



**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED DECEMBER 31, 2011**

## **Introduction**

This management's discussion and analysis (MD&A) of Secova Metals Corp. is the responsibility of management and for the period ended December 31, 2011. The MD&A takes into account information available up to and including February 8, 2012 and should be read together with the audited financial statements, notes and MD&A for the years ended June 30, 2011, and June 30, 2010 which are available on the Sedar website at [www.sedar.com](http://www.sedar.com).

Throughout this document the terms *we*, *us*, *our*, *the Company* and *Secova* refer to Secova Metals Corp. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS") and presented in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.secovametals.ca](http://www.secovametals.ca).

## **Forward-Looking Statements**

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Forward-looking information includes disclosure regarding possible or anticipated events, conditions or results of operations which are based on assumptions about future economic conditions and courses of action, and includes future oriented financial information with respect to prospective results of operations or financial position or cash flow that is presented either as a forecast or a projection. Forward-looking information is often, but not always, identified by the use of words such as seek, anticipate, believe, plan, estimate, expect and intend; statements that an event or result is due on or may, will, should, could, or might occur or be achieved; and other similar expressions.

## **Reserves and Resources**

National Instrument 43-101 (43-101) of the Canadian Securities Administrators – Standards of Disclosure for Mineral Projects – requires that each category of mineral reserves and mineral resources be reported separately. Readers should refer to Secova's continuous disclosure documents available at [www.sedar.com](http://www.sedar.com) for this detailed information, which is subject to the qualifications and notes therein set forth.

## **Description of Business**

The Company is a natural resource company engaged in the acquisition and exploration of mineral properties. It currently holds a uranium property in the Otish Mountain Basin area of Quebec.

The Company trades on the TSX Venture exchange under the Symbol SEK (formerly "NUC").

## Performance Summary

The company has not completed any significant financial or corporate transactions during the period

## Exploration Summary

During the period of June 2008 to June 2010, the company completed a systematic regional-scale exploration program of all three of its Quebec, Canada uranium properties. Exploration work included airborne geophysical surveying (radiometrics & magnetometer), prospecting and in the case of select Otish claims, a lake sediment sampling survey. In September 2009 the Company announced the acquisition of the Gold Coin gold exploration property in Arizona USA.

### Gold Coin, Arizona USA

In September 2009, the Company signed an option agreement to acquire 100% interest, in the Gold Coin property located in southeast Arizona USA. The property is located about 120 kilometres southeast of Tucson Arizona within the historic Turquoise mining district of Cochise county. The property's main exploration target is low sulphidation epithermal gold mineralization hosted within sediments. The completed exploration work included property wide soil sampling, geological mapping and ground based magnetic & VLF-EM geophysical surveying. The Company did diamond drill test the property's anomalies in early 2010 and due to unfavourable results the Company cancelled the option agreement and consequently wrote-off acquisition and exploration costs of \$435,684.

### Fortune Uranium, QC Canada

In November 2007, the Company announced a mineral property option agreement to purchase a 100% interest in the Fortune Uranium Property, located about eight kilometres north of the St. Lawrence River. Due to unfavorable results the Company cancelled the option agreement and consequently wrote-off acquisition and exploration costs of \$298,182 during fiscal 2010.

### Otish Mountain, QC Canada

In 2008, the Company held numerous claim blocks in and around the central Quebec Otish Sedimentary Basin (OSB), on which it completed airborne geophysical surveys (radiometrics & magnetometer). These surveys successfully identified more than 80 near-surface radiometric anomalies and numerous subsurface magnetic signatures. The Company's field crew prospected these geophysical anomalies and collected rock samples and numerous geological data points. Prospecting dominantly focused on geophysical priority areas which have important traits similar to the structurally-related uranium Matoush deposit; such as distinct linear geophysical anomalies, particularly in a north-south direction, which may be related to bedrock hosted mineralized structures or locally transported glacial till.

The ground-based follow-up work on claim blocks within the OSB, showed that these areas are broadly covered by glacial till which masks both the geochemical and geophysical responses; very few bedrock outcroppings were discovered, and thus many rock samples collected were from glacially transported boulders. Prospecting work completed on claim blocks outside the sedimentary basin (i.e. underlain by Archean Basement rocks), shows that these areas have less extensive glacial till cover and as a result bedrock outcroppings and insitu rock samples are more common. Site visits to almost all Otish geophysical targets, which are often marked by moderate sized equivalent uranium point source high geophysical anomalies, are mostly attributed to glacially transported moderately radioactive boulders. Samples collected from these boulders report generally sub-anomalous uranium analytical results. Samples collected from the lake sediment survey reported dominantly sub-anomalous analytical values. Currently, the Company has reduced its claims to control a single claim block in the Otish Sedimentary Basin (OSB) uranium exploration camp, strategically located in close proximity to the Matoush uranium deposit.

