**NovX21 Inc.**
(formerly Ressources Minières Pro-Or Inc.)

**Financial Statements**
**As at December 31, 2013 and 2012**

Raymond Chabot Grant Thornton

# Independent Auditor's Report

**Raymond Chabot Grant Thornton** LLP
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To the Shareholders of
NovX21 Inc.

We have audited the accompanying financial statements of NovX21 Inc., which comprise the statements of financial position as at December 31, 2013 and 2012 and the statements of comprehensive loss, the statements of changes in equity and the statements of cash flows for the years 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of NovX21 Inc. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years ended December 31, 2013 and 2012 in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton LLP[1]

Val-d'Or
March 20, 2014

[1] CPA auditor, CA public accountancy permit no. A 112664

**NovX21 Inc.**
(formerly Ressources Minières Pro-Or Inc.)
**Statement of Financial Position**
In Canadian dollars

| | Notes | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current** | | | |
| Cash | 6 | 795,495 | 195,906 |
| Short term investment | | - | 104,498 |
| Accounts receivable from companies with common officers, without interest | | 4,466 | 4,142 |
| Shares subscriptions receivable | 13 | 40,000 | 190,000 |
| Sales taxes receivable | | 75,995 | 44,549 |
| Tax credits receivable | | 222,455 | 242,060 |
| Inventory | | 32,617 | 25,000 |
| Prepaid expenses | | 43,214 | 29,153 |
| | | 1,214,242 | 835,308 |
| **Non-current** | | | |
| Listed shares | | - | 6,250 |
| Exploration and evaluation assets | 7 | 7,113,506 | 6,891,051 |
| Property and equipment | 8 | 363,736 | 418,449 |
| Intangible assets | 9 | 4,883,050 | 4,299,685 |
| **Total assets** | | 13,574,534 | 12,450,743 |

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

**NovX21 Inc.**
(formerly Ressources Minières Pro-Or Inc.)
**Statement of Financial Position**
In Canadian dollars

| | Notes | December 31, 2013 | December, 2012 |
|---|---|---|---|
| | | $ | $ |
| **LIABILITIES** | | | |
| **Current** | | | |
| Trade and other payables | 11 | 181,081 | 257,361 |
| **Non-current** | | | |
| Deferred grant | 12 | 750,000 | 750,000 |
| Deferred income taxes | 17 | - | 68,935 |
| **Total liabilities** | | 931,081 | 1,076,296 |
| **EQUITY** | | | |
| Share capital | 13 | 22,718,534 | 20,619,784 |
| Contributed surplus | | 3,828,978 | 2,031,191 |
| Deficit | | (13,904,059) | (11,276,528) |
| **Total equity** | | 12,643,453 | 11,374,447 |
| **Total liabilities and equity** | | 13,574,534 | 12,450,743 |

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

(s) Sylvain Boulanger
President

(s) Faycal Salek

Chief Financial Officer

**NovX21 Inc.**
(formerly Ressources Minières Pro-Or Inc.)
**Statement of Comprehensive Income**
For the year ended December 31, 2013 and 2012
In Canadian dollars

| | Notes | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | $ | $ |
| Salaries and other employee benefits expense | 14 | 363,123 | 230,189 |
| Depreciation of property and equipment | | 360 | 2,461 |
| Insurance | | 26,781 | 28,241 |
| Consulting fees | | 253,875 | 495,479 |
| Professional fees | | 136,537 | 132,351 |
| Traveling fees | | 9,399 | 29,162 |
| Public relation fees | | 141,650 | 63,666 |
| Other expenses | | 100,359 | 65,636 |
| **Operating loss** | | 1,032,084 | 1,047,185 |
| Change in fair value of listed shares | | (6,250) | 23,750 |
| Finance costs – Obligation under finance leases | | - | 308 |
| Finance income | | (3,449) | (10,692) |
| **Loss before income taxes** | | 1,022,385 | 1,060,551 |
| Deferred income taxes | 17 | (18,240) | (183,533) |
| **Net loss and total comprehensive loss for the year** | | 1,004,145 | 877,018 |
| **Net loss per share** | | | |
| Basic and diluted net loss per share | 16 | (0.01) | (0.01) |

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

**NovX21 Inc.**
(formerly Ressources Minières Pro-Or Inc.)
**Statement of Changes in Equity**
For the year ended December 31, 2013 and 2012
In Canadian dollars

| | Notes | Share capital | Contributed Surplus | Deficit | Total Equity |
|---|---|---|---|---|---|
| | | $ | $ | $ | $ |
| **Balance at January 1st, 2012** | | 20,211,123 | 1,423,161 | (9,936,502) | 11,697,782 |
| Units issued by private placement | 13.1 | 14,552 | 5,448 | - | 20,000 |
| Units issued by flow-through private placement | 13.1 | 65,448 | 7,592 | - | 73,040 |
| Exercise of warrants | 13.1 | 190,661 | (86,861) | - | 103,800 |
| Share-based payments | 14 | - | 212,691 | - | 212,691 |
| Diluting effect of the extended warrants | 13.2 | - | 457,160 | (457,160) | - |
| Issuance cost of units [(a)] | 13.1 | - | - | (5,848) | (5,848) |
| Net loss and total comprehensive loss for the year | | - | - | (877,018) | (877,018) |
| **Balance before units to be issued** | | 20,481,784 | 2,019,191 | (11,276,528) | 11,224,447 |
| Units to be issued by a private placement | 13.1 | 27,600 | 2,400 | - | 30,000 |
| Units to be issued by a flow-through private placement | 13.1 | 110,400 | 9,600 | - | 120,000 |
| **Balance at December 31, 2012** | | 20,619,784 | 2,031,191 | (11,276,528) | 11,374,447 |
| Units issued by private placements | 13.1 | 1,751,250 | - | - | 1,751,250 |
| Units issued by flow-through private placement | 13.1 | 299,000 | - | - | 299,000 |
| Exercise of warrants | 13.2 | 15,000 | - | - | 15,000 |
| Share-based payments | 14 | - | 331,075 | - | 331,075 |
| Diluting effect of the extended warrants | 13.2 | - | 1,326,502 | (1,326,502) | - |
| Issuance cost of units [(a)] | 13.1 | - | 140,210 | (296,884) | (156,674) |
| Net loss and total comprehensive loss for the year | | - | - | (1,004,145) | (1,004,145) |
| **Balance before units to be issued** | | 22,685,034 | 3,828,978 | (13,904,059) | 12,609,953 |
| Units to be issued by a private placement | 13.1 | 33,500 | - | - | 33,500 |
| **Balance at December 31, 2013** | | 22,718,534 | 3,828,978 | (13,904,059) | 12,643,453 |

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

[(a)] Issuance costs of units were reduced by a deferred income tax asset of $57,655 ($2,152 in 2012).

