Accounting Policies (continued)

h) Broker warrants and warrants

The Company uses the fair value method to recognize the value of warrants issued to brokers in connection with a financing whereby broker warrants are recorded at fair value and charged to issue costs on the related offering. The offsetting amount is recorded as an increase to contributed surplus.

When broker warrants are exercised, contributed surplus is reduced by the fair value of each respective broker warrant and added to the share proceeds recorded as share capital.

Warrants attached to a unit offering are recorded at the residual value in contributed surplus with an offsetting reduction in the value ascribed to the shares attached to the unit offering.

When unit warrants are exercised, contributed surplus is reduced by the residual value of each respective attached warrant and added to the share proceeds recorded as share capital.

i) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income taxes assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities as well as the benefit of losses available to be carried forward to future years. The future tax assets or liabilities are calculated using the tax rates in effect for the period in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not that they can be realized.

j) Mineral properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received from the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

2 Significant Accounting Policies (continued)

j) Mineral properties (continued)

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

k) Impairment of long-lived assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

l) Recent accounting pronouncements

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of May 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. The Company has begun an internal diagnostic review to understand, identify and assess the overall effort required to produce financial information under IFRS, however, at this time, the financial reporting impact of the transition to IFRS cannot be reasonably estimated.

Other accounting pronouncements issued by the CICA with future effective dates are either not applicable or are not expected to be significant to the financial statements of the company.

3. Share Subscription Receipts in Transit

Pursuant to the Private Placement, as at April 30, 2010, the Company had issued 2,425,444 common shares at \$0.09 per share which the Company's lawyer was holding against payments in transit, all of which were received subsequent to April 30, 2010.

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

4. Sale of Assets and Related Operations

On September 2, 2008, the Company sold significantly all of its assets and related business operations to Carrus Technologies Inc., a wholly-owned subsidiary of Mediagrif Interactive Technologies Inc. in consideration for cash and the assumption of certain related debts as follows:

Proceeds received on disposition	\$	520,000	
Less: disposition costs		<u>33,497</u>	\$ 486,503
Book value of net assets held for re-sale on disposition			
Equipment held for disposition		55,707	
Intangible business interests		319,745	
Other assets		19,897	
Balance of note payable assumed by purchaser		<u>(57,102)</u>	<u>338,247</u>
Gain on sale of assets and related operations			<u>\$ 148,256</u>

5. Shareholder Demand Note Payable

On April 15, 2009, the Company issued a promissory note of up to \$50,000 to a shareholder. The note was due on demand and accrued interest at 15% per annum.

Advances and repayment of the note were as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 15,000	\$ -
Advanced during the year	15,000	15,000
Repaid during the year	<u>(30,000)</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>15,000</u>

On April 29, 2010, the note and \$3,626 in accrued interest was repaid in full.

6 Shareholders' Equity

All of the of share quantity figures quoted in these statements reflect a 10 for 1 consolidation that was approved by the shareholders at an annual general meeting held on October 26, 2009.

a) Share capital:

- **authorized:** - an unlimited number of voting and fully participating common shares without par value

- **issued and fully paid:** -

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

6 Shareholders' Equity (continued)

a) Share capital (continued):

	<u>Number of common shares</u>	<u>Share Capital</u>
Balance, April 30, 2008	2,976,082	\$ 3,482,275
August 28, 2008; in consideration for credit facility	22,416	11,208
November 26, 2008; in consideration for debt settlement	120,000	60,000
Balance, April 30, 2009	3,118,498	3,553,483
April 28, 2010; in consideration for cash	6,011,078	540,997
April 28, 2010; in consideration for finder's fees	489,463	44,051
Less share issue costs	-	(71,051)
Balance, April 30, 2010	<u>9,619,039</u>	<u>\$ 4,067,480</u>

On April 28, 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 applied the residual approach and allocated total proceeds to the common shares and one to the attached warrants. The Company paid a finder's fee consisting of 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.

b) Common shares held in escrow

Common shares held in escrow are as follows

	<u>Escrow 1</u>	<u>Escrow 2</u>	<u>Escrow 3</u>	<u>Total</u>
Balance, April 30, 2008	292,100	107,807	163,869	563,776
Released during the year	146,050	53,904	18,208	218,162
Balance, April 30, 2009	146,050	53,903	145,661	345,614
Released during the year	146,050	53,903	36,415	236,368
Balance, April 30, 2010	<u>-</u>	<u>-</u>	<u>109,246</u>	<u>109,246</u>

Under the terms of the third escrow agreement, the shares will be released from escrow at a rate of 10% every six months until January 2013.

c) Contributed surplus

Changes in contributed surplus in the years ended April 30 were as follows:

Balance, April 30, 2008 and 2009	\$ 491,605
Fair value of stock options granted February 18, 2010	31,800
Fair value of stock options granted April 7, 2010	56,800
Balance April 30, 2010	<u>\$ 580,205</u>

SUB Capital Inc.

