



**SECOVA METALS CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(Unaudited)  
(Expressed in Canadian Dollars)**

**FOR THE PERIOD ENDED DECEMBER 31, 2016**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the condensed consolidated interim financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	December 31, 2016	June 30, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 504,856	\$ 11,465
Receivables (Note 7)	13,708	26,197
Prepaid expenses	<u>5,000</u>	<u>40,599</u>
	553,564	78,261
<b>Advances to related party</b> (Note 6)	30,000	30,000
<b>Exploration and evaluation assets</b> (Note 5)	<u>1,210,967</u>	<u>795,526</u>
	<u>\$ 1,764,531</u>	<u>\$ 903,787</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 410,087	\$ 480,901
Flow-through premium liability (Note 6)	25,511	26,692
Short-term loans (Note 6)	<u>155,000</u>	<u>186,500</u>
	590,598	694,093
<b>Shareholders' equity (deficiency)</b>		
Share capital (Note 6)	11,245,638	10,008,442
Subscriptions received in advance (Note 6)	-	43,500
Subscriptions receivable (Note 6)	-	(60,000)
Reserves (Note 6)	200,606	172,687
Deficit	<u>(10,272,311)</u>	<u>(9,954,935)</u>
	<u>1,173,933</u>	<u>209,694</u>
	<u>\$ 1,764,531</u>	<u>\$ 903,787</u>

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

Approved and authorized by the Board on February 28, 2017.

<u>"P. Bradley Kitchen"</u>	Director	<u>"Morgan Good"</u>	Director
P. Bradley Kitchen		Morgan Good	

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

**SECOVA METALS CORP.****CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31

	Three months ended December 31, 2016	Three months ended December 31, 2015	Six months ended December 31, 2016	Six months ended December 31, 2015
<b>EXPENSES</b>				
Consulting	\$ 119,532	\$ 74,494	\$ 230,122	\$ 128,750
Filing fees and transfer agent	9,637	8,731	12,931	12,579
Investor relations	1,670	45,510	40,495	62,494
Office and sundry	937	6,949	17,935	18,124
Professional fees	18,803	27,191	30,766	35,923
Share-based payments	-	(5,127)	71,699	47,859
Travel	726	14,688	4,560	16,750
	(151,305)	(172,436)	(408,508)	(322,479)
<b>OTHER</b>				
Write-off of accounts payable	-	31,986	-	31,986
Amortization of flow-through premium liability (Note 5)	6,837	-	33,975	-
<b>Loss and comprehensive loss for the period</b>	\$ (144,468)	\$ (140,450)	\$ (374,533)	\$ (290,493)
<b>Basic and diluted loss per share</b>	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	60,450,285	30,781,961	56,363,046	27,641,282

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

**SECOVA METALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(Expressed in Canadian Dollars)  
**FOR THE SIX MONTHS ENDED DECEMBER 31**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (374,533)	\$ (290,493)
Items not affecting cash:		
Amortization of flow-through premium liability	(33,975)	-
Share-based payments	71,699	47,859
Non-cash working capital item changes:		
Receivables	12,489	(9,417)
Prepaid expenses and advances	35,599	(90,272)
Accounts payables and accrued liabilities	<u>(43,675)</u>	<u>(19,159)</u>
Net cash used in operating activities	<u>(332,396)</u>	<u>(361,482)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advance repayments	-	3,000
Mineral properties	<u>(172,580)</u>	<u>(191,310)</u>
Net cash used in investing activities	<u>(172,580)</u>	<u>(188,310)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share issuances	1,468,535	810,600
Proceeds from options exercise	35,000	-
Repayment of loans	(31,500)	-
Subscriptions receivable	(434,750)	-
Share issuance costs	<u>(38,918)</u>	<u>(54,905)</u>
Net cash provided by financing activities	<u>998,367</u>	<u>755,695</u>
<b>Change in cash for the period</b>	<b>493,391</b>	<b>205,903</b>
<b>Cash, beginning of period</b>	<u><b>11,465</b></u>	<u><b>2,304</b></u>
<b>Cash, end of period</b>	<u><b>\$ 504,856</b></u>	<u><b>\$ 208,207</b></u>
<b>Supplemental Cash flow information:</b>		
Expiry of stock options	\$ 45,335	\$ -
Expiry of warrants	11,822	-
Broker warrants issued as share issuance costs	13,377	14,262
Shares issued for mineral property	270,000	-
Shares issued for debt settlement	-	45,000
Share issuance costs recorded through accounts payable and accrued liabilities	18,104	3,276
Flow-through premium liability	32,794	155,000
Mineral property expenditures included in accounts payable and accrued liabilities	<u>182,564</u>	<u>44,529</u>