**NovX21 Inc.**
(formerly Ressources Minières Pro-Or Inc.)
**Statement of Cash Flows**
For the year ended December 31, 2013 and 2012
In Canadian dollars

| | Notes | December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | $ | $ |
| **OPERATING ACTIVITIES** | | | |
| Net loss for the year | | (1,004,145) | (877,018) |
| Adjustments: | | | |
| Depreciation of property and equipment | | 360 | 2,461 |
| Share-based payments | 14 | 330,961 | 202,155 |
| Change in fair value of listed shares | | (6,250) | 23,750 |
| Deferred income taxes | | (18,240) | (183,533) |
| Net change in working capital items | 18 | (143,031) | 157,645 |
| Cash flows from operating activities | | (840,345) | (674,540) |
| **INVESTING ACTIVITIES** | | | |
| Accounts receivable from companies with common officers | | (324) | (4,142) |
| Proceeds from disposal of listed shares | | 12,500 | - |
| Additions to exploration and evaluation assets | | (201,868) | (11,177) |
| Tax credits received | | 123,058 | 27,930 |
| Short-term investment withdrawal | | 104,498 | 1,506,880 |
| Acquisition of property and equipment | 8 | (40,715) | (49,588) |
| Acquisition of intangible assets | 9 | (591,636) | (879,882) |
| Cash flows from investing activities | | (594,487) | 590,021 |
| **FINANCING ACTIVITIES** | | | |
| Issuance of shares on exercise of warrants and share purchase options | | 15,000 | 103,800 |
| Issuance of units and flow-through units | | 2,233,750 | 100,000 |
| Issuance cost of units | | (214,329) | (8,000) |
| Accounts payable to companies with common officers | | - | (7,760) |
| Reimbursement of the obligation under finance leases | | - | (7,635) |
| Cash flows from financing activities | | 2,034,421 | 180,405 |
| **Net change in cash** | | 599,589 | 95,886 |
| **Cash, beginning of year** | | 195,906 | 100,020 |
| **Cash, end of year** | | 795,495 | 195,906 |
| Supplementary information | | | |
| Interest received from operating activities | | 3,449 | 10,692 |

For additional information on cash flows refer to Note 18.

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

## 1. NATURE OF OPERATIONS

NovX21 Inc. (Ressources Minières Pro-Or Inc.) (hereinafter the "Company") has developed and patented two new 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.

Following the Company's annual and special shareholders' meeting held on December 30, 2013, the Company changed its name from Ressources Minières Pro-Or Inc. to NovX21 Inc., reflecting the approved change of business by its shareholders from solely a "mining issuer" to both a "mining issuer" and a "technology issuer".

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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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.

The financial statements for the reporting period ended December 31, 2013 (including comparatives) were approved and authorized for issue by the Board of Directors on March 20, 2014.

## 3. CHANGES IN ACCOUNTING POLICIES

### 3.1 New and revised standards that are effective

A number of new and revised standards are effective for annual periods beginning on or after January 1st, 2013. Information on these new standards is presented below.

### IFRS 13 *Fair Value Measurement*

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect the items that are required to be fair-valued.

The scope of IFRS 13 is broad and applies to both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively for annual periods beginning on or after January 1st, 2013. Its disclosure requirements do not need to be applied to comparative information in the first year of application.

The Company reviewed its valuation methodologies and the application of this new standard had no effect on fair value measurements.

**3. CHANGES IN ACCOUNTING POLICIES** (continued)

**3.2 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 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 each 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 an 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.

**4. SUMMARY OF ACCOUNTING POLICIES**

**4.1 Overall considerations**

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

**4.2 Basis of evaluation**

These financial statements were prepared using the historical cost method, except for financial assets at fair value through profit or loss, which are measured at fair value.

**4.3 Functional and presentation currency**

The financial statements are presented in Canadian currency, which is also the functional currency of the Company.

**4.4 Financial instruments**

**Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss, which are initially measured at fair value. The subsequent measurement of financial assets and financial liabilities is described below.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.4 Financial instruments (continued)

**Recognition, initial measurement and derecognition** (continued)

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

**Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;

- Financial assets at fair value through profit or loss.

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;

- a breach of contract, such as a default in interest or principal payments; or

- the increasing probability that the borrower will enter bankruptcy or financial reorganization.

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive loss.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After their initial recognition, they are measured at amortized cost using the effective interest method, less a provision for impairment. Discounting is omitted if the effect of discounting is immaterial. Cash, the short-term investment, accounts receivable from companies with common officers and shares subscriptions receivable fall into this category of financial instruments.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets that are either classified as held-for-trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. The listed shares fall in this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

**Classification and subsequent measurement of financial liabilities**

The Company’s financial liabilities include trade accounts and accounts payable to companies with common officers.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.4 Financial instruments (continued)

**Classification and subsequent measurement of financial liabilities** (continued)

Financial liabilities are subsequently measured at amortized cost using the effective interest method. All interest-related charges are presented in profit or loss within Finance costs, if applicable.

### 4.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the years presented.

The diluted loss per share is calculated by adjusting the loss attributable to the ordinary shareholders of the Company and the weighted outstanding average number of ordinary shares, by all the potentially dilutive ordinary shares, which include options and warrants. For the purpose of this calculation, dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential ordinary shares.

### 4.6 Tax credits receivable

The Company is entitled to refundable tax credits on qualified exploration expenditures incurred and refundable credits on duties for losses under the *Mining Tax Act.* These tax credits are recognized as a reduction of the exploration costs incurred based on the estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated with them.

### 4.7 Investment tax credits

Investment tax credits are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the credits will be received.

The investment tax credits are recognized in the statement of financial position in reduction of the carrying amount of the technology to increase the chromium to iron ratios of chromites and extract platinum group metals.

### 4.8 Inventory

Inventory, composed of raw materials, is valued at the lower of cost and net realizable value. Cost is determined using the first in, first out method.

Net realizable value corresponds to the inventory's replacement cost.

### 4.9 Exploration and evaluation assets and expenditures

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal rights to undertake exploration and evaluation activities are obtained are recognized in profit or loss when they are incurred.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.9 Exploration and evaluation assets and expenditures (continued)

Once the legal rights to undertake exploration and evaluation activities have been obtained, all costs of acquiring mineral rights, options to acquire such rights (options agreement), and expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation that are capitalized include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis to the cost of the exploration and evaluation asset pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.13); the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the corresponding mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.13) and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been proven.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### 4.10 Property and equipment

Property and equipment is recognized at cost less accumulated depreciation and impairment losses.

