



**SECOVA METALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Expressed in Canadian Dollars)**

**FOR THE YEAR ENDED JUNE 30, 2014**

## 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, 2014 and 2013 and the consolidated statements of operations and comprehensive loss, cash flows, and changes in 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.



***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, 2014 and 2013 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 24, 2014

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

	June 30, 2014	June 30, 2013
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,531	\$ 96,893
Marketable securities (Note 4)	97,925	-
Receivables	<u>3,756</u>	<u>8,173</u>
	105,212	105,066
<b>Advance to related party</b> (Note 7)	<u>242,751</u>	<u>268,625</u>
	<u>\$ 347,963</u>	<u>\$ 373,691</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 199,460</u>	<u>\$ 85,011</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	8,593,669	8,396,169
Subscriptions receivable (Note 6)	(36,750)	(36,750)
Reserves (Note 6)	39,061	54,061
Accumulated Other Comprehensive Income (Note 4)	(52,075)	-
Deficit	<u>(8,395,402)</u>	<u>(8,124,800)</u>
	<u>148,503</u>	<u>288,680</u>
	<u>\$ 347,963</u>	<u>\$ 373,691</u>

**Nature and continuance of operations** (Note 1)

**Subsequent event** (Note 11)

Approved and authorized by the Board on October 24, 2014.

<u>"Michael Mulberry"</u>	Director	<u>"Yana Bobrovskaya"</u>	Director
Michael Mulberry		Yana Bobrovskaya	

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

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

	2014	2013
<b>EXPENSES</b>		
Consulting	\$ 129,146	\$ 90,000
Filing fees and transfer agent	20,003	27,002
Investor relations	1,350	3,030
Office and sundry	16,823	55,872
Professional fees	97,192	110,267
Property investigation costs	-	32,000
Travel	420	46,568
	<u>(264,934)</u>	<u>(364,739)</u>
<b>Loss before the following</b>		
Interest income	-	7,500
Realized loss on sale of marketable securities (Note 4)	(20,668)	-
Write-off of loan receivable (Note 5)	-	(136,651)
	<u>(285,602)</u>	<u>(493,890)</u>
<b>Loss for the year</b>		
Unrealized loss on marketable securities (Note 4)	(52,075)	-
	<u>(337,677)</u>	<u>(493,890)</u>
<b>Comprehensive loss for the year</b>		
	<u>\$ (0.02)</u>	<u>\$ (0.10)</u>
<b>Basic and diluted loss per share</b>		
	<u>13,593,949</u>	<u>5,085,619</u>
<b>Weighted average number of common shares outstanding</b>		

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**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (285,602)	\$ (493,890)
Items not affecting cash:		
Accrued interest	-	(7,500)
Write-off loan receivable	-	136,651
Loss on sale of marketable securities	20,668	-
Non-cash working capital item changes:		
Receivables	4,417	(2,686)
Accounts payables and accrued liabilities	<u>114,449</u>	<u>38,004</u>
Net cash used in operating activities	<u>(146,068)</u>	<u>(329,421)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advance	(25,508)	(268,625)
Proceeds from sale of marketable securities	<u>30,714</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>5,206</u>	<u>(268,625)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share issuances	47,500	361,250
Share issuance costs	<u>-</u>	<u>(2,989)</u>
Net cash provided by financing activities	<u>47,500</u>	<u>358,261</u>
<b>Change in cash for the year</b>	(93,362)	(239,785)
<b>Cash, beginning of year</b>	<u>96,893</u>	<u>336,678</u>
<b>Cash, end of year</b>	<u>\$ 3,531</u>	<u>\$ 96,893</u>
<b>Supplemental Cash flow information:</b>		
Marketable securities received for repayment of advance	\$ 51,382	\$ -
Share issuance costs recorded through accounts payable and accrued liabilities	18,104	18,104
Common shares issued in exchange for marketable securities	150,000	-
Common shares issued as finder's fees	-	8,160
Cancellation of stock options	-	95,083
Expiry of stock options	15,000	17,489
Unrealized loss on marketable securities	<u>52,075</u>	<u>-</u>

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

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

	<u>Share Capital</u>		Subscriptions Receivable	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount					
<b>Balance as at June 30, 2012</b>	3,572,256	\$ 8,019,262	\$ -	\$ 166,633	\$ -	\$ (7,743,482)	\$ 442,413
Private placement	7,960,000	398,000	(36,750)	-	-	-	361,250
Share issuance costs	163,200	(21,093)	-	-	-	-	(21,093)
Cancellation of options	-	-	-	(95,083)	-	95,083	-
Expiry of options	-	-	-	(17,489)	-	17,489	-
Loss for the year	-	-	-	-	-	(493,890)	(493,890)
<b>Balance as at June 30, 2013</b>	11,695,456	8,396,169	(36,750)	54,061	-	(8,124,800)	288,680
Private placement	950,000	47,500	-	-	-	-	47,500
Share exchange	3,000,000	150,000	-	-	-	-	150,000
Expiry of options	-	-	-	(15,000)	-	15,000	-
Comprehensive loss for the year	-	-	-	-	(52,075)	(285,602)	(337,677)
<b>Balance as at June 30, 2014</b>	15,645,456	\$ 8,593,669	\$ (36,750)	\$ 39,061	\$ (52,075)	\$ (8,395,402)	\$ 148,503

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, 2014

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**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 investigating and evaluating 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 valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the good or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

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.

