

NovX21 Inc.

**Unaudited Condensed Interim Financial Statements
As at June 30, 2014**

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These condensed interim financial statements for the six-month period ended June 30, 2014 have not been reviewed by the auditors of the Company.

NovX21 Inc.**Condensed Interim Statement of Financial Position**

June 30, 2014

Unaudited, in Canadian dollars

	Notes	June 30, 2014 \$	December 31, 2013 \$
ASSETS			
Current			
Cash	5	78,283	795,495
Short-term investments, 1,45% to 1,50%, maturing in March 2015	5	1,305,980	-
Accounts receivable from unrelated companies, without interest		10,860	4,466
Shares subscriptions receivable		40,000	40,000
Sales taxes receivable		75,771	75,995
Tax credits receivable		109,136	222,455
Inventory		128,638	32,617
Prepaid expenses		21,251	43,214
		<u>1,769,919</u>	<u>1,214,242</u>
Non-current			
Exploration and evaluation assets	6	7,162,296	7,113,506
Property and equipment	7	404,650	363,736
Intangible assets	8	5,428,301	4,883,050
Total assets		<u>14,765,166</u>	<u>13,574,534</u>

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

NovX21 Inc.
Condensed Interim Statement of Financial Position
June 30, 2014
Unaudited, in Canadian dollars

	Notes	June 30, 2014 \$	December 31, 2013 \$
LIABILITIES			
Current			
Trade and other payables	10	149,137	181,081
Non-current			
Deferred grant	11	750,000	750,000
Total liabilities		<u>899,137</u>	<u>931,081</u>
EQUITY			
Share capital	12	24,725,534	22,718,534
Contributed surplus		4,711,776	3,828,978
Deficit		(15,571,281)	(13,904,059)
Total equity		<u>13,866,029</u>	<u>12,643,453</u>
Total liabilities and equity		<u>14,765,166</u>	<u>13,574,534</u>

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

(s) Sylvain Boulanger

President

(s) Fayçal Salek

Chief Financial Officer

NovX21 Inc.**Condensed Interim Statement of Comprehensive Income**

For the six-month period ended June 30, 2014

Unaudited, in Canadian dollars

	Notes	June 30, 2014 (three months) \$	June 30, 2013 (three months) \$	June 30, 2014 (six months) \$	June 30, 2013 (six months) \$
Salaries and other employee benefits expense	13.1	47,734	131,148	208,278	180,044
Consulting fees		113,360	53,646	204,052	143,979
Professional fees		51,970	42,552	167,473	62,742
Public relations fees		39,906	53,906	81,614	75,946
Traveling fees		29,535	1,428	42,796	5,834
Advertising and entertainment		21,651	19,838	57,297	21,763
Insurance		6,116	7,110	12,230	13,946
Depreciation of property and equipment		-	90	120	180
Other expenses		<u>27,210</u>	<u>15,992</u>	<u>64,513</u>	<u>31,119</u>
Operating loss		337,482	325,710	838,373	535,553
Change in fair value of listed shares		-	1,250	-	1,250
Finance income		<u>(8,328)</u>	<u>(485)</u>	<u>(10,659)</u>	<u>(1,330)</u>
Net loss and total comprehensive loss for the period		<u><u>329,154</u></u>	<u><u>326,475</u></u>	<u><u>827,714</u></u>	<u><u>535,473</u></u>
Net loss per share					
Basic and diluted net loss per share	14	<u><u>(0.00)</u></u>	<u><u>(0.00)</u></u>	<u><u>(0.01)</u></u>	<u><u>(0.01)</u></u>

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

NovX21 Inc.**Condensed Interim Statement of Changes in Equity**

For the six-month period ended June 30, 2014

Unaudited, in Canadian dollars

	Notes	Share capital	Contributed surplus	Deficit	Total Equity
		\$	\$	\$	\$
Balance at January 1st, 2013		<u>20,619,784</u>	<u>2,031,191</u>	<u>(11,276,528)</u>	<u>11,374,447</u>
Units issued by a private placement		800,000	-	-	800,000
Share-based payments	13.1	-	166,038	-	166,038
Issuance cost of units		-	-	(55,516)	(55,516)
Diluting effect of the extended warrants		-	1,287,100	(1,287,100)	-
Net loss and total comprehensive loss for the period		-	-	(535,473)	(535,473)
Balance at June 30, 2013		<u>21,419,784</u>	<u>3,484,329</u>	<u>(13,154,617)</u>	<u>11,749,496</u>
Balance at January 1st, 2014		<u>22,718,534</u>	<u>3,828,978</u>	<u>(13,904,059)</u>	<u>12,643,453</u>
Units issued by private placements	12.1	2,007,000	-	-	2,007,000
Share-based payments	13.1	-	231,074	-	231,074
Diluting effect of the extended warrants	12.2	-	497,700	(497,700)	-
Issuance cost of units		-	154,024	(341,808)	(187,784)
Net loss and total comprehensive loss for the period		-	-	(827,714)	(827,714)
Balance at June 30, 2014		<u>24,725,534</u>	<u>4,711,776</u>	<u>(15,571,281)</u>	<u>13,866,029</u>