The land is recognized at cost less accumulated impairment losses. As no finite useful life for land can be determined, related carrying amounts are not depreciated.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly related to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation and completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When the development stage is completed, all assets included in the Mining assets under construction category are then transferred to Mining assets.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.10 Property and equipment (continued)

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follows:

| | Useful life |
|---|---|
| Pilot plant equipment | 10 years |
| Leasehold improvements | 5 years |
| Computer equipment | 2,5 years |
| Furniture and fixtures | 5 years |

The depreciation expense for each period is recognized in profit or loss within Depreciation of property and equipment, except for property and equipment used in the development of the technology to increase the chromium to iron ratios of chromites and extract platinum group metals, for which the depreciation expense is included in the carrying amount of the intangible asset.

The residual value, depreciation method, and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

### 4.11 Intangible assets

The technology to increase the chromium to iron ratios of chromites and extract platinum group metals is an internally generated intangible asset, whereas the patents are separately acquired intangible assets.

Intangible assets are recognized at cost less accumulated depreciation and accumulated impairment losses.

Costs that are directly attributable to the development phase of the new technology are recognized as intangible assets provided they meet the recognition requirements.

Development expenses that do not meet capitalization criteria are recognized in profit or loss as they are incurred.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.11 Intangible assets (continued)

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset for it to be capable of operating in the manner intended by management and includes employees remuneration (other than directors) resulting from the development of the technology, as well as a justified part of the relevant general administrative expenses, whereas the cost of a separately acquired intangible asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use. Revenues generated from the development of the technology which result from activities essential to use the technology in the manner intended by management are recorded as a reduction of the intangible assets.

Depreciation is recognized on a straight-line basis to write down the cost to the estimated residual value of the intangible assets, with a constant charge over the useful life of the asset, since these assets are considered to have a finite life.

| | Useful life |
|---|---|
| Patents | 20 years |
| Technology to increase the chromium to iron ratios of chromites and extract platinum group metals | 10 years |

The technology to increase the chromium to iron ratios of chromites and extract platinum group metals will be amortized as soon as the asset will be available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For the years ended December 31, 2013 and 2012, the technology is not yet completed and is not amortized, but is subject to an annual impairment test, as described in Note 4.13.

The amortization of the patents has been included in the cost of the technology to increase the chromium to iron ratios of chromites and extract platinum group metals.

The residual value, depreciation method and useful life of each asset are reviewed at each financial year-end. In addition, they can be subject to impairment testing as described in Note 4.13.

Profit or loss resulting from the disposal of an intangible asset corresponds to the difference between the proceeds generated on disposal and the carrying amount of the asset, and is recognized in profit or loss.

Research expenses (or incurred in the research phase of an internal project) are recognized in profit or loss in the period in which they are incurred.

### 4.12 Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are recognized as an expense on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance expenses are charged as incurred.

**4. SUMMARY OF ACCOUNTING POLICIES** (continued)

### 4.13 Impairment of exploration and evaluation assets, property and equipment, and intangible assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

The technology to increase the chromium to iron ratios of chromites and extract platinum group metals is tested for impairment annually, since it has not yet been completed.

All other individual assets or cash-generating units are reviewed for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash-generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

– The right to explore the areas has expired or will expire in the near future with no expectation of renewal;

– No further exploration or evaluation expenditure in the area is planned or budgeted;

– No commercially viable deposits have been discovered, and a decision has been made to discontinue exploration in the area;

– Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value-in-use.

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### 4.14 Provisions

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources by the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditures required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by governmental environmental protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable or impact. As at the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource will be demonstrated, a restoration provision will be recognized in the cost of the mining property when there will be constructive commitment that will have resulted from past events, it will be probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation will be measured with sufficient reliability.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.14 Provisions (continued)

No liability is recognized if an outflow of economic resources as a result of a present obligation is not probable. Such situations are disclosed as contingent liabilities unless the outflow of the resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates. As at December 31, 2013 and 2012, there is no provision recognized.

### 4.15 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company is in the exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amount of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets or liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets or liabilities are offset only when the Company has the right and intention to set off current tax assets or liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

### 4.16 Equity

#### Share capital

Share capital represents the amount received on the issue of shares. If shares are issued following the exercise of options or warrants, this account also comprises the compensation costs of the options or the warrants value previously recorded as contributed surplus. In addition, if shares were issued as consideration for the acquisition of a mineral property or some other form of non-monetary asset, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.16 Equity (suite)

**Unit placements**

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of the existing shares at the time of issuance and any residual in the proceeds is allocated to the warrants.

**Flow-through placements**

Issuance of flow-through units represents an issue of ordinary shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented in other payables in the statement financial position. The proceeds received from flow-through placements are allocated between shares, warrants, and other payables using the residual method. Proceeds are first allocated to shares according to the quoted price of the existing shares at the time of issuance and then, if any, to warrants according to their fair value at the time of issuance and, any residual in the proceeds is allocated to other payables. The fair value of the warrants is estimated using the Black-Scholes model.

When the Company has renounced to its right to tax deductions or has the intention to renounce to its right to tax deductions and has incurred the eligible expenditures, the amount recognized as other payables is reversed and recognized in profit or loss as a reduction of deferred tax expense and a deferred tax liability is recognized for the taxable temporary difference that arises from the difference between the carrying amount of the eligible expenditures capitalized as an asset and their tax bases.

**Other elements of equity**

Contributed surplus includes charges related to share options and the value of warrants, as well as the diluting effect of the extended warrants calculated using the Black-Scholes model. When share options and warrants are exercised, the related compensation cost is transferred to share capital.

Deficit includes all current and prior period retained profits or losses, share issue expenses, net of any underlying income tax benefit from these issuance costs, and the value of the extended warrants.

### 4.17 Equity-settled share-based payments

The Company operates equity-settled share-based payment plans for its eligible directors, employees, and consultants. None of the Company’s plans feature any options for cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the entity shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services rendered by reference to the fair value of the equity instruments granted.

All equity-settled share-based payments (except for equity-settled share-based payments to brokers) are ultimately recognized as an expense in profit or loss or capitalized as exploration and evaluation assets or intangible assets, depending on the nature of the payment, with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payment to brokers, in respect with an equity financing, are recognized as issuance cost of the equity instruments, with a corresponding credit to contributed surplus, in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are different to that estimated on vesting.

## 4. SUMMARY OF ACCOUNTING POLICIES (continued)

### 4.18 Segment reporting

The Company presents and discloses segmental information based on the internal reports that are regularly reviewed by the chief operating decision makers, i.e., the president and the board of directors. The Company has determined that there are two operating segments, which are the segment of the exploration and evaluation of mineral resources and the one of the technology to increase the chromium to iron ratios of chromite and extract platinum group metals.

