



**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2020**

## **Introduction**

This management's discussion and analysis (MD&A) of Secova Metals Corp. is the responsibility of management and covers the nine-month period ended March 31, 2020. The MD&A takes into account information available up to and including August 19, 2020 and should be read together with the consolidated audited financial statements and accompanying notes for the year ended June 30, 2019 which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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

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

## **Forward-Looking Statements**

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

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

## **Reserves and Resources**

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

## **Description of Business**

The Company is a Canadian exploration company focused on building a strong asset base through exploration of undervalued projects in Canada. Management has demonstrated expertise in advancing gold exploration projects into acquisition targets, most notably in the province of Quebec. The Company has 100% ownership of the Eagle River project which is adjacent to and on-trend to several gold projects in the Windfall Lake district of Urban Barry in Quebec. Secova will use its expertise in early stage exploration to create shareholder value by attempting to prove out the potential resource in these assets.

The Company trades on the TSX Venture Exchange ("TSX-V") under the Symbol SEK

## Performance Summary and Subsequent Events

During the nine-month period ended March 31, 2020 and year ended June 30, 2019, the Company:

The Company issued 17,330,000 units in three tranches (500,000 units on November 1, 2019, 1.4 million units on November 27, 2019 and 9.43 million units for cash on December 20, 2019) pursuant to a Private Placement at a purchase price of \$0.05 per unit (the "**Financing**") for total proceeds of \$866,500 of which \$383,820 has been received in cash. Each unit consists of one common share of the Company and one common share purchase warrant (the "**Units**"). Each warrant entitles the holder to purchase one common share of the Company at a purchase price of \$0.05 per share for a period of nine (9) months from the date of the closing of the Financing.

In connection with the close of the first tranche of the Financing, the Company will pay a cash finder's fee of \$5,600 and issue 112,000 finder's warrants (the "**Finder's Warrants**"). The Finder's Warrants will be exercisable into common shares for a period of nine (9) months at an exercise price of \$0.05 per common share.

There were no other significant events during the nine-month period ended March 31, 2020 and year ended June 30, 2019 or to the date of this report.

## Exploration Summary

### *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 100,000 common shares of the Company (issued, value at \$50,000). 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 year ended June 30, 2017, 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. During the year ended June 30, 2018, the Company has acquired the remaining 25% interest in the one additional Chenier claim for \$30,585 and transferred 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 year ended June 30, 2017, 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 making several payments:

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. Further, the Company can now meet its expenditures over the entire property as opposed to just the Duvay claims.

During the period ended September 30, 2018, Tres-Or has disputed whether the Company met its obligation to spend \$1,000,000 by June 30, 2018 and the Company contends that it has not received the requested deliverables from Tres-Or. The Company is in negotiations with Tres-Or to satisfy the terms of the agreement.

During the year ended June 30, 2019, the Company recognized an impairment charge that reduced the carrying value of the Duvay property to nil.

*Eagle River property, Quebec*

During the year ended June 30, 2017, the Company acquired 1084409 B.C. Ltd. 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 500,000 common shares (valued at \$200,000) by way of a share exchange agreement. The Company also issued 50,000 common shares (valued at \$20,000) as finder's fee.

During the year ended June 30, 2017, the Company acquired 1106632 B.C. Ltd. which owns the Windfall Lake project that consists certain claims in the Windfall Lake gold district, Quebec. The acquisition is an arms-length transaction in which the Company issued 500,000 common shares (valued at \$300,000) by way of a share exchange agreement.

During the year ended June 30, 2017, the Company acquired 1107136 B.C. Ltd. which owns the Windfall Lake project that consists 299 claims, or 16,500.55 hectares. The acquisition is an arms-length transaction in which the Company issued 900,000 common shares (valued at \$720,000) by way of a share exchange agreement.

During the year ended June 30, 2017, the Company acquired 1106541 B.C. Ltd. which owns the Osisterra Project that consists of 30 claims or 1,694 contiguous hectares. The acquisition is an arms-length transaction in which the Company issued 1,000,000 common shares (valued at \$450,000) by way of a share exchange agreement.