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

NovX21 Inc.**Condensed Interim Statement of Cash Flows**

For the six-month period ended June 30, 2014

Unaudited, in Canadian dollars

	Notes	June 30, 2014 \$	June 30, 2013 \$
OPERATING ACTIVITIES			
Loss for the period		(827,714)	(535,473)
Adjustments:			
Depreciation of property and equipment		120	180
Share-based payments	13.1	193,689	165,924
Change in fair value of listed shares		-	1,250
Net change in working capital items	15	(105,778)	(8,189)
Cash flows from operating activities		<u>(739,683)</u>	<u>(376,308)</u>
INVESTING ACTIVITIES			
Accounts receivable from unrelated companies		(6,394)	(5,602)
Acquisition of short-term investments		(1,800,000)	(500,000)
Short-term investments withdrawals		494,020	404,165
Additions to exploration and evaluation assets		(48,790)	(12,074)
Tax credits received		113,319	58,827
Acquisition of property and equipment	7	(90,840)	(35,238)
Acquisition of intangible assets	8	(458,060)	(381,307)
Cash flows from investing activities		<u>(1,796,745)</u>	<u>(471,229)</u>
FINANCING ACTIVITIES			
Issuance of units		2,007,000	950,000
Issuance cost of units		(187,784)	(55,516)
Cash flows from financing activities		<u>1,819,216</u>	<u>894,484</u>
Net change in cash		(717,212)	46,947
Cash, beginning of period		<u>795,495</u>	<u>195,906</u>
Cash, end of period		<u>78,283</u>	<u>242,853</u>
Supplementary information			
Interest received included in operating activities		<u>10,659</u>	<u>1,330</u>

For additional information on cash flows refer to Note 15.

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

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

1. NATURE OF OPERATIONS

NovX21 Inc. (hereinafter the "Company") has developed and patented two technologies, which are used: to increase the chromium to iron ratios of chromite and extract platinum group metals (PGM) out of refractory ore and concentrates rich in PGM. The Company is also active in the exploration of mining properties located in Quebec.

The Company's mission is to sustainably recover precious metals through the recycling of end-of-life PGM containing components, while meeting global "green" standards of the automotive industry.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The Company's condensed interim financial statements have been prepared based on International Financial Reporting Standards (IFRS) applicable in the preparation of financial statements, in accordance with IAS 34 standard, *Interim Financial Reporting*.

The condensed interim financial statements must be read in conjunction with the most recent annual financial statements and the accompanying notes as at December 31, 2013 and for the year then ended.

The Company's registered office is 620 St-Jacques Street, Office 110, Montreal, Quebec, H3C 1C7. The Company is incorporated under the *Canadian Business Corporations Act*. and its shares are listed on the TSX Venture Exchange under the symbol "NOV".

The condensed interim financial statements for the reporting period ended June 30, 2014 were approved and authorized for issue by the Board of Directors on August 15, 2014.

3. SUMMARY OF ACCOUNTING POLICIES

Accounting policies and methods of computation followed in the condensed interim financial statements are the same as those used in the most recent annual financial statements.

3.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these condensed interim financial statements, certain new standards, amendments and interpretations to existing standards have been published, but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 Financial Instruments (IFRS 9)

The International Accounting Standards Board (IASB) aims to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, as well as the one dealing with hedge accounting have been issued. The chapter dealing with impairment methodology is still being developed. In November 2011, the IASB tentatively decided to consider making limited changes to IFRS 9's financial asset classification model to address application issues. In addition, in November 2013, the IASB decided to postpone to a date still undetermined the application of IFRS 9. The Company's management has not yet assessed the impact that this new standard will have on its financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

NovX21 Inc.

Notes to Condensed Interim Financial Statements

June 30, 2014

Unaudited, in Canadian dollars

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the condensed interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the judgments, estimates and significant assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is the same as that disclosed in the most recent annual consolidated financial statements.