## 5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the 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 are provided below.

### 5.1 Significant management judgments

*Recognition of deferred tax assets and evaluation of income tax expense*

The assessment of availability of future taxable profits involves judgment. A deferred tax asset is recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. Judgment is also involved in the determination of the expected manner of realization or settlement of the carrying amount of the Company’s assets and liabilities that is expected to be through the sale of the Company’s assets.

### 5.2 Estimation uncertainty

*Impairment of exploration and evaluation assets*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases (see Note 4.13).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating unit must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either future exploitation or sale of the property when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company’s capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

## 5. CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS (continued)

### 5.2 Estimation uncertainty (continued)

*Impairment of exploration and evaluation assets* (continued)

No testing for impairment was conducted on the properties despite the fact that no significant fieldwork was undertaken on some properties during the year. Management judged that there was no testing for impairment required this year on these properties despite an unfavourable important change of the overall climate of the sector, as well as the general situation of the economy that had an impact on the Company's capacity to raise additional capital in order to pursue its exploration activities, coupled with a decrease in the share price, the Company has sufficient funds to respect its short-term obligations and has both the intention and capacity to keep the properties until the economic context improves and the Company can pursue its exploration activities on the property after raising additional capital.

There was no impairment loss on the exploration and evaluation assets recognized in profit or loss for the years ended December 31, 2013 and 2012.

*Impairment of property and equipment and intangible assets*

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in many cases (see Note 4.13).

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 9).

There was no impairment loss on property and equipment and intangible assets recognized in profit or loss for the years ended December 31, 2013 and 2012.

*Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted, and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Note 14.2).

*Tax credits receivable*

The calculation of refundable tax credits on qualified exploration expenditures incurred and refundable credits on duties and investment tax credits involves a certain degree of estimation and judgment in respect of which items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Differences arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credits, refundable credits on duties and investment tax credits, to exploration and evaluation assets and intangible assets, and income tax expense in future periods. See Notes 4.6 and 4.7 for more information.

## 6. CASH

The balance on flow-through financing not spent represents $299,000 ($200,000 at December 31, 2012). The Company has to dedicate these funds to the exploration of its mining properties.

As at December 31, 2012, this balance includes a subscription receivable of $120,000.

In Canadian dollars

## 7. EXPLORATION AND EVALUATION ASSETS

| | Balance at January 1st, 2013 | Additions | Exploration credits | Balance at December 31, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Lac Ewart | | | | |
| Mining rights | 7,371 | 4,032 | - | 11,403 |
| Exploration and evaluation expenses | 59,632 | 1,309 | - | 60,941 |
| | 67,003 | 5,341 | - | 72,344 |
| Menarik | | | | |
| Mining rights | 7,592 | - | - | 7,592 |
| Exploration and evaluation expenses | 6,815,549 | 216,458 | - | 7,032,007 |
| | 6,823,141 | 216,458 | - | 7,039,599 |
| Tavernier | | | | |
| Mining rights | 1 | - | - | 1 |
| Vauquelin | | | | |
| Mining rights | 906 | 656 | - | 1,562 |
| Total exploration and evaluation assets | 6,891,051 | 222,455 | - | 7,113,506 |

In Canadian dollars

## 7. EXPLORATION AND EVALUATION ASSETS (continued)

| | Balance at January 1st, 2012 | Additions | Exploration credits | Balance at December 31, 2012 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Lac Ewart | | | | |
| Mining rights | 7,371 | - | - | 7,371 |
| Exploration and evaluation expenses | 58,512 | 1,120 | - | 59,632 |
| | 65,883 | 1,120 | - | 67,003 |
| Ménarik | | | | |
| Mining rights | 1 | 7,591 | - | 7,592 |
| Exploration and evaluation expenses | 6,813,936 | 1,613 | - | 6,815,549 |
| | 6,813,937 | 9,204 | - | 6,823,141 |
| Tavernier | | | | |
| Mining rights | 1 | - | - | 1 |
| Vauquelin | | | | |
| Mining rights | 53 | 853 | - | 906 |
| Total exploration and evaluation assets | 6,879,874 | 11,177 | - | 6,891,051 |

## 7. 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 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.

### Autres

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

In Canadian dollars

## 8. PROPERTY AND EQUIPMENT

| | Land | Pilot plant equipment | Leasehold improvements | Computer equipment | Furnitures and fixtures | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Gross carrying amount** | | | | | | |
| Balance at January 1st, 2013 | 4,480 | 909,639 | 135,495 | 2,670 | 12,036 | 1,064,320 |
| Acquisitions | - | 40,715 | - | - | - | 40,715 |
| Balance at December 31, 2013 | 4,480 | 950,354 | 135,495 | 2,670 | 12,036 | 1,105,035 |
| **Accumulated depreciation and impairment** | | | | | | |
| Balance at January 1st, 2013 | - | 503,045 | 128,600 | 2,190 | 12,036 | 645,871 |
| Depreciation | - | 93,000 | 2,068 | 360 | - | 95,428 |
| Balance at December 31, 2013 | - | 596,045 | 130,668 | 2,550 | 12,036 | 741,299 |
| **Carrying amount at December 31, 2013** | 4,480 | 354,309 | 4,827 | 120 | - | 363,736 |

All depreciation charges are included within Depreciation of property and equipment, except for depreciation charges related to the intangible assets 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 $95,068 was capitalized as intangible assets during the year.

In Canadian dollars

## 8. PROPERTY AND EQUIPMENT (continued)

| | Land | Pilot plant equipment | Leasehold improvements | Computer equipment | Furnitures and fixtures | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **Gross carrying amount** | | | | | | |
| Balance at January 1st, 2012 | - | 866,831 | 133,195 | 2,670 | 12,036 | 1,014,732 |
| Acquisitions | 4,480 | 42,808 | 2,300 | - | - | 49,588 |
| Balance at December 31, 2012 | 4,480 | 909,639 | 135,495 | 2,670 | 12,036 | 1,064,320 |
| **Accumulated depreciation and impairment** | | | | | | |
| Balance at January 1st, 2012 | - | 414,219 | 126,761 | 1,049 | 9,935 | 551,964 |
| Depreciation | - | 88,826 | 1,839 | 1,141 | 2,101 | 93,907 |
| Balance at December 31, 2012 | - | 503,045 | 128,600 | 2,190 | 12,036 | 645,871 |
| **Carrying amount at December 31, 2012** | 4,480 | 406,594 | 6,895 | 480 | - | 418,449 |

All depreciation charges are included within Depreciation of property and equipment, except for depreciation charges related to the intangible assets 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 $91,446 was capitalized as intangible assets during the year.