*Cobalt Bay, Quebec*

During the year ended June 30, 2017, the Company acquired 1095252 B.C. Ltd. which owns the Cobalt Bay project that consists of certain claims Windfall Lake gold district, Quebec. The acquisition is an arms-length transaction in which the Company issued 600,000 common shares (valued at \$570,000) by way of a share exchange agreement.

During the year ended June 30, 2019, the Company recognized an impairment charge that reduced the carrying value of the Cobalt Bay property to nil.

*Montauban and Chavigny Townships, Quebec*

On December 12, 2019, the Company and DNA Canada Inc. ("DNA") entered into a purchase agreement whereby the Company has agreed to acquire 152 mining claims and concessions located in the Montauban and Chavigny townships, in the county of Portneuf, in the province of Quebec, as well as buildings, immovables, and other assets and operating permits located on, or with respect to, the property. The consideration to be paid to DNA will consist of the issuance of common shares of Secova (the "Shares") in three tranches:

- (i) 15 million shares to be issued four months and one day following the closing;
- (ii) 15 million shares to be issued eight months following the closing; and
- (iii) 20 million shares to be issued one year following the closing of the acquisition.

As part of the purchase agreement, the Company will acquire some equipment and assumed liabilities totalling \$273,100.

Completion of the acquisition is conditional upon, among other things, receipt of all necessary regulatory approvals, including approval of the TSX Venture Exchange.

## Results of Operations

### Three-month period ended March 31, 2020 compared to March 31, 2019:

The Company had a net loss and comprehensive loss of \$74,685 versus \$221,619 in the comparative period, being a decrease of \$146,934, or 66%.

The following expenses decreased during the three-month period ended March 31, 2020. Consulting (2020: \$60,000, 2019: \$83,700), Interest expense (2020: \$NIL, 2019: \$10,000), Investor relations (2020: \$NIL, 2019: \$38,625), Meals and entertainment (2020: \$1,476, 2019: \$4,782), Office and sundry (2020: \$318, 2019: \$1,989), Professional fees (2020: \$5,000, 2019: \$52,500), Rent expense (2020: \$NIL, 2019: \$19,108), and Travel (2020: \$NIL, 2019: \$10,938).

The following expenses increased during the three-month period ended March 31, 2020: Filing fees and transfer agent (2020: \$7,891, 2019: \$1,966).

### Nine-month period ended March 31, 2020 compared to March 31, 2019:

The Company had a net loss and comprehensive loss of \$377,111 versus \$1,258,161 in the comparative period, being a decrease of \$881,050, or 70%.

The following expenses decreased during the nine-month period ended March 31, 2020. Consulting (2020: \$180,000, 2019: \$602,203), Interest expense (2020: \$NIL, 2019: \$10,000), Investor relations (2020: \$NIL, 2019: \$225,635), Meals and entertainment (2020: \$1,516, 2019: \$40,679), Office and sundry (2020: \$9,711, 2019: \$34,187), Professional fees (2020: \$123,540, 2019: \$178,135), Rent expense (2020: \$37,400, 2019: \$57,324), and Travel (2020: \$NIL, 2019: \$120,012).

The following expenses increased during the six-month period ended March 31, 2020: Filing fees and transfer agent (2020: \$24,944, 2019: \$20,076).

## Summary of Quarterly Results

|                                   | March 31,<br>2020 | December 31,<br>2019 | September 30,<br>2019 | June 30,<br>2019 |
|-----------------------------------|-------------------|----------------------|-----------------------|------------------|
| Total assets                      | \$ 2,759,907      | \$ 2,778,538         | \$ 2,619,329          | \$ 2,601,915     |
| Working capital (deficiency)      | (545,281)         | (468,596)            | (593,789)             | (549,070)        |
| Shareholder's equity (deficiency) | 1,956,776         | 2,031,461            | 1,906,268             | 1,950,987        |
| Comprehensive loss                | 377,111           | 226,207              | 76,219                | 4,257,687        |
| Loss per share                    | -                 | -                    | -                     | 0.07             |

