

SECOVA METALS CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED JUNE 30, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Secova Metals Corp.

We have audited the accompanying consolidated financial statements of Secova Metals Corp., which comprise the consolidated statements of financial position as at June 30, 2012, June 30, 2011 and July 1, 2010 and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years ended June 30, 2012 and June 30, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Secova Metals Corp. as at June 30, 2012, June 30, 2011 and July 1, 2010 and its financial performance and its cash flows for the years ended June 30, 2012 and June 30, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Secova Metals Corp. to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

September 12, 2012

SECOVA METALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	June 30, 2012	June 30, 2011 (Note 11)	July 1, 2010 (Note 11)
ASSETS			
Current			
Cash	\$ 336,678	\$ 757,616	\$ 1,186,808
Receivables and prepayments	5,487	4,859	18,271
Reclamation bonds (Note 5)	<u>-</u>	<u>-</u>	<u>55,692</u>
	342,165	762,475	1,260,771
Loan receivable (Note 4)	129,151	-	-
Equipment	-	-	887
Exploration and evaluation assets (Note 5)	<u>-</u>	<u>575,447</u>	<u>597,033</u>
	<u>\$ 471,316</u>	<u>\$ 1,337,922</u>	<u>\$ 1,858,691</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	<u>\$ 28,903</u>	<u>\$ 35,465</u>	<u>\$ 189,063</u>
Shareholders' equity			
Share capital (Note 6)	8,019,262	8,019,262	8,019,262
Reserves (Note 6)	166,633	171,832	347,433
Deficit	<u>(7,743,482)</u>	<u>(6,888,637)</u>	<u>(6,697,067)</u>
	<u>442,413</u>	<u>1,302,457</u>	<u>1,669,628</u>
	<u>\$ 471,316</u>	<u>\$ 1,337,922</u>	<u>\$ 1,858,691</u>

Nature and continuance of operations (Note 1)

Approved and authorized by the Board on September 12, 2012.

<u>"Carson Seabolt"</u> Carson Seabolt	Director	<u>"Bradley Scharfe"</u> Bradley Scharfe	Director
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The accompanying notes are an integral part of these consolidated financial statements.

SECOVA METALS CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED JUNE 30
(Expressed in Canadian Dollars)

	2012	2011 (Note 11)
EXPENSES		
Depreciation	\$ -	\$ 887
Filing fees and transfer agent	19,797	23,030
Interest revenue	(4,151)	-
Investor relations	9,265	22,060
Office and sundry	72,522	90,498
Professional fees	110,095	109,600
Property investigation costs	82,428	104,424
Share-based payments (Note 6)	17,489	34,385
Travel	16,571	16,672
Write-off of exploration and evaluation assets (Note 5)	<u>553,517</u>	<u>-</u>
Loss and comprehensive loss for the year	<u>\$ (877,533)</u>	<u>\$ (401,556)</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>35,722,631</u>	<u>35,722,631</u>

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

SECOVA METALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30
(Expressed in Canadian Dollars)

	2012	2011 (Note 11)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (877,533)	\$ (401,556)
Items not affecting cash:		
Depreciation	-	887
Accrued interest	(4,151)	-
Share-based payments	17,489	34,385
Write-off of exploration and evaluation assets	553,517	-
Non-cash working capital item changes:		
Receivables	(628)	8,062
Prepaid expense	-	5,350
Reclamation bond	-	55,692
Accounts payables and accrued liabilities	<u>(6,562)</u>	<u>(139,996)</u>
Net cash used in operating activities	<u>(317,868)</u>	<u>(437,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to Taman Petroleum Corporation (Note 4)	(200,000)	-
Repayment of Loan to Taman Petroleum Corporation (Note 4)	75,000	-
Cost recovery of expenditures on exploration and evaluation assets	21,930	22,784
Expenditures on mineral properties	<u>-</u>	<u>(14,800)</u>
Net cash (used in) provided by investing activities	<u>(103,070)</u>	<u>7,984</u>
Change in cash for the year	(420,938)	(429,192)
Cash, beginning of year	<u>757,616</u>	<u>1,186,808</u>
Cash, end of year	<u>\$ 336,678</u>	<u>\$ 757,616</u>
Interest	\$ (4,151)	\$ -
Income taxes	-	-

There were no non-cash transactions for the years ended June 30, 2012 and 2011.