In Canadian dollars

## 9. INTANGIBLE ASSETS

| | Technology to increase the chromium to iron ratios of chromite and extract platinum group metals (1) (2) (3) | Patents | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Gross carrying amount** | | | |
| Balance at January 1st, 2013 | 4,187,211 | 156,183 | 4,343,394 |
| Acquisitions | 587,522 | 3,731 | 591,253 |
| Balance at December 31, 2013 | 4,774,733 | 159,914 | 4,934,647 |
| **Accumulated depreciation** | | | |
| Balance at January 1st, 2013 | - | 43,709 | 43,709 |
| Depreciation | - | 7,888 | 7,888 |
| Balance at December 31, 2013 | - | 51,597 | 51,597 |
| **Carrying amount at December 31, 2013** | 4,774,733 | 108,317 | 4,883,050 |

(1) As at December 31, 2013, investment tax credits of $103,453 were accounted for as a decrease of the technology to increase the chromium to iron ratios of chromite and extract platinum group metals.

(2) The acquisitions for the year were internally generated, except for fees paid to external consultants in the amount of $363,059.

(3) An amount of $51,568 representing the income generated from the sale of concentrates treated in the technology's development was recorded as a reduction of acquisitions during the year.

The amount of inventory capitalized during the year totalize $35,368.

In Canadian dollars

## 9. INTANGIBLE ASSETS (continued)

| | Technology to increase the chromium to iron ratios of chromite and extract platinum group metals (1) (2) (3) | Patents | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Gross carrying amount** | | | |
| Balance at January 1st, 2012 | 3,316,253 | 149,964 | 3,466,217 |
| Acquisitions | 870,958 | 6,219 | 877,177 |
| Balance at December 31, 2012 | 4,187,211 | 156,183 | 4,343,394 |
| **Accumulated depreciation** | | | |
| Balance at January 1st, 2012 | - | 36,055 | 36,055 |
| Depreciation | - | 7,654 | 7,654 |
| Balance at December 31, 2012 | - | 43,709 | 43,709 |
| **Carrying amount at December 31, 2012** | 4,187,211 | 112,474 | 4,299,685 |

(1) As at December 31, 2012, investment tax credits of $112,341 were accounted for as a decrease of the technology to increase the chromium to iron ratios of chromite and extract platinum group metals.

(2) The acquisitions for the year were internally generated, except for fees paid to external consultants in the amount of $433,777.

(3) An amount of $83,509 representing the income generated from the sale of concentrates treated in the technology's development was recorded as a reduction of acquisitions during the year.

The amount of inventory capitalized during the year totalize $204,258.

**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 (hereinafter "the technology") not yet available for use in the manner intended by management representing the development costs is $4,774,733 at December 31, 2013 ($4,187,211 at December 31, 2012). An impairment test was done at the end of each reporting year and no impairment loss was recognized.

The recoverable amount of the technology is determined based on a value-in-use calculation over a period of five years, which uses cash flow projections based on financial budgets, covering a one-year period, and a pre-tax discount rate of 20% (20% at December 31, 2012). These cash flow projections are based on the same expected gross margins and raw materials price inflation throughout the budget period. The cash flows beyond that one-year period have been extrapolated using a steady 2.4% (2.4% as at December 31, 2012) per annum growth rate, which is the projected long-term average growth rate for the industry. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the technology.

No impairment loss was accounted for in the considered years.

In Canadian dollars

## 10. LEASE

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

| | Minimum lease payments due | | |
|---|---|---|---|
| | Within 1 year | 1 to 5 years | Total |
| | $ | $ | $ |
| December 31, 2013 | 40,529 | 74,303 | 114,832 |
| December 31, 2012 | 40,529 | 114,832 | 155,361 |

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 year amount to $41,256 ($39,909 for the year ended December 31, 2012). This amount consists of the minimum lease payments. The Company's operating lease agreement does not contain any contingent rent clauses.

## 11. TRADE AND OTHER PAYABLES

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Trade | 181,081 | 77,822 |
| Trade from companies with common officers | - | 172,579 |
| Other payables | - | 6,960 |
| | 181,081 | 257,361 |

## 12. 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 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.

## 13. SHARE CAPITAL

### 13.1 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.

In Canadian dollars

## 13. SHARE CAPITAL (continued)

### 13.1 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:

| | Number |
|---|---|
| Class "A" shares issued and fully paid at January 1st, 2012 [(a)] | 59,377,644 |
| Private placement [(b)] | 160,000 |
| Flow-through private placement [(b)] | 640,000 |
| Exercise of warrants | 519,000 |
| Balance of class "A" shares issued and fully paid at December 31, 2012 | 60,696,644 |
| Class "A" shares to be issued | |
| Private placement [(b)] | 240,000 |
| Flow-through private placement [(b)] | 960,000 |
| Balance of shares to be issued | 1,200,000 |
| Balance of class "A" shares at December 31, 2012 | 61,896,644 |
| Private placements [(c)] | 17,512,500 |
| Flow-through private placement [(d)] | 2,300,000 |
| Exercise of warrants | 100,000 |
| Balance of class "A" shares issued and fully paid at December 31, 2013 | 81,809,144 |
| Class "A" shares to be issued | |
| Private placements [(c)] | 335,000 |
| Balance of class "A" shares at December 31, 2013 | 82,144,144 |

[(a)] An amount of $40,000 on the exercise of share options remains unpaid and is recorded as share subscription receivable at December 31, 2013 and 2012.

[(b)] In December 2012, the Company completed a private placement in the amount of $250,000. As at December 31, 2012, an amount of $150,000 is unpaid and was accounted for as a share subscription receivable. Under this placement, the Company shall issue 2,000,000 class "A" shares, for which 80% are flow-through shares and 1,000,000 warrants. As at December 31, 2012, 800,000 shares and 400,000 warrants are issued, 1,200,000 shares and 600,000 warrants are to be issued (issued in January 2013). Each warrant entitles its holder to subscribe to an equivalent number of class "A" shares at a price of $0,20 per share expiring 12 months following the closing of the placement. An amount of $25,040 related to the warrants was recorded as an increase in contributed surplus. An amount of $6,960 related to the liability component was recorded in other payables in the statement of financial position.

**13. SHARE CAPITAL** (continued)

**13.1 Share capital** (continued)

**Authorized share capital** (continued)

(c) In March 2013, the Company completed a private placement in the amount of $800,000 and issued 8,000,000 class "A" shares at a price of $0.10 per share and 8,000,000 warrants. Each warrant entitles its holder to subscribe to an equivalent number of class "A" shares of the Company at a price of $0.15 per share expiring 12 months following the closing of the placement. No amount related to these issued warrants was recorded in contributed surplus.