**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:

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

**Financial instruments (cont'd...)**

Financial assets (cont'd...)

*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.

*Available for sale* - These assets are non-derivative financial assets designated on initial recognition. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of equity. Cumulative gains or losses recognized in equity are recognized in the statement of operations and comprehensive loss when the asset is derecognized.

*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 liability was incurred. 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 payable 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 advances to related parties are classified as loans and receivables. The Company's marketable securities are classified as available-for-sale. 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, 2014 or June 30, 2013.

**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 nor 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 and comprehensive loss 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 and comprehensive loss 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 operations and comprehensive loss.

**New standards, interpretations and amendments adopted**

The accounting policies applied in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended June 30, 2013, except for the adoption of new standards and interpretations effective as of July 1, 2013. The nature and the impact of each new standard are described below:

*IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the Company.

*IFRS 11 Joint Arrangements*

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venture's. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Company does not have any partnerships in JCEs, the adoption of this standard had no impact on the annual consolidated financial statements of the Company.

*IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for annual consolidated financial statements, unless significant events and transactions in the interim period require that they are provided. The Company has not had any changes in its corporate structure or investments during the year; accordingly, the Company has not made such disclosures.

*IFRS 13 Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The Company provides these disclosures in Note 9.

**SECOVA METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

**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, 2014:

- IFRS 10, IFRS 12, IAS 27 (Amendments) IFRS 10 is amended to define an “investment entity” and introduce an exception from consolidation for investment entities. IFRS 12 and IAS 27 are amended to introduce disclosures required for investment entities. <sup>(i)</sup>
- IAS 32 (Amendment) Amendment to provide clarifications on the application of the offsetting rules <sup>(i)</sup>
- IAS 36 (Amendment) Amendment to address disclosures required regarding the recoverable amount of impaired assets or cash generating units for periods in which an impairment loss has been recognized or reversed. <sup>(i)</sup>
- IFRS 7 (Amendment) Amendment to require additional financial instrument disclosures on transition from IAS 39 to IFRS 9. <sup>(ii)</sup>
- IFRS 9 New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets <sup>(iii)</sup>

(i) Effective for annual periods beginning on or after January 1, 2014

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

(iii) Effective for annual periods beginning on or after January 1, 2018

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. MARKETABLE SECURITIES**

The Company holds securities that have been designated as available for sale as follows:

	Common shares of public companies		
	Market Value	Cost	Unrealized loss
June 30, 2013	\$ -	\$ -	\$ -
June 30, 2014	97,925	150,000	52,075

During the year ended June 30, 2014, the Company completed a share exchange with Global Resources Investment Trust PLC (“GRIT”). The Company issued 3,000,000 common shares at a fair value of \$0.05 per share to GRIT, in exchange for 82,987 ordinary shares of GRIT, at a fair value of £1.00 per GRIT share (Note 6). The Company will sell the GRIT shares through the facilities of the London Stock Exchange to realize the proceeds.

During the year ended June 30, 2014, the Company received marketable securities with a fair value of \$51,382 towards repayment of the Advances to Related Party (Note 7). The Company subsequently sold the marketable securities for proceeds of \$30,714 resulting in a realized loss on sale of marketable securities of \$20,668.

**5. 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.

**SECOVA METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEAR ENDED JUNE 30, 2014**

**5. LOAN RECEIVABLE (cont'd...)**

The loan was to mature January 13, 2014, was secured by the assets of Taman and bore 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 operations and comprehensive loss.

**6. SHARE CAPITAL AND RESERVES**

**a) Authorized share capital**

As at June 30, 2014, the authorized share capital of the Company is an unlimited number of common shares without par value.

**b) Issued share capital**

During the year ended June 30, 2014, the Company completed a share exchange with GRIT, whereby the Company issued 3,000,000 common shares at a fair value of \$0.05 per share to GRIT, in exchange for 82,987 ordinary shares of GRIT, at a fair value of £1.00 per GRIT share (Note 4).

During the year ended June 30, 2014, the Company completed a non-brokered private placement for 950,000 units at a price of \$0.05 per unit for gross proceeds of \$47,500. Each unit consists of one common share and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$0.10 for two years.

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.