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

**SECOVA METALS CORP.**
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)**

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital		Subscriptions Receivable	Subscriptions Received in Advance	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount						
<b>Balance as at June 30, 2015</b>	20,815,456	\$ 8,835,995	\$ -	\$ 50,000	\$ 76,167	\$ -	\$ (8,974,069)	\$ (11,907)
Private placement	9,712,000	485,600	-	(50,000)	-	-	-	435,600
Private placement – flow-through	5,000,000	375,000	-	-	-	-	-	375,000
Flow-through premium liability	-	(150,000)	-	-	-	-	-	(150,000)
Shares issued for debt	720,000	45,000	-	-	-	-	-	45,000
Shares issued for finders' fee	-	6,000	-	-	-	-	-	6,000
Share issuance costs	-	(75,167)	-	-	14,262	-	-	(60,905)
Share-based payments	-	-	-	-	47,859	-	-	47,859
Comprehensive loss for the period	-	-	-	-	-	-	(290,493)	(290,493)
<b>Balance as at December 31, 2015</b>	30,247,456	\$ 9,522,428	\$ -	\$ -	\$ 138,288	\$ -	\$ (9,264,562)	\$ 396,154
Private placement	11,390,000	569,500	(60,000)	43,500	-	-	-	553,000
Private placement – flow-through	5,000,000	375,000	-	-	-	-	-	375,000
Flow-through premium liability	-	(150,000)	-	-	-	-	-	(150,000)
Shares issued for debt	-	(9,000)	-	-	-	-	-	(9,000)
Shares issued for warrants exercise	72,000	6,040	-	-	(2,440)	-	-	3,600
Share issuance costs – shares	80,000	-	-	-	-	-	-	-
Share issuance costs – cash	-	(54,562)	-	-	-	-	-	(54,562)
Share issuance costs – warrants	-	(16,022)	-	-	16,022	-	-	-
Share-based payments	-	-	-	-	97,992	-	-	97,992
Expiry of options	-	-	-	-	(69,092)	-	69,092	-
Expiry of warrants	-	-	-	-	(6,904)	-	6,904	-
Comprehensive loss for the period	-	-	-	-	-	-	(906,819)	(906,819)
<b>Balance as at June 30, 2016</b>	46,789,456	\$ 10,008,442	\$ (60,000)	\$ 43,500	\$ 172,687	\$ -	\$ (9,954,935)	\$ 209,694
Private placement	5,416,000	270,800	(114,000)	-	-	-	-	156,800
Private placement – flow-through	14,073,818	736,485	(320,750)	(43,500)	-	-	-	372,235
Flow-through premium liability	-	(32,794)	-	-	-	-	-	(32,794)
Shares issued for mineral property (Note 4)	6,500,000	270,000	-	-	-	-	-	270,000
Shares issued for options exercise	900,000	45,000	(10,000)	-	-	-	-	35,000
Share issuance costs – cash	-	(38,918)	-	-	-	-	-	(38,918)
Share issuance costs – warrants	-	(13,377)	-	-	13,377	-	-	-
Share-based payments	-	-	-	-	71,699	-	-	71,699
Expiry of options	-	-	-	-	(45,335)	-	45,335	-
Expiry of warrants	-	-	-	-	(11,822)	-	11,822	-
Comprehensive loss for the period	-	-	-	-	-	-	(374,533)	(374,533)
<b>Balance as at December 31, 2016</b>	73,679,274	\$ 11,245,638	\$ (504,750)	\$ -	\$ 200,606	\$ -	\$ (10,272,311)	\$ 669,183

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

**SECOVA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

**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 and registered office is 488-1090 West Georgia Street, Vancouver, British Columbia, Canada, V6E 3V7. The Company’s records office is Royal Centre, 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada.

The Company is in the process of acquiring and evaluating potential exploration projects in Canada and throughout the world. The recoverability of amounts for mineral resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future profitable production.

These condensed consolidated interim 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 condensed consolidated interim 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 condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended June 30, 2016.

**Basis of Presentation**

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s June 30, 2016 audited annual financial statements.

**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:

**SECOVA METALS CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

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**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**

**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, 2016:

- IFRS 9                      New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets<sup>(i)</sup>
- IFRS 11 (Amendment)    Amendment to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business.<sup>(ii)</sup>

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

(ii)       Effective for annual periods beginning on or after January 1, 2016

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.