As part of this placement, the Company issued 483,000 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 36 months following the closing of the placement.

In December 2013, the Company completed the first portion, in the amount of $984,750, of a private placement of a total amount of $2,991,750. As part of this first portion of the private placement, the Company has issued 9,512,500 class "A" shares at a price of $0.10 per share and 9,512,500 warrants. In addition, 335,000 class "A" shares and 335,000 warrants are to be issued. 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 these issued and to be issued warrants was recorded.

As part of this placement, the Company issued 641,000 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.

(d) In December 2013, the Company completed a flow-through private placement in the amount of $299,000 and issued 2,300,000 class "A" shares at a price of $0.13 per share and 1,150,000 warrants. 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 these issued warrants and to the liability component was recorded.

As part of this placement, the Company issued 152,000 warrants to brokers. Each warrant entitles its holder to subscribe to an equivalent number of class "A" shares at a price of $0.30 per share expiring 18 months following the closing of the placement.

In Canadian dollars

## 13. SHARE CAPITAL (continued)

### 13.2 Warrants

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

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| | | $ |
| Balance at January 1st, 2012 | 13,275,000 | 0.37 |
| Issued | 400,000 | 0.20 |
| Expired | (3,156,000) | 0.25 |
| Exercised [a] | (519,000) | 0.20 |
| Balance before warrants to be isssued | 10,000,000 | 0.42 |
| To be issued | 600,000 | 0.20 |
| Balance of warrants at December 31, 2012 | 10,600,000 | 0.40 |
| Issued | 19,938,500 | 0.18 |
| Expired | (600,000) | 0.85 |
| Exercised [a] | (100,000) | 0.15 |
| Balance before warrants to be isssued | 29,838,500 | 0.24 |
| To be issued | 335,000 | 0.20 |
| Balance of warrants at December 31, 2013 | 30,173,500 | 0.24 |

[a] In 2013, the Company issued 100,000 class "A" shares (519,000 in 2012) for total proceeds of $15,000 ($103,800 in 2012) following the exercise of 100,000 warrants (519,000 in 2012). An amount of $nil ($86,861 in 2012) related to the fair value of these warrants was debited from contributed surplus and credited to share capital.

In Canadian dollars

## 13. SHARE CAPITAL (continued)

### 13.2 Warrants (continued)

Warrants outstanding and exercisable at December 31, 2013 and December 31, 2012:

| Expiry date | December 31, 2013 Number | December 31, 2012 Number | Exercise price $ |
|---|---|---|---|
| June 2013 | - | 600,000 | 0.85 |
| March 2014 | 7,900,000 | - | 0.15 |
| June 2014 [1] | 8,600,000 | 8,600,000 | 0.40 |
| June 2014 [1] | 400,000 | 400,000 | 0.35 |
| December 2014 [1] | 1,000,000 | 400,000 | 0.20 |
| June 2015 | 641,000 | - | 0.10 |
| June 2015 | 152,000 | - | 0.30 |
| March 2016 | 483,000 | - | 0.10 |
| December 2016 | 9,512,500 | - | 0.20 |
| December 2016 | 1,150,000 | - | 0.20 |
| Balance before warrants to be issued | 29,838,500 | 10,600,000 | |
| To be issued | | | |
| December 2014 [1] | - | 600,000 | 0.20 |
| December 2016 | 335,000 | - | 0.20 |
| Balance of warrants | 30,173,500 | 10,600,000 | |

[1] During the year ended December 31, 2013, the Company extended the expiry date of 10,000,000 warrants (9,600,000 in 2012) for a period of 12 months and nil warrants (1,000,000 in 2012) for a period of 6 months.

During the year ended December 31, 2013, the Company recorded an amount of $140,210 ($nil in 2012) as units issuance costs for the warrants issued to brokers and a total amount of $1,326,502 ($457,160 in 2012) for the diluting effect of the extended warrants.

The weighted average fair value of the diluting effect of the extended warrants of $0.13 ($0.044 in 2012) was accounted for in contributed surplus. This value was calculated using the Black-Scholes pricing model using the following weighted assumptions:

| | 2013 | 2012 |
|---|---|---|
| Average share price at the grant and modification date | $0.24 | $0.18 |
| Expected weighted volatility | 160.87% | 117.65% |
| Risk-free average interest rate | 1.08% | 1.01% |
| Expected average life | 1.09 year | 0.96 year |
| Average exercise price at the grant and modification date | $0.35 | $0.40 |
| Expected dividend | 0% | 0% |

In Canadian dollars

## 13. SHARE CAPITAL (continued)

### 13.2 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.

## 14. EMPLOYEE REMUNERATION

### 14.1 Salaries and other employee benefits expense

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

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Salaries and benefits | 32,162 | 28,034 |
| Share-based payments | 331,075 | 212,691 |
| Share-based payments capitalized to intangible assets | (114) | (10,536) |
| Salaries and other employee benefits expense | 363,123 | 230,189 |

### 14.2 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 transactions 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.

In Canadian dollars

## 14. EMPLOYEE REMUNERATION (continued)

### 14.2 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 January 1st, 2012 | 3,075,000 | 0.29 |
| Granted | 1,425,000 | 0.27 |
| Expired | (575,000) | 0.30 |
| Outstanding at December 31, 2012 | 3,925,000 | 0.29 |
| Granted | 3,350,000 | 0.22 |
| Expired | (2,250,000) | 0.30 |
| Cancelled | (750,000) | 0.29 |
| Outstanding at December 31, 2013 | 4,275,000 | 0.22 |

The table below summarizes the information related to outstanding share options as at December 31, 2013 and 2012:

| Range of exercise price | 2013 Options outstanding | | 2012 Options outstanding | |
|---|---|---|---|---|
| | Number | Weighted average remaining contractual life (years) | Number | Weighted average remaining contractual life (years) |
| From 0.19 to 0.29 | 3,675,000 | 2.75 | 1,075,000 | 3.76 |
| From 0.30 to 0.50 | 600,000 | 0.20 | 2,850,000 | 0.72 |
| | 4,275,000 | | 3,925,000 | |

As at December 31, 2013, 2,114,231 of the 4,275,000 options outstanding (3,281,250 of the 3,925,000 options outstanding as at December 31, 2012) are exercisable, and this, at an average exercise price of $0.24 ($0.29 as at December 31, 2012).