**c) Stock options**

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, June 30, 2012	357,000	\$ 1.20
Expired/cancelled	<u>(222,000)</u>	1.21
Outstanding, June 30, 2013	135,000	1.19
Expired/cancelled	<u>(50,000)</u>	1.00
Outstanding and exercisable, June 30, 2014	85,000	\$ 1.29

The following incentive stock options were outstanding at June 30, 2014:

Number of Shares	Exercise Price	Expiry Date
50,000	\$ 1.05	July 7, 2014*
<u>35,000</u>	\$ 1.00	June 7, 2016
85,000		

\*expired unexercised subsequent to June 30, 2014

**SECOVA METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEAR ENDED JUNE 30, 2014**

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

**d) Warrants**

Warrant transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, June 30, 2012 and June 30, 2013	-	\$ -
Granted	<u>950,000</u>	0.10
Outstanding June 30, 2014	950,000	\$ 0.10

The following share purchase warrants were outstanding at June 30, 2014:

Number of Shares	Exercise Price	Expiry Date
950,000	\$ 0.10	July 24, 2015

**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, 2014 and 2013.

**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 \$53,496 (2013 - \$71,290) to two companies controlled by two officers of the Company and \$Nil (2013 - \$7,500) to a former officer of the Company.
- b) Consulting fees of \$22,500 (2013 - \$90,000) to an officer and a director of the Company.
- c) Consulting fees of \$82,100 (2013 - \$Nil) to two companies controlled by a director and an officer of the Company.
- d) Consulting fees of \$2,000 (2013 - \$Nil) to an officer of the Company.



**SECOVA METALS CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian Dollars)  
**FOR THE YEAR ENDED JUNE 30, 2014**

**7. RELATED PARTY TRANSACTIONS (cont'd...)**

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. The Company holds a Grid Promissory Note (the "Note") with total advances not exceeding \$450,000. The Note is open for repayment in full or in part by the private company at any time on or before July 3, 2015. During the year ended June 30, 2014, the Company accepted marketable securities with a fair value of \$51,382 towards repayment (Note 4). As at June 30, 2014, the balance of the Note included in advances to related party is \$242,751 (2013 - \$268,625). Subsequent to June 30, 2014, the Company received \$139,500 in repayments from the private company.

During the year ended June 30, 2014, the Company paid or accrued \$12,812 (2013 - \$40,610) for office and sundry and \$863 (2013 - \$6,440) for professional fees to the private Company.

As at June 30, 2014, included in accounts payable is \$123,388 (2013 - \$55,517) due to related parties and included in subscriptions receivable is \$36,750 (2013 - \$36,750) due from a related party.

**8. INCOME TAXES**

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

	2014	2013
Loss before income taxes	\$ (285,602)	\$ (493,890)
Expected income tax (recovery) at statutory tax rates	\$ (74,000)	\$ (125,000)
Non-deductible and other items	103,000	6,000
Impact of future income tax rates applied vs. current statutory rate	(76,000)	(72,000)
Share issuance costs	-	(7,000)
Change in unrecognized deductible temporary differences	<u>47,000</u>	<u>198,000</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:

	2014	Expiry Dates	2013
Share issue costs	\$ 18,000	2034 to 2037	\$ 23,000
Capital assets	97,000	N/A	97,000
Marketable securities	52,000	N/A	-
Non-capital loss carry-forwards	4,057,000	2015 to 2034	3,410,000
Exploration and evaluation assets	<u>2,885,000</u>	N/A	<u>3,531,000</u>
Total	\$ 7,109,000		\$ 7,061,000

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 cash and marketable securities are valued under the fair value hierarchy 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 advances. 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 consist of GST receivable from the government of Canada. Advances 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 advances 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's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due.

As at June 30, 2014, the Company had a cash balance of \$3,531 (2013 - \$96,893) to settle current liabilities of \$199,460 (2013 - \$85,011). While the Company has been successful in obtaining its required funding in the past there is no assurance that this financing will be extended or that any additional future financing will be available. The Company continues to investigate financing options, including private placements and recovering the advance. Subsequent to June 30, 2014, the Company received \$139,500 from the repayment of advances to related party.

The Company manages liquidity risk through its capital management as outlined below. Accounts 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. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

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

**Financial risk factors (cont'd...)**

*Market risk (cont'd)*

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.

**10. SEGMENTED INFORMATION**

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

**11. SUBSEQUENT EVENT**

On September 29, 2014, the Company entered into an option agreement to acquire a 100% in a group of claims known as the Molybdenite Creek property located in the Lillooet Mining Division of British Columbia for total cash payments of \$20,000 and the issuance of 300,000 common shares of the Company. Commencing 36 months from the date of the agreement, the Company must pay an additional \$25,000 per year for an indefinite period of time. The optionor retains a 2.5% Net Smelter Returns ("NSR") royalty. The Company may purchase 50% of the NSR for consideration of \$1,250,000 for a period of 1 year after the commencement of commercial production.