Notes to Financial Statements (continued)
Years ended April 30, 2010 and 2009

6 Shareholders' Equity (continued)

d) Stock option plan

On March 15, 2007, the Company approved an incentive stock option plan for directors, officers, employees and consultants (the "Plan"). Under the terms of the Plan, the options cannot exceed a 5-year term at exercise prices set by the directors in accordance with regulatory policies. Further, the terms of the plan provide that the number of unexercised options outstanding at any one time cannot exceed 10% of the total number of shares issued and outstanding. Options granted during the year vested immediately. Options granted to Investor relations vest in accordance with TSX-V regulations.

e) Outstanding options

Changes in the number of outstanding options was as follows:

	Weighted Average exercise price per share	number of shares
Balance, April 30, 2008 and 2009	\$ 1.397	241,000
Forfeited during the year	\$ 1.397	(241,000)
Granted during the year	\$ 0.128	911,000
April 30, 2010	\$ 0.128	911,000

Stock options outstanding were as follows:

				April 30, 2010
Expiry	Weighted-Average Exercise price per share	Weighted-Average Remaining life in years	Number of vested options outstanding	
February 15, 2015	\$ 0.135	4.81	311,000	
April 7, 2015	\$ 0.125	4.94	600,000	
	\$ 0.128	4.89	911,000	
				April 30, 2009
September 15, 2011	\$ 1.500	2.38	60,000	
August 28, 2012	\$ 0.150	3.33	150,000	
December 12, 2007	\$ 0.700	3.62	31,000	
	\$ 0.557	3.13	241,000	

During the year ended April 30, 2010, stock-based compensation expense of \$88,600 (2009: \$nil) was recorded based on share purchase options granted during the year.

The weighted average fair value of share purchase options granted during the year ended April 30, 2010 of \$0.09 (2009: \$nil) was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

6 Shareholders' Equity (continued)

e) Outstanding options (continued)

Risk-free interest rate	3.25%
Expected dividend yield	nil
Expected stock price volatility	100%
Expect option life	5 years

f) Outstanding warrants

Changes in the number of warrants outstanding was as follows:

	exercise price per share	Remaining life in years	number of shares
Balance, April 30, 2008 and 2009	\$ 1.420	3.14	1,385,352
Issued April 28, 2010	\$ 0.125	0.99	6,011,078
Balance, April 30, 2010	\$ 0.370	1.21	7,396,430

Warrants outstanding were as follows:

		April 30, 2010	
Expiry	Exercise price per warrant	Remaining life in years	Number of warrants outstanding
January 12, 2012	\$ 2.000	1.70	125,000
May 9, 2012	\$ 1.500	2.03	916,666
December 12, 2012	\$ 1.000	2.62	343,686
April 28, 2011	\$ 0.125	0.99	6,011,078
	\$ 0.370	1.21	7,396,430
April 30, 2009			
January 12, 2012	\$ 2.000	2.70	125,000
May 9, 2012	\$ 1.500	3.03	916,666
December 12, 2012	\$ 1.000	3.62	343,686
	\$ 1.420	3.14	1,385,352

7. Management of Capital

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 the 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.

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

7. Management of Capital (continued)

As at April 30, 2010, the Company was undergoing a further private placement equity financing (note 11). At this time, the Company does not expect to issue any debt.

The Company's investment policy is to invest any excess cash in highly liquid short-term interest bearing marketable investments, with maturities of three months or less from the original date of acquisition.

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 any capital requirements.

8. Risk Management

At current operating levels, the Company's exposure to financial risk is considered minimal however in searching for business opportunities, management recognizes its potential for the exposure to a variety of financial instrument related risk including:

a) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. If the Company elects to pursue a business opportunity in a foreign jurisdiction, it will be exposed to currency risk to the extent that expenditures that are denominated in any foreign currencies.

As at April 30, 2010, all financial instruments are denominated in Canadian dollars.

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. The Company's primary exposure to credit risk is on its cash held in bank accounts. All cash is currently deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by the same Canadian bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's secondary exposure to risk is on its amounts receivable. This risk is minimal as receivables consist primarily of refundable government goods and services taxes.

c) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company intends to achieve this by maintaining sufficient cash and equivalents to meet obligations as they normally become due.

