SECOVA METALS CORP.

CONSOLDIATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 and 2012, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, 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.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

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, 2013 and 2012, and its financial performance and its cash flows for the years then ended 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

October 2, 2013

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

	June 30, 2013	June 30, 2012
ASSETS		
Current		
Cash	$ 96,893	$ 336,678
Receivables	8,173	5,487
	105,066	342,165
Advance (Note 7)	268,625	-
Loan receivable (Note 4)	-	129,151
	268,625	129,151
	$ 373,691	$ 471,316
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 85,011	$ 28,903
Shareholders' equity		
Share capital (Note 6)	8,396,169	8,019,262
Subscriptions receivable (Note 6)	(36,750)	-
Reserves (Note 6)	54,061	166,633
Deficit	(8,124,800)	(7,743,482)
	288,680	442,413
	$ 373,691	$ 471,316

Nature and continuance of operations (Note 1)
Subsequent event (Note 11)

Approved and authorized by the Board on October 2, 2013.

"Michael Mulberry" Director — Michael Mulberry

"Bradley Scharfe" Director — Bradley Scharfe

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

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

	2013	2012
EXPENSES		
Consulting	$ 90,000	$ -
Filing fees and transfer agent	27,002	19,797
Investor relations	3,030	9,265
Office and sundry	55,872	72,522
Professional fees	110,267	110,095
Property investigation costs	32,000	82,428
Share-based payments (Note 6)	-	17,489
Travel	46,568	16,571
Loss before other items	(364,739)	(328,167)
OTHER ITEMS		
Interest revenue	7,500	4,151
Write-off of exploration and evaluation assets (Note 5)	-	(553,517)
Write-off loan receivable (Note 4)	(136,651)	-
	(129,151)	(549,366)
Loss and comprehensive loss for the year	$ (493,890)	$ (877,533)
Basic and diluted loss per share	$ (0.10)	$ (0.25)
Weighted average number of common shares outstanding	5,085,619	3,572,256

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

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

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (493,890)	$ (877,533)
Items not affecting cash:		
Accrued interest	(7,500)	(4,151)
Write-off loan receivable	136,651	-
Share-based payments	-	17,489
Write-off of exploration and evaluation assets	-	533,517
Non-cash working capital item changes:		
Receivables	(2,686)	(628)
Accounts payables and accrued liabilities	38,004	(6,562)
Net cash used in operating activities	(329,421)	(317,868)
CASH FLOWS FROM INVESTING ACTIVITIES		
Advance	(268,625)	-
Loan to Taman Petroleum Corporation	-	(200,000)
Repayment of Loan to Taman Petroleum Corporation	-	75,000
Cost recovery of expenditures on exploration and evaluation assets	-	21,930
Net cash used in investing activities	(268,625)	(103,070)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issuance costs	(2,989)	-
Proceeds from share issuances	361,250	-
Net cash provided by financing activities	358,261	-
Change in cash for the year	(239,785)	(420,938)
Cash, beginning of year	336,678	757,616
Cash, end of year	$ 96,893	$ 336,678

During the year ended June 30, 2013 the Company accrued share issuance costs of $18,104 through accounts payable and accrued liabilities and issued 163,200 common shares valued at $8,160 as finder’s fees. There were no significant non-cash transactions during the year ended June 30, 2012.

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

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

	Share Capital					
	Number	Amount	Subscriptions Receivable	Reserves	Deficit	Total
Balance as at June 30, 2011	3,572,256	$ 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	3,572,256	8,019,262	-	166,633	(7,743,482)	442,413
Expiry of options	-	-	-	(17,489)	17,489	-
Cancellation of options	-	-	-	(95,083)	95,083	-
Private placement	7,960,000	398,000	(36,750)	-	-	361,250
Share issuance costs	163,200	(21,093)	-	-	-	(21,093)
Loss for the year	-	-	-	-	(493,890)	(493,890)
Balance as at June 30, 2013	11,695,456	$ 8,396,169	$ (36,750)	$ 54,061	$ (8,124,800)	$ 288,680

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

1. NATURE AND CONTINUANCE OF OPERATIONS

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

During the year ended June 30, 2013, the board of directors authorized a 10-for-1 share consolidation. The number of issued and outstanding shares and stock options have been retroactively restated for all periods presented unless otherwise stated.

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 investigation and evaluation potential exploration project acquisitions in Canada and throughout the world. The recoverability of amounts 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. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

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

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. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation and judgement 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:

2. BASIS OF PREPARATION (cont'd…)

Use of Estimates (cont'd…)

The determination of deferred 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.

Share-based payments are 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. 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.

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 loss 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 loss 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 loss 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 loss and comprehensive loss. The Company had no rehabilitation obligations as June 30, 2013 or June 30, 2012.

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.