5. CASH

The balance on flow-through financing not disbursed represents \$250,591 (\$299,000 as at December 31, 2013). The Company has to dedicate these funds to the exploration of its mining properties.

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

6. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1 st , 2014	Additions	Exploration credits	Balance at June 30, 2014
	\$	\$	\$	\$
Lac Ewart				
Mining rights	11,403	-	-	11,403
Exploration and evaluation expenses	60,941	40,000	-	100,941
	<u>72,344</u>	<u>40,000</u>	<u>-</u>	<u>112,344</u>
Menarik				
Mining rights	7,592	381	-	7,973
Exploration and evaluation expenses	7,032,007	8,409	-	7,040,416
	<u>7,039,599</u>	<u>8,790</u>	<u>-</u>	<u>7,048,389</u>
Tavernier				
Mining rights	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Vauquelin				
Mining rights	<u>1,562</u>	<u>-</u>	<u>-</u>	<u>1,562</u>
Total exploration and evaluation assets	<u>7,113,506</u>	<u>48,790</u>	<u>-</u>	<u>7,162,296</u>

NovX21 Inc.

Notes to Condensed Interim Financial Statements

June 30, 2014

Unaudited, in Canadian dollars

6. EXPLORATION AND EVALUATION ASSETS (continued)

Lac Ewart

The Company holds a 100% interest in the property located in the James Bay area, Quebec and is committed to pay a 1% net smelter return on the value of the production from 21 of the 32 claims held on the property. This royalty can be bought back at any time in consideration of a 1 million dollars payment.

Menarik

The Company holds a 100% interest in the property located in the James Bay area, Quebec and is not subject to any royalty.

Others

Other properties of the Company are subject to royalties ranging from 1% to 1.5% of any production sold resulting from these claims.

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

7. PROPERTY AND EQUIPMENT

	Land	Pilot plant equipment	Leasehold improvements	Computer equipment	Furnitures and fixtures	Total
	\$	\$	\$	\$	\$	\$
Gross carrying amount						
Balance at January 1 st , 2014	4,480	950,354	135,495	2,670	12,036	1,105,035
Acquisitions	-	79,121	-	11,719	-	90,840
Balance at June 30, 2014	<u>4,480</u>	<u>1,029,475</u>	<u>135,495</u>	<u>14,389</u>	<u>12,036</u>	<u>1,195,875</u>
Accumulated depreciation and impairment						
Balance at January 1 st , 2014	-	596,045	130,668	2,550	12,036	741,299
Depreciation	-	47,124	1,034	1,768	-	49,926
Balance at June 30, 2014	<u>-</u>	<u>643,169</u>	<u>131,702</u>	<u>4,318</u>	<u>12,036</u>	<u>791,225</u>
Carrying amount at June 30, 2014	<u><u>4,480</u></u>	<u><u>386,306</u></u>	<u><u>3,793</u></u>	<u><u>10,071</u></u>	<u><u>-</u></u>	<u><u>404,650</u></u>

All depreciation expenses are included within Depreciation of property and equipment, except for depreciation expenses related to property and equipment used in the development of the technology to increase the chromium to iron ratios of chromite and extract platinum group metals, which are capitalized as intangible assets. An amount of \$49,806 was capitalized as intangible assets during the period.

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

8. INTANGIBLE ASSETS

	Technology to increase the chromium to iron ratios of chromite and extract platinum group metals	Patents	Total
	\$	\$	\$
Gross carrying amount			
Balance at January 1 st , 2014	4,774,733	159,914	4,934,647
Acquisitions	548,600	657	549,257
Balance at June 30, 2014	<u>5,323,333</u>	<u>160,571</u>	<u>5,483,904</u>
Accumulated depreciation			
Balance at January 1 st , 2014	-	51,597	51,597
Depreciation	-	4,006	4,006
Balance at June 30, 2014	<u>-</u>	<u>55,603</u>	<u>55,603</u>
Carrying amount at June 30, 2014	<u>5,323,333</u>	<u>104,968</u>	<u>5,428,301</u>

Recoverability of the technology to increase the chromium to iron ratios of chromites and extract platinum group metals

The carrying amount of the technology to increase the chromium to iron ratios of chromites and extract platinum group metals not yet available for use in the manner intended by management represents the development costs of \$5,323,333 at June 30, 2014 (\$4,774,733 as at December 31, 2013). An impairment test was done at December 31, 2013 and no impairment loss was recognized.