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

SECOVA METALS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	<u>Share Capital</u>				
	Number	Amount	Reserves	Deficit	Total
Balance as at July 1, 2010 (Note 11)	35,722,631	\$ 8,019,262	\$ 347,433	\$ (6,697,067)	\$ 1,669,628
Expiry of options	-	-	(209,986)	209,986	-
Share-based payments	-	-	34,385	-	34,385
Loss for the year	-	-	-	(401,556)	(401,556)
Balance as at June 30, 2011 (Note 11)	35,722,631	8,019,262	171,832	(6,888,637)	1,302,457
Expiry of options	-	-	(22,688)	22,688	-
Share-based payments	-	-	17,489	-	17,489
Loss for the year	-	-	-	(877,533)	(877,533)
Balance as at June 30, 2012	35,722,631	\$ 8,019,262	\$ 166,633	\$ (7,743,482)	\$ 442,413

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

SECOVA METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2012

1. NATURE AND CONTINUANCE OF OPERATIONS

Secova Metals Corp. (the “Company”) is an exploration stage company incorporated under the Canada Business Corporations Act.

The Company’s head office, registered and records office is 700 – 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8.

The Company is in the process of acquiring and exploring its resource properties in Canada and throughout the world and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretation issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The preparation of these consolidated financial statements resulted in changes to the accounting policies as compared with the prior annual financial statements prepared under Canadian Generally Accepted Accounting Principles (“GAAP”). The accounting policies set out in Note 3 have been applied consistently to all years presented in these consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at July 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards (IFRS 1). The impact of the transition from GAAP to IFRS is explained in Note 11.

Use of Estimates

The preparation of these consolidated financial statements 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 expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

The carrying value and recoverability of mineral properties requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resources prices and the long-term forecasts, and the overall economic viability of the project.

SECOVA METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2012

2. BASIS OF PREPARATION (cont'd...)

Use of Estimates (cont'd...)

The determination of deferred income tax assets and liabilities is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

The Company's estimate of Loan receivable represents management's best estimate of the amounts expected to be recovered from Taman Petroleum Corporation ("Taman").

Share-based payments is subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company (Note 7). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs related to the acquisition and exploration of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

SECOVA METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash as fair value through profit and loss. The Company's receivables and loan receivable are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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 share capital. Upon expiry or forfeiture, the recorded value is transferred to deficit.

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.

Provisions

a) Environmental rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to the statement of operations and comprehensive loss. The Company had no rehabilitation obligations as June 30, 2012, June 30, 2011 or July 1, 2010.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provisions (cont'd...)

b) Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Government assistance and tax credits

Government assistance is recorded as either a reduction of the cost of the applicable asset or credit in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company.

Tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the applicable government agency.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards (“IAS”) 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations and comprehensive loss.

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended June 30, 2012:

- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets⁽ⁱⁱⁱ⁾
- IFRS 10 New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities⁽ⁱ⁾
- IFRS 11 New standard to account for the rights and obligations in accordance with a joint agreement⁽ⁱ⁾
- IFRS 12 New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39⁽ⁱ⁾
- IFRS 13 New standard on the measurement and disclosure of fair value⁽ⁱ⁾
- IAS 1 (Amendment) Presentation of other comprehensive income⁽ⁱⁱ⁾
- IAS 28 (Amendment) New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures⁽ⁱ⁾

(i) Effective for annual periods beginning on or after January 1, 2013

(ii) Effective for annual periods beginning on or after July 1, 2012

(iii) Effective for annual periods beginning on or after January 1, 2015

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

4. LOAN RECEIVABLE

During the year ended June 30, 2012, the Company entered into a loan agreement with Taman, whereby the Company advanced \$200,000 to Taman for general working capital. The Company intended to acquire all of the outstanding shares of Taman; however, subsequently the Company decided not to pursue the transaction.

The loan matures January 13, 2014, is secured by the assets of Taman and bears interest at a rate of 6% per annum. Taman repaid \$75,000 during the year and the Company accrued \$4,151 in interest as of June 30, 2012.

SECOVA METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2012

5. EXPLORATION AND EVALUATION ASSETS

	2012	2011	2010
Acquisition costs:			
Balance, beginning and end of year	\$ 185,000	\$ 185,000	\$ 185,000
Written-off during the year	<u>(185,000)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>185,000</u>	<u>185,000</u>
Exploration costs:			
Balance, beginning of year	390,447	412,033	526,228
Assay	-	574	-
Fees and licences	<u>-</u>	<u>624</u>	<u>-</u>
Written-off during the year	-	1,198	-
Cost recoveries	<u>(368,517)</u>	<u>-</u>	<u>-</u>
	<u>(21,930)</u>	<u>(22,784)</u>	<u>(114,195)</u>
	(390,447)	(21,586)	(114,195)
Balance, end of year	<u>-</u>	<u>390,447</u>	<u>412,033</u>
Total costs	\$ -	\$ 575,447	\$ 597,033

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Otish Mountain Basin, Quebec

During fiscal 2007 the Company acquired a 100% interest in the Otish Mountain mineral claims located in Quebec in consideration for \$40,000 and 225,000 common shares valued at \$145,000. During the year ended June 30, 2012, the Company recognized a mineral property recovery of \$21,930 (2011 - \$22,784) as a result of government tax credits but decided not to continue with the project and wrote-off the balance of \$553,517 to the statement of operations.