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

8. Risk Management (continued)

d) Interest rate risk

Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is exposed to interest rate risk as bank accounts earn interest income at variable rates. The income earned on these bank accounts is subject to the movements in interest rates.

9. Income Taxes

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

	<u>2010</u> <u>29.50%</u>	2009 <u>30.89%</u>
Net income (loss) for the year	\$ (232,379)	\$ 12,983
Income tax expense (recovery) at applicable rate	\$ (68,600)	\$ 4,010
Permanent differences	26,100	1,270
Provincial tax credits forfeited	24,600	-
Effect of share issuance costs	(17,800)	-
Effect of change in tax rate	65,700	-
Change in valuation allowance	<u>(30,000)</u>	<u>(5,280)</u>
Income tax (recovery)	<u>\$ -</u>	<u>\$ -</u>

As at April 30, the significant components of future income taxes recoverable and future incomes payable are as follows:

	<u>2010</u>	<u>2009</u>
Deferred income tax assets		
Non-capital losses	\$ 849,000	\$ 870,000
Share issuance costs	14,000	-
Excess of value over carrying value of intangible assets	11,000	11,000
Research and development tax expenditures	9,000	32,000
Research and development tax credits	16,000	16,000
Valuation allowance	<u>(899,000)</u>	<u>(929,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

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

2026	\$ 18,000
2027	579,000
2028	1,247,000
2029	1,392,000
2030	158,000
	<u>\$ 3,394,000</u>

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

9. Income Taxes (continued)

The balance of expenditure on research and development available to reduce taxes in future years is approximately \$ 36,500 (2009: \$120,000). 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 \$16,400 (2009: \$16,400). The Company may use the tax benefit of deferral of these funds until 2027.

10. Related Party Transactions

The Company's operations included transactions with directors, officers and companies controlled by directors and officers as follows:

	2010	2009
Premium paid on shareholder credit facility	\$ -	\$ 11,208
Interest on shareholder notes payable	\$ 3,626	\$ 13,495
Legal fees incurred with a firm controlled by an officer or director	\$ 42,814	\$ -
Administration fees incurred with firms controlled by an officer and director	\$ 10,000	\$ -
Non-audit accounting fees paid to a firm controlled by an officer and director	\$ 1,500	\$ -
Share Issuance cost incurred with a firm controlled by an officer	\$ 20,300	\$ -

Related party transactions are measured at the exchange amounts which is the amount of consideration agreed to between the related parties. The unpaid balance on these accounts is included in accounts payable and accrued liabilities and as at April 30, 2010 amounted to \$ 21,800 (2009 - \$nil).

11. Subsequent Events

On May 27, 2010, the Company received gross proceeds of \$72,450 in consideration for 805,001 units. Each unit consists of one common share and one warrant that entitles the holder to acquire one additional share at a price of \$0.125 at any time until May 27, 2011. In connection therewith, the company issued an additional 80,500 common shares in consideration for a 10% finder's fee.

Subject to regulatory approval, on June 25, 2010, the Company entered into an agreement to acquire an option on a 75% interest in the Thorburn Lake Property in Saskatchewan (the "Property") pursuant to the terms of an option agreement with Unity Energy Corp. (the "Thorburn Option Agreement"). To exercise the option, the Company will pay an initial \$30,000 and in order to maintain its interest, the company must make the following option payments:

- a) \$100,000 on or before December 31, 2011
- b) \$200,000 on or before December 31, 2012
- c) \$300,000 on or before December 31, 2013

Further, the Company must also incur \$2,400,000 in exploration expenditures on the Property by February 22, 2014. The Property is subject to a 1% net smelter return ("NSR") which the Company may purchase at anytime for \$1,000,000 less any NSR payments made by the Company prior to an election to purchase the NSR.

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

SUB Capital Inc.

Notes to Financial Statements (continued)

Years ended April 30, 2010 and 2009

11. Subsequent Events (continued)

The Property consists of one mineral disposition comprising 4,966 hectares located within the Athabasca Basin in the La Ronge Mining District of Northern Saskatchewan.

Regulatory approval will be granted in conjunction with of a change of business reactivation to secure a Tier 2 listing on the Exchange.

On July 26, 2010, the Company cancelled and returned to treasury 109,246 common shares held in escrow.

As of July 30, 2010, the Company is in the process of completing a change of business reactivation to secure a Tier 2 listing on the Exchange.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Non Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the year ended April 30, 2010, the Company issued 489,463 common shares valued at \$44,051 with a corresponding deduction in share issue cost.

During the year ended April 30, 2009, the Company issued 120,000 common shares to settle \$60,000 in accounts payable.