## Ukraine

In fiscal 2010, Secova entered into a Memorandum of Understanding (“MOU”) to acquire an advanced stage Ukraine gold project. During the fiscal 2011, the MOU expired and no formal agreement is forthcoming.

## Results of Operations

The Company incurred a Loss of \$184,373 for the six month period ended December 31, 2011, (2010 - \$236,806). Overall, expenses have decreased for the period. The decrease in expenditures is due to a decrease in general activity due to the Company abandoning and writing-off acquisition and exploration costs of \$733,866 on the Fortune and Gold Coin properties during fiscal 2010. The Company continues to evaluate potential property acquisitions. The decrease in Stock-based compensation is due to a decrease in the number of stock options granted and vested.

## Summary of Quarterly Results

	Three Months Ended			
	December 31, 2011 IFRS	September 30, 2011 IFRS	June 30, 2011 IFRS	March 31, 2011 IFRS
Total Assets	\$ 1,197,965	\$ 1,270,520	\$ 1,337,922	\$ 1,400,257
Mineral Properties and Deferred Costs	553,517	575,447	575,447	575,447
Working Capital (deficiency)	564,567	664,662	727,010	805,412
Shareholder's equity	1,118,084	1,240,109	1,302,457	1,381,548
Interest income	-	-	-	-
Net Income/(Loss)	\$ (122,025)	\$ (62,348)	\$ (203,433)	\$ (58,272)
Earnings (Loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

	Three Months Ended			
	December 31, 2010 IFRS	September 30, 2010 IFRS	June 30, 2010 GAAP	March 31, 2010 GAAP
Total Assets	\$ 1,469,522	\$ 1,596,283	\$ 1,858,691	\$ 2,420,471
Mineral Properties and Deferred Costs	575,447	574,249	597,033	871,828
Working Capital (deficiency)	865,164	961,705	1,071,708	1,452,137
Shareholder's equity	1,441,366	1,536,775	1,669,628	2,334,527
Interest Income	-	-	-	-
Net Income/(Loss)	\$ (96,955)	\$ (139,851)	\$ (670,510)	\$ (53,607)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

## Summary of Quarterly Results:

Over the preceding year and for the six months ended December 31, 2011, the Company continued to investigate and evaluate potential property acquisitions.

During the three month period ending December 31, 2011, the Company received government rebate on its Otish Mountain Basis property of \$21,930 resulting in a decrease to Exploration and evaluation assets.

During the three month period ending September 30, 2010 the Company received government rebate on its Otish Mountain Basin property of \$22,784 resulting in a decrease to Exploration and evaluation assets.

During the three month period ending June 30, 2010 the Company wrote off the Gold Coin Property resulting in significant increase to Net Loss and decreases to Exploration and evaluation assets, total assets and shareholder equity.

During the three month period ending March 31, 2010 the significant movements were due to the Company continuing exploration on its Gold Coin property and continued to investigate of potential mineral property acquisitions.

## Liquidity and Capital Resources

Secova's mineral exploration and development activities do not provide a source of income and the Company therefore has a history of losses, working capital deficiencies and an accumulated deficit. However, given the nature of our business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of our valuation.

The Company has financed its operations to date primarily through the issuance of common shares. The Company will continue to seek capital through the issuance of common shares.

*Operating activities:* The Company does not generate any revenues and generally does not receive any cash from operating activities. Net cash used in operating activities during the ended December 31, 2011 decreased by \$141,923 to \$149,549, compared to \$301,472 during the previous fiscal period ended December 31, 2010. The decrease in cash used during the fiscal period ended December 31, 2011 was due to a general decrease in corporate activity.

*Investing activities:* The Company did not engage in any investing activities but received a cost recovery from expenditures on exploration and evaluation assets in the period ended December 31, 2011. Net cash provided by investing activities increased by \$13,946 to \$21,930 compared to \$7,984 in the period ended December 31, 2010. The cash provided from investing activities relates to the cost recoveries from the Otish Basin property.

*Financing activities:* The Company did not engage in any financing activities in the period ended December 31, 2011 or 2010.

The condensed consolidated interim financial statements do not reflect adjustments, which could be material, to the carrying value of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

## Contractual Obligations

Except as described herein or in the Company's financial statements at June 30, 2011, the Company had no material financial commitments.

## Off-Balance Sheet Arrangements

At December 31, 2011, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Capital Resources

The Company will continue to seek capital through public markets by issuing common shares pursuant to private placements. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements.