|                                   | March 31,<br>2019 | December 31,<br>2018 | September 30,<br>2018 | June 30,<br>2018 |
|-----------------------------------|-------------------|----------------------|-----------------------|------------------|
| Total assets                      | \$ 6,300,881      | \$ 5,941,875         | \$ 5,747,220          | \$ 5,499,329     |
| Working capital (deficiency)      | (433,086)         | (154,839)            | (178,394)             | (450,638)        |
| Shareholder's equity (deficiency) | 5,323,325         | 5,411,021            | 5,113,709             | 4,724,031        |
| Comprehensive loss                | 191,619           | 719,605              | 332,495               | 398,797          |
| Loss per share                    | 0.02              | 0.02                 | 0.01                  | 0.02             |

Other than the private placements noted above, there were no significant transactions during the nine-month period ended March 31, 2020.

## Liquidity and Capital Resources

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

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

*Operating activities:* The Company does not generate any revenues and generally does not receive any cash from operating activities. Net cash used in operating activities during the nine-month period ended March 31, 2020 decreased to \$21,961 compared to \$82,675 during the comparative year ended June 30, 2019.

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

## Contractual Obligations

Except as described herein or in the Company's condensed interim consolidated financial statements as at March 31, 2020, the Company had no material financial commitments.

## Off Statement of Financial Position Arrangements

At March 31, 2020, the Company had no material off statement of financial position arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

## Capital Resources

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

## Outstanding Share Data

As at the date of this report the Company had 86,737,129 common shares issued and outstanding, 22,040,421 Share Purchase Warrants and 45,000 share options convertible into common shares.

See Note 5 Share Capital and Reserves in the Financial Statements

## Related Party Transactions

Key management personnel comprise of the Chief Executive Officer, former Chief Financial Officer, and the Directors of the Company.

### a) Chief Executive Officer

The following transactions were conducted with a company controlled by the CEO and director of the Company:

|                 | For the period ended<br>March 31, 2020 | For the year ended<br>June 30, 2019 |
|-----------------|--|-------------------------------------|
| Director fees   | \$ 22,500                              | \$ 30,000                           |
| Consulting fees | 135,000                                | 309,754                             |
| Due from CEO    | 439,946                                | 439,946                             |

Amounts due from the CEO are unsecured, non-interest bearing, and have no terms for repayment.

#### b) Former Chief Financial Officer

The following transactions were conducted with a company controlled by the former CFO of the Company:

|                                     | For the period ended<br>March 31, 2020 | For the year ended<br>June 30, 2019 |
|-------------------------------------|--|-------------------------------------|
| Management fees                     | \$ Nil                                 | \$ 17,500                           |
| Amount included in accounts payable | \$ Nil                                 | \$ 2,500                            |

#### c) Director fees

Director fees of \$22,500 (June 30, 2019 - \$60,000) were earned by directors, other than the CEO, of the Company.

### 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.

As at March 31, 2020, the Company had a cash balance of \$60,714 (June 30, 2019 - \$82,675) to settle current liabilities of \$803,131 (June 30, 2019 - \$650,928). 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.

#### *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.

## Risk Factors

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

## New standards not yet adopted.

**IFRS 16 – Leases:** On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is currently evaluating the impact of this standard, but does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

**IFRIC 23 – Uncertainty Over Income Tax Treatments:** clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is currently evaluating the impact of this standard, but does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.

## Critical Accounting Policies and Estimates

The Company's accounting policies are described in Notes 2 and 3 of its condensed interim consolidated financial statements for the nine-month period ended March 31, 2020. Management considers the following policies to be the most critical in understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows:

### **Use of estimates and significant judgments**

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

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

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

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

The most significant judgments relate to the recoverability of the advance, the functional currency of the Company and its subsidiaries, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project.

### **Share-based payments**

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

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

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

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

### **Subsequent events**

Please refer to Note 9 Subsequent Events in the Financial Statements.