**SECOVA METALS CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

**4. EXPLORATION AND EVALUATION ASSETS**

	<b>Jessie Lake</b>	<b>Duvay Property</b>	<b>Eagle River</b>	<b>Chenier Property</b>	<b>Total</b>
Balance, June 30, 2015	28,650	15,000	-	-	43,650
Acquisition costs					
Cash payments	-	190,000	-	136,500	326,500
	28,650	205,000	-	136,500	370,150
Exploration and evaluation expenditures					
Consulting (Note 6)	44,035	274,645	-	-	318,680
Technical assessment	778	161,727	-	-	162,505
Travel	10,316	17,654	-	-	27,970
	55,129	454,026	-	-	509,155
Impairment	(83,779)	-	-	-	(83,779)
Balance, June 30, 2016	\$ -	\$ 659,026	\$ -	\$ 136,500	\$ 795,526
Acquisition costs					
Shares issued (Note 4)	-	-	220,000	50,000	270,000
	-	-	220,000	186,500	1,065,526
Exploration and evaluation expenditures					
Consulting	-	143,783	-	-	143,783
Technical assessment	-	1,658	-	-	1,658
	-	145,441	-	-	145,441
Balance, December 31, 2016	\$ -	\$ 804,467	\$ 220,000	\$ 186,500	\$ 1,210,967

*Jessie Lake Property, Ontario*

During the year ended June 30, 2015, the Company entered into an option agreement with Auranita Resources Corp. ("Auranita") to acquire a 100% interest in the Jessie Lake gold exploration project in Northern Ontario for total cash payments of \$190,000 (\$15,000 paid), the issuance of 1,850,000 common shares (150,000 shares issued) of the Company, and incurring \$450,000 in exploration expenditures over a three year period. During the year ended June 30, 2016, the Company decided not to continue with the project and wrote-off the balance of \$83,779 to the statement of loss and comprehensive loss.

**SECOVA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

**4. EXPLORATION AND EVALUATION ASSETS (cont'd...)***Chenier property, Quebec*

During the year ended June 30, 2016, the Company entered into an option agreement with Globex Mining Enterprises Inc. to acquire a 100% interest in 68 claims plus a 75% interest in one additional claim of the Chenier property claims, which are adjacent to the Company's current Duvay property holdings, for consideration of a \$136,500 payment in cash (paid) and the issuance of 1,000,000 common shares of the Company (issued). The Chenier claims also have a 1.8% NSR, which can be purchased at any time for \$350,000 and a 1.5% gross metal royalty, for which the Company has the right of first refusal to purchase. During the period ended December 31, 2016, the Company agreed to transfer a 100% interest in this property to Tres-Or Resources Ltd. ("Tres-Or") as consideration for Tres-Or amending the Company's Duvay property option agreement. The Company is in the process of negotiating the acquisition of the remaining 25% interest in the one additional Chenier claim and transferring its interest in the claims to Tres-Or.

*Duvay Property, Quebec*

During the year ended June 30, 2015, the Company entered into a term sheet with Tres-Or for the option to acquire a 90% interest in certain claims comprising the Duvay property. During the period ended September 30, 2016, the Company and Tres-Or entered into an amended agreement, pursuant to which the Company can earn a 65% interest in the Duvay and Chenier properties by:

- i. making cash payments totalling \$300,000 payable as follows:
  - a. \$150,000 on or before December 31, 2016 (paid subsequent to December 31, 2016); and
  - b. \$150,000 on or before February 28, 2017 (paid subsequent to December 31, 2016).
- ii. incurring expenditures on the property totalling of \$3,750,000 over a four year period as follows:
  - a. \$500,000 by June 30, 2016 (completed);
  - b. \$750,000 by March 31, 2017 amended to September 30, 2017;
  - c. \$1,000,000 by December 30, 2017; and
  - d. \$1,500,000 by December 30, 2018

The expenditures in section (ii) (a) and (b) represent firm commitments by the Company to Tres-Or.

A further 25% interest can be earned by financing a prefeasibility study and by funding an aggregate of \$12,000,000 to bring the property toward production. As consideration for the transfer of Chenier property, Tres-Or acknowledges that the obligation to incur \$500,000 of expenditures in ii(a) was satisfied. This transfer has not been completed yet. The Company is in the process of negotiating the acquisition of a remaining 25% interest in one Chenier property claim and transferring its interest in the claims to Tres-Or. Further, the Company can now meet its expenditures over the entire property as opposed to just the Duvay claims.