Reclamation bonds

In fiscal 2010, the Company paid reclamation bonds of \$55,692 on this property which was recovered in fiscal 2011.

6. SHARE CAPITAL AND RESERVES

Authorized share capital

As at June 30, 2012, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

SECOVA METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2012

6. SHARE CAPITAL AND RESERVES (cont'd...)

Escrowed shares

As at June 30, 2012, the Company has no common shares subject to an escrow agreement.

Stock options

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, July 1, 2010	3,550,000	\$ 0.14
Granted	750,000	0.10
Expired/cancelled	<u>(730,000)</u>	0.18
Outstanding, June 30, 2011	3,570,000	0.12
Granted	300,000	0.10
Expired/cancelled	<u>(300,000)</u>	0.15
Outstanding and exercisable, June 30, 2012	3,570,000	\$ 0.12

Stock options outstanding

The following incentive stock options were outstanding at June 30, 2012:

Number of Shares	Exercise Price	Expiry Date
1,100,000	\$ 0.10	May 25, 2014
1,420,000	0.15	July 7, 2014
750,000	0.10	June 7, 2016
<u>300,000</u>	0.10	February 21, 2017 ⁽¹⁾
3,570,000		

(1) Subsequent to June 30, 2012, the director holding these options resigned, changing the expiry date to October 8, 2012.

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years with vesting determined by the board of directors.

SECOVA METALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED JUNE 30, 2012

6. SHARE CAPITAL AND RESERVES (cont'd...)

Share-based payments (cont'd...)

The Company recognizes share-based payments expense for all stock options granted using the fair value based method of accounting. The fair value of the options vested during the year ended June 30, 2012 is \$17,489 (2011 - \$34,385). This amount was also recorded as reserves on the statement of financial position. The weighted average fair value of options granted during the year is \$0.06 (2011 - \$0.04).

The following weighted average assumptions were used for the valuation of stock options granted:

	2012	2011
Risk-free interest rate	1.50%	2.25%
Expected life of options	5.0 years	4.0 years
Annualized volatility	102.4%	89.12%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

7. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its 100% owned subsidiary Secova Metals (Arizona) Corp.

Key management personnel comprise of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and the Directors of the Company. The remuneration of the key management personnel is as follows:

- a) Property investigation costs of \$75,500 (2011 - \$33,000) to an officer of the Company, a company controlled by a former officer of the Company, and to a former director of the Company.
- b) Accounting fees of \$37,500 (2011 - \$30,000) to a Company owned by an officer of the Company.
- c) Legal fees of \$30,000 (2011 - \$23,500) to an officer of the Company.
- d) Share-based payments of \$17,489 (2011 - \$21,906) to directors and officers of the Company.

As at June 30, 2012, included in accounts payable is \$5,127 (2011 - \$18,111; 2010 - \$92,739) due to a related parties.

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8. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes is as follows:

	2012	2011
Loss before income taxes	\$ (877,533)	\$ (401,556)
Expected income tax (recovery) at statutory tax rates	\$ (226,000)	\$ (110,000)
Non-deductible and other items	(1,000)	10,000
Impact of future income tax rates applied vs. current statutory rate	6,000	9,000
Change in unrecognized deductible temporary differences	<u>221,000</u>	<u>91,000</u>
Income tax recovery	\$ -	\$ -

Significant components of deductible temporary differences, unused tax losses, and unused tax credits that have not been included on the consolidated statement of financial position are as follows:

	2012	2011
Deferred tax assets:		
Share issue costs	\$ 4,000	\$ 52,000
Capital assets	97,000	97,000
Non-capital loss carry-forwards	2,900,000	2,545,000
Exploration and evaluation assets	<u>3,531,000</u>	<u>2,956,000</u>
Unrecognized deferred tax assets	\$ 6,532,000	\$ 5,650,000

The Company has approximately \$4,000 in share issuance costs, \$97,000 of capital assets, \$2,900,000 in non-capital losses, and \$3,531,000 in exploration and evaluation assets which may be carried forward and applied against taxable income in future years. Capital asset costs and exploration and evaluation assets remain indefinitely, share issuance costs, if not utilized, expire in 2013, and non-capital loss carry-forwards, if not utilized, expire from 2015 to 2032. The benefits of these losses and other tax assets have not been recognized in these financial statements.