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.*

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign exchange (cont'd…)

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 loss 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, 2013:

- 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 supercedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures[i]
- IAS 32 (Amendment) — New standard amends IAS 32 to provide clarifications on the application of the offsetting rules [iv]

(i) Effective for annual periods beginning on or after May 1, 2013
(ii) Effective for annual periods beginning on or after October 1, 2012
(iii) Effective for annual periods beginning on or after January 1, 2015
(iv) Effective for annual periods beginning on or after January 1, 2014

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 Petroleum Corporation ("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 ended June 30, 2012. During the year ended June 30, 2013, the Company wrote off the remaining principal of $125,000 and accrued interest of $11,651 due to the unlikelihood of collection and recognized a loss of $136,651 on the statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Otish Mountain Basin, Quebec

During the year ended June 30, 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, due to a delay in development, wrote-off the balance of $553,517 to the statement of loss and comprehensive loss.

6. SHARE CAPITAL AND RESERVES

During the year ended June 30, 2013, the board of directors authorized a 10-for-1 share consolidation. The number of issued and outstanding shares and stock options have been retroactively restated for all periods presented unless otherwise stated.

a) Authorized share capital

As at June 30, 2013, 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.

b) Issued share capital

During the year ended June 30, 2013, the Company completed a non-brokered private placement for 7,960,000 common shares at a price of $0.05 per share for gross proceeds of $398,000. In connection with the offering, the Company issued 163,200 common shares at a price of $0.05 for finder's fees totalling $8,160. As at June 30, 2013, the Company recorded $36,750 subscriptions receivable in association with the private placement. The Company also incurred $21,093 in other share issuance costs.

Stock options

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, June 30, 2011	357,000	$ 1.20
Granted	30,000	1.00
Expired/cancelled	(30,000)	1.00
Outstanding, June 30, 2012	357,000	1.20
Expired/cancelled	(222,000)	1.21
Outstanding and exercisable, June 30, 2013	135,000	$ 1.19

(Expressed in Canadian Dollars)

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

Stock options outstanding

The following incentive stock options were outstanding at June 30, 2013:

Number of Shares		Exercise Price	Expiry Date
50,000	$	1.00	May 25, 2014
50,000		1.50	July 7, 2014
35,000		1.00	June 7, 2016
135,000			

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.

The Company did not grant any stock options for the year ended June 30, 2013.

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, 2013 is $Nil (2012 - $17,489). 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 $Nil (2012 - $0.60).

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

	2013	2012
Risk-free interest rate	-	1.50%
Expected life of options	-	5.0 years
Annualized volatility	-	102.4%
Dividend rate	-	0.00%
Forfeiture rate	-	0.00%

7. RELATED PARTY TRANSACTIONS

These 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, Corporate Secretary and the Directors of the Company. The remuneration of the key management personnel is as follows:

a) Professional fees of $71,290 (2012 - $37,500) to two companies controlled by two officers of the Company, and $7,500 (2012 - $30,000) to a former officer of the Company.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (cont'd…)

b) Consulting fees of $90,000 (2012 - $Nil) to an officer of the Company.

c) Property investigation costs of $Nil (2012 - $75,500) to an officer of the Company, a company controlled by a former officer of the Company, and to a former director of the Company.

d) Share based payments of $Nil (2012 - $17,489) to directors and officers of the Company.

The Company operates from the premises of a group of public and private companies with common directors. One private company controlled by a director and officer of the Company provides office and administrative services to the Company and various other public companies. Included in receivables and advances is $268,625 (2012 - $Nil) due from the private Company. During the year ended June 30, 2013, the Company paid or accrued $40,610 (2012 - $29,120) for office and sundry and $6,440 (2012 - $1,854) for professional fees.

As at June 30, 2013, included in accounts payable is $55,517 (2012 - $5,127) due to related parties and included in subscriptions receivable is $36,750 (2012 - $Nil) due from a related party.

8. INCOME TAXES

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

	2013	2012
Loss before income taxes	$ (493,890)	$ (877,533)
Expected income tax (recovery) at statutory tax rates	$ (125,000)	$ (226,000)
Non-deductible and other items	6,000	(1,000)
Impact of future income tax rates applied vs. current statutory rate	(72,000)	6,000
Share issuance costs	(7,000)	-
Change in unrecognized deductible temporary differences	198,000	221,000
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:

	2013	2012
Deferred tax assets:		
Share issue costs	$ 23,000	$ 4,000
Capital assets	97,000	97,000
Non-capital loss carry-forwards	3,402,000	2,900,000
Exploration and evaluation assets	3,531,000	3,531,000
Unrecognized deferred tax assets	$ 7,053,000	$ 6,532,000

8. INCOME TAXES (cont'd…)

The Company has approximately $23,000 in share issuance costs, $97,000 of capital assets, $3,402,000 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, and non-capital loss carry-forwards, if not utilized, expire from 2015 to 2033. 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.

Financial risk factors

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 funds owed from the private company controlled by a director and officer of the Company which provides office and administrative services to the Company. 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.

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

Market risk (cont'd…)

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.

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 evaluation of mineral properties in Canada.

11. SUBSEQUENT EVENT

Subsequent to June 30, 2013, the Company completed a non-brokered private placement and issued 950,000 units at a price of $0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of $0.10 for 2 years.