*Molybdenite Creek property*

During the year ended June 30, 2015, the Company entered into an option agreement to acquire a 100% interest in a group of claims known as the Molybdenite Creek property located in the Lillooet Mining Division of British Columbia, in exchange for a cash payment of \$20,000 (\$5,000 paid) and the issuance of 300,000 common shares. The Company subsequently terminated the Molybdenite Creek agreement during the current year. All costs were charged to property investigation expense.

**SECOVA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

**4. EXPLORATION AND EVALUATION ASSETS (cont'd...)***Eagle River property, Quebec*

During the period ended December 31, 2016, the Company acquired 1084409 B.C. Ltd. (the "Private Company") which owns the Eagle River project that consists of 77 claims or 4,354 contiguous hectares in the Windfall Lake gold district, Quebec. The acquisition is an arms-length transaction in which the Company issued 5,000,000 common shares by way of a share exchange agreement. In connection with the transaction, the Company issued a finder's fee of 500,000 common shares. The issuance of the acquisition and finder's fee common shares are subject to TSX Venture Exchange approval. Once issued, the finder's shares will be subject to a four month and one day hold period.

**5. SHARE CAPITAL AND RESERVES****a) Authorized share capital**

As at December 31, 2016, the authorized share capital of the Company is an unlimited number of common shares without par value.

**b) Issued share capital**

During the period ended December 31, 2016, the Company:

- i. Completed a non-brokered private placement and issued 4,178,818 flow-through shares at a price of \$0.055 per flow-through share and 1,800,000 common shares at a price of \$0.05 per common share for gross proceeds of \$319,835. In connection with the financing, the Company paid total finder's fees of \$17,467, paid other issuance costs of \$2,349, issued 310,305 agent warrants exercisable into one common share at \$0.055 per share for a period of one year, and issued 8,000 agent warrants, exercisable into one common share at \$0.05 per share for a period of one year. The 310,305 agent warrants were assigned a value of \$7,152 using the Black-Scholes pricing model with a risk-free interest rate of 0.54%, term of 1 year, volatility of 129.97% and dividend rate of 0%. The 8,000 agent warrants were assigned a value of \$194 using the Black-Scholes pricing model with a risk-free interest rate of 0.54%, term of 1 year, volatility of 129.97% and dividend rate of 0%. The Company recorded a flow-through premium liability of \$20,894 of which \$13,611 remained unamortized as at December 31, 2016.
- ii. The Company closed a non-brokered private placement and issued 2,380,000 flow-through shares at a price of \$0.055 per flow-through share and 400,000 common shares at a price of \$0.05 per common share for gross proceeds of \$150,900. In connection with the financing, the Company paid total finder's fees of \$12,072, issued 190,400 finders warrants exercisable into one common share at \$0.055 per share for a period of one year, and issued 32,000 agent warrants, exercisable into one common share at \$0.05 per share for a period of one year. The 190,400 finders warrants were assigned a value of \$3,857 using the Black-Scholes pricing model with a risk-free interest rate of 0.52%, term of 1 year, volatility of 113.81% and dividend rate of 0%. The 32,000 agent warrants were assigned a value of \$691 using the Black-Scholes pricing model with a risk-free interest rate of 0.52%, term of 1 year, volatility of 113.81% and dividend rate of 0%. The Company recorded a flow-through premium liability of \$11,900, which remains unamortized as at December 31, 2016.
- iii. Completed a non-brokered private placement and issued 7,515,000 flow-through shares at a price of \$0.05 per flow-through share for gross proceeds of \$375,750 and 3,216,000 Non Flow-Through Units ("NFT Units") at a price of \$0.05 per common share for gross proceeds of \$160,800. The NFT Units consist of one common share and one share purchase warrant. In connection with the financing, the Company paid total finder's fees of \$4,000, issued 99,384 finders warrants exercisable into one common share at \$0.05 per share for a period of one year. The 99,384 finders warrants were assigned a value of \$1,483 using the Black-Scholes pricing model with a risk-free interest rate of 0.80%, term of 1 year, volatility of 114.66% and dividend rate of 0%.