The weighted average fair value of the options granted of $0.13 ($0.15 in 2012) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

| | 2013 | 2012 |
|---|---|---|
| Average share price at grant date | $0.19 | $0.20 |
| Expected weighted volatility | 140.72% | 139.07% |
| Risk-free average interest rate | 1.32% | 1.19% |
| Expected average life | 2.64 year | 3.2 year |
| Average exercise price at grant date | $0.22 | $0.27 |
| Expected dividend yield | 0% | 0% |

**14. EMPLOYEE REMUNERATION** (continued)

**14.2 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 period ended December 31, 2013, amounts of $330,961 ($202,155 as at December 31, 2012) and $114 ($10,536 as at December 31, 2012) were accounted for respectively as remuneration expenses in profit or loss and in intangible assets in the statement of financial position and credited to contributed surplus.

## 15. FAIR VALUE MEASUREMENT

### Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the statement of financial position are grouped into fair value evaluation hierarchy. This hierarchy groups financial assets and liabilities in three levels according to the significance of the inputs used in the fair value evaluation of the financial assets and liabilities. The fair value levels of hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities at the financial reporting date;

Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the assets or liabilities that are not based on observable market data.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Listed shares measured at fair value in the statement of financial position at December 31, 2012 are classified in Level 1.

The fair value of the listed shares classified in Level 1 was estimated based on the quoted price at the reporting date.

### Financial instruments measured at amortized cost for which the fair value is disclosed

The carrying value of cash, the short-term investment, accounts receivable from companies with common officers, shares subscriptions receivable, trade accounts and trade from companies with common officers, is considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments.

## 16. 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 on outstanding share options and warrants that could potentially dilute earnings per share in the future are given in Notes 13 and 14.

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 December 31, 2013 and 2012.

In Canadian dollars

## 16. NET LOSS PER SHARE (continued)

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| Net loss for the year | $(1,004,145) | $(877,018) |
| Weighted average number of class "A" shares outstanding | 68,283,119 | 59,823,387 |
| Basic and diluted net loss per share | $(0.01) | $(0.01) |

In January 2014, the Company issued the 335,000 class "A" shares (1,200,000 in 2012) that were to be issued at December 31, 2013 and for which details are provided in Note 13.

## 17. INCOME TAXES

### Major components of tax income

The major components of tax income are outlined below:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Deferred tax income | | - |
| Origination and reversal of temporary differences | (135,386) | (240,481) |
| Difference resulting from prior years adjustments | 1,507 | - |
| Changes in unrecognized temporary differences | 115,639 | 56,948 |
| Total deferred tax income | (18,240) | (183,533) |

### Relationship between expected tax income and accounting profit or loss

The relationship between the expected tax income based on the combined federal and provincial income tax rate in Canada and the reported tax income in the statement of comprehensive income can be reconciled as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Expected tax income calculated using the combined federal and provincial income tax rate in Canada of 26.9% | (275,022) | (285,288) |
| Adjustments for the following items: | | |
| Share-based payments | 89,029 | 54,380 |
| Deferred tax adjustments relating to prior years | 1,507 | - |
| Non-deductible (non-taxable) portion of the write down of the listed shares | (841) | 3,194 |
| Fiscal impact of the unrecognized temporary differences | 115,639 | 56,948 |
| Reversal of other liabilities | (6,960) | - |
| Fiscal impact of the flow-through shares issuance | 53,800 | - |
| Non-taxable tax credits | - | (13,369) |
| Other non-deductible expenses | 4,608 | 602 |
| Deferred tax income | (18,240) | (183,533) |

In Canadian dollars

**17. INCOME TAXES** (continued)

**Deferred tax assets and liabilities**

The following differences between the carrying amounts and tax bases from temporary differences and unused tax losses have given rise to the following recognized deferred tax assets and liabilities and to the following unrecognized temporary differences and unused tax losses:

| | December 31, 2013 | |
|---|---|---|
| | Federal | Provincial |
| | $ | $ |
| Unrecognized deductible temporary differences | | |
| Capital losses | 137,500 | 137,500 |
| Non-capital losses | 241,791 | 1,125,752 |
| | 379,291 | 1,263,252 |

| | December 31, 2012 | |
|---|---|---|
| | Federal | Provincial |
| | $ | $ |
| Unrecognized deductible temporary differences | | |
| Listed shares | 143,750 | 143,750 |
| Non-capital losses | - | 451,713 |
| | 143,750 | 595,463 |

The Company has non-capital losses which are available to reduce income taxes in future years, for which no deferred tax asset has been recorded in the statement of financial position. These losses can be carried over the following years:

| | Federal | Provincial |
|---|---|---|
| | $ | $ |
| 2033 | 241,791 | 770,314 |
| 2032 | - | 355,438 |
| | 241,791 | 1,125,752 |

Accumulated capital losses of $137,500 ($nil in 2012) are available to be applied against future taxable capital gains and can be carried forward indefinitely.

The ability to realize the tax benefits depends on many factors, including the probability to generate future taxable income. The deferred tax assets are recognized only if it is probable that sufficient taxable profits will be available to allow the recovery of these assets. Therefore, some deferred tax assets have not been recognized. These assets represent a total amount of $188,727 ($73,088 in 2012).

In Canadian dollars

## 17. INCOME TAXES (continued)

### Change in amounts recognized during the year

| | Balance at January 1st, 2013 | Recognized in profit or loss | Recognized in equity | Balance at December 31, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Recognized amounts | | | | |
| Property and equipment | 151,501 | 25,671 | - | 177,172 |
| Exploration and evaluation assets | (1,586,994) | (55,305) | - | (1,642,299) |
| Intangible assets | (86,407) | (37,201) | - | (123,608) |
| Share issuance costs | 6,081 | (13,530) | 57,655 | 50,206 |
| Non-capital losses | 1,446,884 | 91,645 | - | 1,538,529 |
| Deferred income tax assets and liabilities | (68,935) | 11,280 | 57,655 | - |
| Reversal of other liabilities | | 6,960 | | |
| Recovery of deferred taxes | | 18,240 | | |

| | Balance at January 1st, 2012 | Recognized in profit or loss | Recognized in equity | Balance at December 31, 2012 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Recognized amounts | | | | |
| Property and equipment | 128,295 | 23,206 | - | 151,501 |
| Exploration and evaluation assets | (1,586,258) | (736) | - | (1,586,994) |
| Intangible assets | (63,926) | (22,481) | - | (86,407) |
| Tax credits receivable | (2,011) | 2,011 | - | - |
| Share issuance costs | 6,130 | (2,201) | 2,152 | 6,081 |
| Non-capital losses | 1,263,150 | 183,734 | - | 1,446,884 |
| Deferred income tax assets and liabilities | (254,620) | 183,533 | 2,152 | (68,935) |