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

9. LEASE

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	Total
	\$	\$	\$
June 30, 2014	40,529	54,039	94,568
December 31, 2013	40,529	74,303	114,832

The Company leases the offices of the pilot plant under a lease expiring on October 31, 2016.

Lease payments capitalized to intangible assets during the period amount to \$21,891 (\$41,256 for the year ended December 31, 2013). This amount consists of the minimum lease payments. The Company's operating lease agreement does not contain any contingent rent clauses.

10. TRADE AND OTHER PAYABLES

	June 30, 2014	December 31, 2013
	\$	\$
Trade	115,595	181,081
Trade from an officer	5,056	-
Trade from a company with a common officer	20,121	-
Trade from a company of which a partner is a director of the Company	8,365	-
	<u>149,137</u>	<u>181,081</u>

11. DEFERRED GRANT

The Company has obtained a grant of \$750,000 from Canada Economic Development related to the acquisition of a process to increase the chromium to iron ratios of chromites and extract platinum group metals. This government grant has been deferred and presented as a liability in the condensed interim statement of financial position. This grant will become payable only when revenue will be derived by commercial production of mining deposits of the Company by using the process in development and this by paying yearly royalties or when proceeds will be derived from the sale of patent rights or the patents themselves. The reimbursements will then be limited to an amount equal to twice the total grant received. The liability to repay government assistance will be accounted for at its fair value only in the period in which conditions will arise that will cause government assistance to become repayable.

12. SHARE CAPITAL**12.1 Share capital**

The share capital of the Company consists only of ordinary shares.

Authorized share capital

Unlimited number of class "A" shares without par value, voting, participating, dividend as declared by the Board of Directors.

Unlimited number of class "B" shares without par value, with 25 voting rights per share, non-participating, dividend as declared by the Board of Directors.

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

12. SHARE CAPITAL (continued)**12.1 Share capital** (continued)**Authorized share capital** (continued)

Unlimited number of class "C" shares issuable in series. The directors will define the rights and privileges upon issuance.

Changes in issued class "A" shares are as follows:

	<u>Number</u>
Balance of class "A" shares at January 1 st , 2014	82,144,144
Private placements ^(a)	<u>20,070,000</u>
Balance of class "A" shares at June 30, 2014	<u>102,214,144</u>

- (a) On January 8 and 17, 2014, the Company completed the last portions of the private placement in the amount of \$2,991,750. As part of the last portions of this placement, the Company has issued 20,070,000 class "A" shares at a price of \$0.10 per share and 20,070,000 warrants for an amount of \$2,007,000. Each warrant entitles its holder to subscribe to an equivalent number of class "A" shares at a price of \$0.20 per share expiring 36 months following the closing of the placement. No amount related to the warrants issued was recorded in contributed surplus.

As part of this placement, the Company issued 1,632,400 warrants to brokers. Each warrant entitles its holder to subscribe to an equivalent number of class "A" shares at a price of \$0.10 per share expiring 18 months following the closing of the placement.

12.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of class "A" shares, as follows:

	<u>Number</u>	<u>Weighted average exercise price</u>
Balance at January 1 st , 2014	30,173,500	\$ 0.24
Issued	21,702,400	0.19
Expired	<u>(9,000,000)</u>	0.40
Balance at June 30, 2014	<u>42,875,900</u>	0.19

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

12. SHARE CAPITAL (continued)**12.2 Warrants** (continued)

Warrants outstanding and exercisable at June 30, 2014 and December 31, 2013:

Expiry date	June 30, 2014 Number	December 31, 2013 Number	Exercise price \$
May 2014	-	8,600,000	0.40
June 2014	-	400,000	0.35
December 2014	1,000,000	1,000,000	0.20
March 2015 ⁽¹⁾	7,900,000	7,900,000	0.20
June 2015	641,000	641,000	0.10
June 2015	152,000	152,000	0.30
July 2015	808,400	-	0.10
July 2015	824,000	-	0.10
March 2016	483,000	483,000	0.10
December 2016	9,512,500	9,512,500	0.20
December 2016	1,150,000	1,150,000	0.20
January 2017	10,105,000	-	0.20
January 2017	10,300,000	-	0.20
Balance before warrants to be issued	42,875,900	29,838,500	
To be issued			
December 2016	-	335,000	0.20
Balance of warrants	42,875,900	30,173,500	

⁽¹⁾ During the six-month period ended June 30, 2014, the Company extended the expiry date of 7,900,000 warrants (10,000,000 as at December 31, 2013) for a period of 12 months.