**SECOVA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

**5. SHARE CAPITAL AND RESERVES (cont'd...)****b) Issued share capital (cont'd...)**

During the year ended June 30, 2016, the Company:

- iv. Completed the second tranche of a non-brokered private placement and issued 2,400,000 units at a price of \$0.05 per unit for gross proceeds of \$120,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 for a period of one year. In connection with the private placement, the Company paid a finder's fee of \$4,400, paid other issuance costs of \$1,055, and issued 72,000 agent warrants exercisable at \$0.05 for a period of one year. The agent warrants were assigned a value of \$2,440 using the Black-Scholes pricing model with a risk-free interest rate of 0.42%, term of 1 year, volatility of 197.49% and dividend rate of 0%.
- v. Completed the first and second tranches of a non-brokered private placement and issued 6,312,000 units at a price of \$0.05 per unit for gross proceeds of \$315,600, each unit consisting of one common share and one-half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.10 for a period of one year. In connection, the Company paid a finder's fee of \$8,000, paid other issuance costs of \$7,698, and issued 160,000 agent warrants exercisable at \$0.05 for a period of one year. The agent warrants were assigned a value of \$5,516 using the Black-Scholes pricing model with a risk-free interest rate of 0.53%, term of 1 year, volatility of 202.17% and dividend rate of 0%.
- vi. Completed the first and second tranches of a non-brokered private placement and issued 5,000,000 flow-through shares at a price of \$0.075 per flow-through share and 7,390,000 common shares at a price of \$0.05 per common share for gross proceeds of \$744,500, including \$30,000 settled against outstanding accounts payable due to a related company. In connection, the Company paid total finder's fees of \$33,960, paid other issuance costs of \$10,644, issued 80,000 common shares at a price of \$0.05 valued at \$4,000, issued 352,000 agent warrants exercisable into one common share at \$0.075 per share for a period of one year, and issued 207,200 agent warrants, exercisable into one common share at \$0.05 per share for a period of one year. The first tranche agent warrants were assigned a value of \$6,306 using the Black-Scholes pricing model with a risk-free interest rate of 0.49%, term of 1 year, volatility of 165.73% and dividend rate of 0%. The second tranche agent warrants were assigned a value of \$5,941 using the Black-Scholes pricing model with a risk-free interest rate of 0.53%, term of 1 year, volatility of 158.62% and dividend rate of 0%. The Company recorded a flow-through premium liability of \$150,000, of which \$26,692 remained unamortized as at June 30, 2016.
- vii. Reached terms with certain creditors of the Company, who are former directors of the Company, to exchange shares for debt. Accordingly, the Company issued 720,000 common shares at a value of \$0.05 per share to settle \$45,000 of debt owing. The Company recorded a gain on settlement of accounts payable of \$9,000 based on the difference between the market value of the shares on the settlement date and the value of the debt settled.
- viii. Completed a non-brokered private placement and issued 4,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$200,000. In connection, the Company paid a finder's fees of \$6,800, paid other issuance costs of \$3,158, and issued 136,000 finder's warrants exercisable into one common share at a price of \$0.05 per share for a period of one year. The agents warrants were assigned a value of \$3,775 using the Black-Scholes pricing model with a risk-free interest rate of 0.61%, term of 1 year, volatility of 152.36% and dividend rate of 0%.

**SECOVA METALS CORP.**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

**5. SHARE CAPITAL AND RESERVES (cont'd...)****b) Stock options**

Stock option transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, June 30, 2015	1,405,000	0.07
Granted	4,235,000	0.05
Expired/cancelled	<u>(1,605,000)</u>	0.07
Outstanding, June 30, 2016	4,035,000	0.05
Granted	3,340,000	0.05
Exercised	(900,000)	0.05
Expired/cancelled	<u>(1,185,000)</u>	0.05
Outstanding, December 31, 2016	5,290,000	\$ 0.05
Exercisable, December 31, 2016	5,290,000	\$ 0.05

The following incentive stock options were outstanding at December 31, 2016:

Number of Shares	Exercise Price	Expiry Date
1,500,000	\$ 0.05	April 17, 2017
3,340,000	0.05	September 13, 2017
<u>450,000</u>	0.05	August 19, 2020
5,290,000		

**c) Warrants**

Warrant transactions are summarized as follows:

	Number	Weighted Average Exercise Price
Outstanding, June 30, 2015	3,630,400	0.10
Granted	5,283,200	0.09
Exercised	(72,000)	0.05
Expired	<u>(3,630,400)</u>	0.10
Outstanding, June 30, 2016	5,211,200	0.09
Granted	4,756,089	0.07
Expired	<u>(4,868,000)</u>	0.10
Outstanding, December 31, 2016	5,099,289	\$ 0.07