## Outstanding Share Data

As at the date of the report the Company had 35,722,631 common shares issued and outstanding.

The following incentive stock options were outstanding at the date of this report:

	Number of Shares	Exercise Price	Expiry Date
Options	1,100,000	0.10	May 25, 2014
	1,420,000	0.15	July 7, 2014
	<u>750,000</u>	0.10	June 7, 2016
	<u>3,270,000</u>		

## Related Party Transactions

During the period ended December 31, 2011, the Company paid or accrued:

- Property investigation costs and management fees of \$10,500 (2010 - \$19,000) to Michael Moore, the Chief Executive Officer of the Company.
- Accounting fees of \$15,000 (2010 - \$15,500) to Jonathan Richards, the Chief Financial Officer of the Company.
- Legal fees of \$15,000 (2010 - \$8,500) to Shoni Bernard, an officer of the Company.

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

As at June 30, 2011, included in accounts payable is \$3,132 due to a director of the Company.

## Proposed Transactions

There is currently no proposed transaction under consideration.

## Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2011, the Company had a cash balance of \$629,997 (June 30, 2011 - \$757,616) to settle current liabilities of \$79,881 (June 30, 2011 - \$35,465). All of the Company's financial liabilities are subject to normal trade terms.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

#### a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in short-term treasury bills issued by the Government of Canada and its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at December 31, 2011 and June 30, 2011, the Company did not have any investments in investment grade short-term deposit certificates.

#### b) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies, primarily through the Company's subsidiary located in USA. Through this the Company is exposed to foreign currency risk on fluctuations related to cash, account payable and accrued liabilities that are denominated in US Dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

#### a) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## Risk Factors

Companies in the exploration stage face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible. The Company faces a variety of risk factors such as project feasibility and practically, risks related to determining the validity of mineral property title claims, commodities prices and environmental laws and regulations. Management monitors its activities and those factors that could impact them in order to manage risk and make timely decisions.

## Changes in Accounting Policies including Initial Adoption

The Company has adopted IFRS effective July 1, 2011 with a transition date of July 1, 2010. For further details, please refer to note 3 of the December 31, 2011 condensed consolidated interim financial statements.

## New standards not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as of July 1, 2011 and have not been applied in preparing these condensed consolidated interim financial statements. None of these are expected to have a material effect on the financial statements of the Company.

### *Financial instruments disclosure*

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

### *Income taxes*

In December 2010, the IASB issued an amendment to IAS 12 – Income taxes that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

### *Joint ventures*

The IASB issued Exposure Draft 9 – Joint Arrangements (“ED-9”) in September 2007. ED-9 proposed to eliminate the Company’s choice to proportionately consolidate jointly controlled entities and required such entities to be accounted for using the equity method. During the second quarter of 2009, the IASB commenced re-deliberations of ED-9 and now proposes to establish a principles-based approach to the accounting for joint arrangements which focuses on the nature, extent and financial effects of the activities that an entity carries out through joint arrangements and its contractual rights and obligations to assets and liabilities, respectively, of the joint arrangements. The IASB plans on publishing the final standard during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

### *Consolidation*

On September 29, 2010, the IASB posted a staff draft of a forthcoming IFRS on consolidation. The staff draft reflects tentative decisions made to date by the IASB with respect to the IASB’s project to replace current standards on consolidation, IAS 27 - Consolidated and Separate Financial Statements and SIC-12, with a single standard on consolidation. The IASB plans on publishing the final standard on consolidation during the first half of 2011, with an anticipated effective date of January 1, 2013. The Company is

currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

#### *Financial instruments*

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) in its entirety with IFRS 9 – Financial Instruments (“IFRS 9”) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at FVTPL, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments due in March and April of 2011. The complete IFRS 9 is anticipated to be issued during the second half of 2011. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

## **Critical Accounting Policies and Estimates**

The Company’s accounting policies are described in Notes 2 and 3 of its condensed consolidated interim financial statements for the period ended December 31, 2011. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

### **Use of Estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of exploration and evaluation assets, valuation of share-based payments, recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

### **Exploration and evaluation assets**

Exploration and evaluation assets include the costs of acquiring licenses and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. All costs related to the acquisition of mineral properties are capitalized by property as an intangible asset. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the profit and loss statement. The Company expenses costs related to the exploration and development of mineral properties and they are incurred.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets



attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

### **Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. When vested options are forfeited or not exercised at the expiry date the amount previously recognized in share-based payments is revised from share-based payment reserve to deficit. Amounts recorded for forfeited or expired unexercised warrants are transferred to share capital.