Tax attributes are subject to review and potential adjustments by tax authorities.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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;
and

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

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying value due to the short-term nature of the instruments. The Company's other financial instrument, cash, under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets or liabilities.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

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

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's credit risk is primarily attributable to cash, receivables and loan receivable. The Company's cash is held at large Canadian financial institution in interest bearing accounts for which management believes the risk of loss to be minimal. Receivables mainly consist of HST receivable due from the government of Canada and a Loan receivable from Taman. Management believes that the credit risk concentration with respect to receivables and loan receivable is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable relating to mineral properties and other accounts payable and accrued liabilities are due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

a) 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.

b) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold, copper and oil and gas. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

c) Foreign currency risk

The Company's foreign exchange risk arises from transactions denominated in other currencies, primarily through the Company's subsidiary located in the USA. Through this, the Company is exposed to foreign currency risk on fluctuations related to cash, accounts 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.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Capital management (cont'd...)

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 adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

10. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition, exploration and development of mineral properties in Canada.

11. FIRST TIME ADOPTION OF IFRS

As stated in Note 2, these consolidated financial statements have been prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the consolidated financial statements for the year ended June 30, 2012 and 2011 and the opening IFRS statement of financial position on July 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the years ended June 30, 2012 and 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the IFRS 1 optional exemptions:

Share-based payment transactions

The Company has elected not to retrospectively apply IFRS 2 to equity instruments that were granted and vested before the Transition Date. As a result of applying this exemption, the Company will apply the provision of IFRS 2 only to all outstanding instruments that are unvested as at the Transition Date to IFRS. The Company had unvested awards at the Transition Date which did not require adjustment for compliance with IFRS.

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of July 1, 2010 are consistent with its GAAP estimates for the same date.

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11. FIRST TIME ADOPTION OF IFRS (cont'd...)

The reconciliation between GAAP and IFRS statement of financial position as at July 1, 2010 is provided below:

	Note	July 1, 2010		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		\$ 1,186,808	\$ -	\$ 1,186,808
Receivables and prepayments		18,271	-	18,271
Reclamation bonds		<u>55,692</u>	<u>-</u>	<u>55,692</u>
		1,260,771	-	1,260,771
Equipment		887	-	887
Exploration and evaluation assets		<u>597,033</u>	<u>-</u>	<u>597,033</u>
		\$ 1,858,691	\$ -	\$ 1,858,691
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		<u>\$ 189,063</u>	<u>\$ -</u>	<u>\$ 189,063</u>
Shareholders' equity				
Share capital	(a)	7,879,960	139,302	8,019,262
Reserves	(a)	2,885,917	(2,538,484)	347,433
Deficit	(a)	<u>(9,096,249)</u>	<u>2,399,182</u>	<u>(6,697,067)</u>
		<u>1,669,628</u>	<u>-</u>	<u>1,669,628</u>
		\$ 1,858,691	\$ -	\$ 1,858,691

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11. FIRST TIME ADOPTION OF IFRS (cont'd...)

The reconciliation between GAAP and IFRS statement of financial position as at June 30, 2011 is provided below:

	Note	June 30, 2011		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current				
Cash		\$ 757,616	\$ -	\$ 757,616
Receivables		<u>4,859</u>	<u>-</u>	<u>4,859</u>
		762,475	-	762,475
Exploration and evaluation asset		<u>575,447</u>	<u>-</u>	<u>575,447</u>
		\$ 1,337,922	\$ -	\$ 1,337,922
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 35,465	\$ -	\$ 35,465
Shareholders' equity				
Share capital	(a)	7,879,960	139,302	8,019,262
Reserves	(a)	2,920,302	(2,748,470)	171,832
Deficit	(a)	<u>(9,497,805)</u>	<u>2,609,168</u>	<u>(6,888,637)</u>
		<u>1,302,457</u>	<u>-</u>	<u>1,302,457</u>
		\$ 1,337,922	\$ -	\$ 1,337,922

The reconciliation between GAAP and IFRS loss and total comprehensive loss for the year ended June 30, 2011 is provided below:

	June 30, 2011
Loss and comprehensive loss under Canadian GAAP	\$ (401,556)
Total IFRS adjustment to comprehensive loss	<u>-</u>
Loss and comprehensive loss under IFRS	\$ (401,556)

There are no significant differences between IFRS and Canadian GAAP in connection with the Company's statement of cash flows for the year ended June 30, 2011.

a) Share-based payments

On transition to IFRS the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for forfeited or expired unexercised stock options are transferred to deficit. Amounts recorded for forfeited or expired unexercised warrants are transferred to share capital. Previously, the Company's Canadian GAAP policy was to leave such amounts in reserves.