**SECOVA METALS CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

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

The following share purchase warrants were outstanding at December 31, 2016:

Number of Shares	Exercise Price	Expiry Date
207,200	\$ 0.050	March 1, 2017
136,000	0.050	April 19, 2017
900,000	0.050	August 1, 2017
310,305	0.050	August 1, 2017
8,000	0.050	August 1, 2017
190,400	0.055	October 21, 2017
32,000	0.050	October 21, 2017
99,384	0.050	December 16, 2017
<u>3,216,000</u>	<u>0.080</u>	<u>December 16, 2018</u>
5,099,289		

**d) 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.

During the period ended December 31, 2016, the Company granted 3,340,000 (2015 – 1,385,000) stock options with a weighted average fair value of \$0.02 (2015 - \$0.04). The Company recognized share-based payments expense of \$71,699 (2015 - \$52,986).

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options granted during the period:

	2016	2015
Risk-free interest rate	0.60%	0.41%
Expected life of options	1 years	1 year
Expected annualized volatility	112.91%	198.56%
Dividend	-	-

**SECOVA METALS CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

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**6. RELATED PARTY TRANSACTIONS**

These condensed consolidated interim 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) Consulting fees of \$105,498 (2015 – \$73,430) to a company controlled by the CEO and director of the Company;
- b) Consulting fees of \$76,498 (2015 - \$48,330) to a company controlled by the President and director of the Company;
- c) Geological consulting fees of \$60,000 (2015 - \$Nil) to a company controlled by an independent director of the Company.
- d) Professional fees of \$15,000 (2015 - \$16,000) to a company for CFO services.
- e) Consulting fees of \$Nil (2015 - \$30,000) to a former officer and two companies controlled by a former director and a former officer of the Company.
- f) Investor relation fees of \$Nil (2015 - \$28,247) to a company controlled by a director of the Company.
- g) Recorded share-based payments of \$71,699 (2015 - \$Nil) for stock options granted and vested to directors and officers of the Company.

The Company operates from the premises of a group of public and private companies with common former directors. One private company controlled by a former director and former officer of the Company provides office and administrative services to the Company and various other public companies. During the period ended December 31, 2016, the Company paid or accrued \$Nil (2015 - \$3,450) for office and sundry to the private company. During the year ended June 30, 2016, the Company agreed to a settlement with the private company for \$30,000 for the balance outstanding of \$69,132. Accordingly, the Company recognized a loss on settlement of advances of \$39,132 on the consolidated statements of operations and comprehensive loss. As at December 31, 2016, the \$30,000 remains a receivable.

During the period ended December 31, 2016, the Company repaid in cash, short term loans totalling \$31,500 from a private company controlled by a former director and former officer of the Company.

**SECOVA METALS CORP.**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

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**7. 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.

*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 December 31, 2016, the Company had a cash balance of \$106 (June 30, 2016 - \$11,465) to settle current liabilities of \$578,698 (June 30, 2016 - \$694,093). 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.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.



**SECOVA METALS CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

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

*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.

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 (deficiency).

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.

**8. SEGMENTED INFORMATION**

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

**SECOVA METALS CORP.**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE PERIOD ENDED DECEMBER 31, 2016

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**9. SUBSEQUENT EVENT**

Subsequent to December 31, 2016:

- i. The Company intends to complete a non-brokered private placement to raise up to \$2,500,000 through the issuance of up to 50,000,000 units at a purchase price of \$0.05 per unit (the "Units"). Each Unit will consist of one common share and one additional common share warrant for a period of two years from issuance at an exercise price of \$0.08 per common share. There is an acceleration clause that if the common shares of the Company trade at or above \$0.20 per share for a period of 10 trading days during the last year of the warrant period, then the warrant must be exercised within 15 business days. In connection with the offering, the Company intends to issue 2,639,500 common shares, 3,497,000 finder warrants, and pay finder fees of \$42,920;
- ii. The Company acquired 1095252 B.C. Ltd. ("1095252") by issuing 6,000,000 common shares of the Company and paying \$52,500. 1095252 is a private B.C. company whose sole asset is the Cobalt Bay property;
- iii. The Company issued 9,330,000 common shares to settle \$466,500 in accounts payable and accrued liabilities; and
- iv. The Company acquired 1106632 B.C. Ltd. ("1106632") by issuing 5,000,000 common shares of the Company and paying \$52,500. 1095252 is a private B.C. company whose sole asset is the Cobalt Bay property.