During the six-month period ended June 30, 2014, the Company recorded an amount of \$154,024 (\$140,210 as at December 31, 2013) as units issuance costs for the warrants issued to brokers and a total amount of \$497,700 (\$1,326,502 as at December 31, 2013) for the diluting effect of the extended warrants. The amounts were recorded in contributed surplus.

The fair value of the extended warrants of \$0.06 (\$0.13 as at December 31, 2013) was accounted for in contributed surplus. This value was calculated using the Black-Scholes pricing model using the following weighted assumptions:

	June 30, 2014	December 31, 2013
Average share price at the grant and modification date	\$0.145	\$0.24
Expected volatility	138.138%	160.87%
Risk-free interest rate	1.06%	1.08%
Expected life	1 year	1.09 year
Exercise price at the grant and modification date	\$0.20	\$0.35
Expected dividend	0%	0%

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

12. SHARE CAPITAL (continued)**12.2 Warrants** (continued)

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life of the warrants.

13. EMPLOYEE REMUNERATION**13.1 Salaries and other employee benefits expense**

Salaries and other employee benefits expense recognized for employee benefits are analysed as follows:

	June 30, 2014 (three months)	June 30, 2013 (three months)	June 30, 2014 (six months)	June 30, 2013 (six months)
	\$	\$	\$	\$
Salaries and benefits	9,723	7,537	14,589	14,120
Share-based payments	<u>41,233</u>	<u>123,611</u>	<u>231,074</u>	<u>166,038</u>
	50,956	131,148	245,663	180,158
Share-based payments capitalized to intangible assets	<u>(3,222)</u>	<u>-</u>	<u>(37,385)</u>	<u>(114)</u>
Salaries and other employee benefits expense	<u>47,734</u>	<u>131,148</u>	<u>208,278</u>	<u>180,044</u>

13.2 Share-based payments

The Company has adopted share-based payment plans under which members of the Board of Directors may award options for class "A" shares to eligible directors, officers, employees and consultants. On December 2, 2013, the Company changed the share-based payment plans adopted in 1994 and modified in 2007. The maximum number of shares that can be issued under the plan modified in 2007 ("2007 plan") is of 5,000,000 class "A" shares and under the plan modified in 2013 ("2013 plan"), 13,900,000 class "A" shares.

- i) The maximum number of class "A" shares that can be granted for a beneficiary, other than a consultant, during any 18-month period (2007 plan) and 12-month period (2013 plan) is limited to 5% of issued and outstanding shares and 2% of issued and outstanding shares for consultants;
- ii) According to the 2007 plan, options issued are exercisable at the rate of 15% per quarter except for 10% that is exercisable from grant date. According to the 2013 plan, the Board of Directors determines at its discretion the period of acquisition of the exercise right of the options granted; the options granted to consultants performing investor relations activities may be exercised by stages over a 12-month period following the grant, at the rate of 25% per quarter;
- iii) The exercise price of each option granted will not be less than the discounted closing market price on the day preceding the grant or, if there were no transaction on the preceding day, the average between the selling and the buying bids of the preceding days;
- iv) According to the 2007 plan, the term cannot exceed five years and according to the 2013 plan, 10 years.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options.

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

13. EMPLOYEE REMUNERATION (continued)**13.2 Share-based payments** (continued)

The Company's share options are as follows for the reporting periods presented:

	Number of share options	Weighted average exercise price \$
Outstanding at December 31, 2013	4,275,000	0.22
Granted	1,150,000	0.15
Outstanding at June 30, 2014	5,425,000	0.21

The table below summarizes the information related to outstanding share options as at June 30, 2014 and December 31, 2013:

Range of exercise price	June 30, 2014		December 31, 2013	
	Options outstanding		Options outstanding	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
0.15 to 0.25	4,825,000	2.80	3,675,000	2.75
0.30	600,000	1.03	600,000	0.20
	<u>5,425,000</u>		<u>4,275,000</u>	

As at June 30, 2014 4,266,731 of the 5,425,000 options outstanding (2,114,231 of the 4,275,000 options outstanding as at December 31, 2013) are exercisable, and this, at an average exercise price of \$0.21 (\$0.24 as at December 31, 2013).

The weighted average fair value of the options granted of \$0.12 (\$0.13 as at December 31, 2013) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	June 30, 2014	December 31, 2013
Average share price at the grant date	\$0.135	\$0.19
Expected weighted volatility	135.413%	140.72%
Risk-free average interest rate	1.57%	1.32%
Expected average life	5 years	2.64 years
Average exercise price at grant date	\$0.15	\$0.22
Expected dividend yield	0%	0%

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

13. EMPLOYEE REMUNERATION (continued)**13.2 Share-based payments** (continued)

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life. No special features inherent to the options granted were incorporated into fair value measurement.