In Canadian dollars

## 17. INCOME TAXES (continued)

### Change in amounts recognized during the year (continued)

As at December 31, 2013, the Company has non-refundable tax credits which are available to reduce income taxes in future periods and for which no deferred tax asset has been recorded in the statement of financial position. These losses can be carried over the following years:

| | Federal | |
|---|---|---|
| | Research and development | Pre-production mining expenditures |
| | $ | $ |
| 2023 | 40,440 | - |
| 2024 | 155,808 | - |
| 2025 | 69,974 | - |
| 2026 | 20,186 | - |
| 2027 | 41,040 | - |
| 2028 | 29,393 | |
| 2029 | 58,297 | - |
| 2030 | 56,445 | 1,604 |
| 2031 | 87,093 | 2,639 |
| 2032 | 144,283 | 167 |
| 2033 | 82,255 | 552 |
| | 785,214 | 4,962 |

## 18. ADDITIONAL INFORMATIONS-CASH FLOWS

The changes in working capital items are detailed as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Sales taxes receivable | (31,446 ) | 24,006 |
| Inventory | (7,617 ) | 145,518 |
| Prepaid expenses | (14,061 ) | (13,597 ) |
| Trade | (89,907 ) | 1,718 |
| | (143,031 ) | 157,645 |

Non-cash balance sheet transactions are detailed as follows:

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Share-based payments capitalized to intangible assets | 114 | 10,536 |
| Depreciation of property and equipment capitalized to intangible assets | 95,068 | 91,446 |
| Amortization of patents capitalized to intangible assets | 7,888 | 7,654 |
| Amount transferred to share capital in relation with the exercise of warrants | - | 86,861 |
| Investment tax credits receivable credited to intangible assets | 103,453 | 112,341 |
| Trade accounts included in exploration and evaluation assets | 20,587 | - |

In Canadian dollars

## 19. RELATED PARTY TRANSACTIONS

The Company's related parties include companies with common directors 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.

### 19.1 Transactions with key management personnel

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

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | | |
| Consulting fees [(1)] | 218,495 | 353,274 |
| Consulting fees capitalized to intangible assets | 105,000 | 78,750 |
| Share-based payments | 146,640 | 143,162 |
| Total remuneration | 470,135 | 575,186 |

(1) Includes an amount of $13,495 ($65,000 in 2012) for severance payment.

### 19.2 Transactions with related companies

As at December 31, 2012, the Company incurred consulting fees in the amount of $2,970 from a company with a common director, which was capitalized to intangible assets within the cost of the technology to increase the chromium to iron ratios of chromite and extract platinum group metals.

## 20. SEGMENT REPORTING

Exploration and evaluation assets are related to the exploration and evaluation of the mineral resources sector, intangible assets related to the development of the technology to increase the chromium to iron ratios of chromite and extract platinum group metals' sector, and the entire profit and loss accounts are related to the registered office.

## 21. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase the value of the assets of the Company, and to provide an adequate return to the owners of the Company.

These objectives will be achieved through the development of the technology and by the establishment of adequate exploration projects, by adding value to these projects and ultimately taking them through production or sale of the technology and properties and by obtaining cash flow, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues flow-through placements for which an amount must be used for exploration activities. See details in Notes 13.1 and 23.

## 21. CAPITAL MANAGEMENT POLICIES AND PROCEDURES (continued)

The Company finances the development of its technology to increase the chromium to iron ratios of chromite and extract platinum group metals and its exploration and evaluation activities principally by raising additional capital either through private placements or public offerings.

When financing conditions are not optimal, the Company may enter into option agreements or other agreements with partners in order to be able to continue the development of the technology and its exploration and evaluation activities or may slow its activities until financing conditions improve.

## 22. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation with financial instruments. The main types of risks to which the Company is exposed are market risk, credit risk and liquidity risk.

The Company focuses on actively securing short- to medium-term cash flows by minimizing the exposure to financial markets. The Company does not actively engage in the trading of financial instruments for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

### 22.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk and other price risk.

**Interest rate sensitivity**

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.

At December 31, 2012, the short-term investment was bearing interest at a fixed rate.

Interest rate movements may affect the fair value of the fixed interest financial assets. Because these financial assets are recognized at amortized cost, fair value changes have no impact on profit or loss.

**Other price risk sensitivity**

The Company is exposed to fluctuations in the market price of its listed shares. The maximum risk to which the listed shares are exposed is limited to their fair value.

As at December 31, 2012, if the quoted stock price of these shares had changed by ± 20%, total comprehensive loss and equity would have changed by $1,250.

### 22.2 Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's maximum exposure to credit risk is limited to the carrying amount of the following financial assets at the reporting date:

In Canadian dollars

## 22. RISQUES DÉCOULANT DES INSTRUMENTS FINANCIERS (suite)

### 22.2 Credit risk (suite)

| | December 31, 2013 | December 31, 2012 |
|---|---|---|
| | $ | $ |
| Cash | 795,493 | 195,906 |
| Short term investment | - | 104,498 |
| Accounts receivable from companies with common officers | 4,466 | 4,142 |
| Shares subscriptions receivable | 40,000 | 190,000 |
| Carrying amounts | 839,959 | 494,546 |

The Company's management considers that all the above financial assets, that are not impaired or past due for each of the reporting dates under review, are of good credit quality.

The financial asset past due but not impaired at December 31, 2013, in the amount of $40,000, is of more than one year. No allowance for credit losses was recognized.

The credit risk for cash is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

### 22.3 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

During the year, the Company has financed its exploration and evaluation and research and development programs, its working capital requirements, and its acquisitions of mining properties through private and flow-through placements.

The Company expects being able to meet its obligations from its cash flows related with financings and its proceeds from its matured financial assets.

The following table presents contractual maturities (including interest payments, where applicable) of the Company's liabilities :

| | December 31, 2013 Less than one year | December 31, 2012 Less than one year |
|---|---|---|
| | $ | $ |
| Trade | 181,081 | 250,401 |

The Company's cash exceeds the current cash outflow requirements.

## 23. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through units, and according to tax rules regarding this type of placement, the Company is required to conduct exploration and evaluation activities. However, there is no guarantee that these exploration expenditures will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard. Refusal of certain expenses by the tax authorities would have a negative tax impact for the investors.

These tax rules also set deadlines for carrying out the exploration and evaluation activities, which must be performed at no later than the earlier of the following dates:

- Two years following the flow-through placements;

- One year after the Company has renounced the tax deductions relating to the exploration activities.

In 2013, the Company received an amount of $299,000 ($200,000 in 2012) following a flow-through private placement for which it has renounced to tax deductions in favor of investors at December 31, 2013.

## 24. POST-REPORTING DATE EVENTS

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 with the warrants issued was recorded in contributed surplus.