For the six-month period ended June 30, 2014, amounts of \$193,689 (\$165,924 as at June 30, 2013) and \$37,385 (\$114 as at June 30, 2013) were accounted for respectively as remuneration expenses in profit or loss and in intangible assets in the condensed interim statement of financial position and credited to contributed surplus.

14. NET LOSS PER SHARE

In calculating the net loss per share, potentially dilutive ordinary shares, such as share options and warrants, have not been included as they would have the effect of decreasing the loss per share and would thus have an antidilutive effect. Details of outstanding share options and warrants that could potentially dilute earnings per share in the future are given in Notes 12 and 13.

Both the basic and diluted loss per share have been calculated using the net loss as the numerator, i.e. no adjustment to the net loss was necessary at June 30, 2014 and 2013:

	June 30, 2014 (three months)	June 30, 2013 (three months)	June 30, 2014 (six months)	June 30, 2013 (six months)
	\$		\$	\$
Net loss for the period	(329,154)	(326,475)	(827,714)	(535,473)
Weighted average number of Class "A" shares outstanding	102,214,144	69,896,644	100,922,542	66,183,937
Basic and diluted net loss per share	(0.00)	(0.00)	(0.01)	(0.01)

15. ADDITIONAL INFORMATION - CASH FLOWS

The changes in working capital items are detailed as follows:

	June 30, 2014	June 30, 2013
	\$	\$
Sales taxes receivable	224	(15,728)
Prepaid expenses	21,963	6,415
Inventory	(96,021)	(21,917)
Trade and other payables	(31,944)	23,041
	<u>(105,778)</u>	<u>(8,189)</u>

NovX21 Inc.**Notes to Condensed Interim Financial Statements**

June 30, 2014

Unaudited, in Canadian dollars

15. ADDITIONAL INFORMATION - CASH FLOWS (continued)

Non-cash balance sheet transactions are detailed as follows:

	June 30, 2014	June 30, 2013
	\$	\$
Share-based payments capitalized to intangible assets	37,385	114
Depreciation of property and equipment capitalized to intangible assets	49,806	47,320
Amortization of patents capitalized to intangible assets	4,006	1,960

16. RELATED PARTY TRANSACTIONS

The Company's related parties include companies with common directors, a company of which a partner is a director of the Company, and key management, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

16.1 Transactions with key management personnel

Key management personnel of the Company are members of the board of directors, the president, and the chief financial officer. Key management personnel remuneration includes the following expenses:

	June 30, 2014 (three months)	June 30, 2013 (three months)	June 30, 2014 (six months)	June 30, 2013 (six months)
	\$	\$	\$	\$
Short-term employee benefits				
Consulting fees	26,250	51,250	52,500	115,995
Consulting fees capitalized to intangible assets	26,250	26,250	52,500	52,500
Professional fees	14,570	-	25,260	-
Shares-based payments	3,222	59,137	78,040	69,240
Shares-based payments capitalized to intangible assets	<u>3,222</u>	<u>-</u>	<u>37,385</u>	<u>-</u>
Total remuneration	<u>73,514</u>	<u>136,637</u>	<u>245,685</u>	<u>237,735</u>

16.2 Transactions with a related company

During the six-month period ended June 30, 2014, the Company incurred professional fees in the amount of \$75,332 (\$nil at June 30, 2013) from a company of which a partner is a director of the Company.

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17. COMPARATIVE FIGURES

For all periods presented, the Company reclassified certain expenses in the condensed interim statement of comprehensive income.

The following table shows the reclassifications made for the three and six month periods ended June 30, 2013.

	Three-month period ended June 30, 2013		
	Before reclassification	Reclassification	After reclassification
	\$	\$	\$
Public relations fees	61,531	(7 625)	53,906
Traveling fees	-	1,428	1,428
Advertising and entertainment	-	19,838	19,838
Insurance	-	7,110	7,110
Other expenses	36,743	(20,751)	15,992

	Six-month period ended June 30, 2013		
	Before reclassification	Reclassification	After reclassification
	\$	\$	\$
Public relations fees	83,571	(7 625)	75,946
Traveling fees	-	5,834	5,834
Advertising and entertainment	-	21,763	21,763
Insurance	-	13,946	13,946
Other expenses	65,037	(33,918)	31,119