

NovX21 Inc.

**Financial Statements
As at December 31, 2014 and 2013**

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Raymond Chabot Grant Thornton

Independent Auditor's Report

To the Shareholders of
NovX21 Inc.

Raymond Chabot Grant Thornton LLP

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We have audited the accompanying financial statements of NovX21 Inc., which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, 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, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Cholet Grant Thornton LLP¹

Montreal
April 24, 2015

¹ CPA auditor, CA public accountancy permit no. A126822

NovX21 Inc.**Statements of Financial Position**

In Canadian dollars

	Notes	December 31, 2014 \$	December 31, 2013 \$
ASSETS			
Current			
Cash		118,269	795,495
Accounts receivable		16,523	-
Accounts receivable from unrelated companies, without interest		21,645	-
Accounts receivable from companies with common officers, without interest		-	4,466
Shares subscriptions receivable		40,000	40,000
Sales taxes receivable		94,020	75,995
Tax credits receivable		214,192	222,455
Inventory		86,875	32,617
Prepaid expenses		28,160	43,214
		<u>619,684</u>	<u>1,214,242</u>
Non-current			
Exploration and evaluation assets	7	7,427,128	7,113,506
Property and equipment	8	365,424	363,736
Intangible assets	9	5,897,116	4,883,050
Total assets		<u><u>14,309,352</u></u>	<u><u>13,574,534</u></u>

NovX21 Inc.
Statements of Financial Position
In Canadian dollars

	Notes	December 31, 2014 \$	December 31, 2013 \$
LIABILITIES			
Current			
Trade	10	166,182	181,081
Non-current			
Deferred grant	11	750,000	750,000
Total liabilities		<u>916,182</u>	<u>931,081</u>
EQUITY			
Share capital	12	24,725,534	22,718,534
Contributed surplus		4,826,034	3,828,978
Deficit		(16,158,398)	(13,904,059)
Total equity		<u>13,393,170</u>	<u>12,643,453</u>
Total liabilities and equity		<u><u>14,309,352</u></u>	<u><u>13,574,534</u></u>

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

(s) Sylvain Boulanger _____
President

(s) Jean-Paul Schaack _____
Officer

NovX21 Inc.**Statements of Comprehensive Loss**

For the years ended December 31, 2014 and 2013

In Canadian dollars

	Notes	December 31, 2014 \$	December 31, 2013 \$
Salaries and other employee benefits expense	13.1	331,499	363,123
Consulting fees		442,026	253,875
Professional fees		269,729	136,537
Public relations fees		161,596	141,650
Traveling fees		62,950	9,399
Advertising and entertainment		54,993	21,079
Insurance		26,191	26,781
Depreciation of property and equipment		120	360
Other expenses		84,728	79,280
Operating loss		1,433,832	1,032,084
Change in fair value of listed shares		-	(6,250)
Finance income		(19,000)	(3,449)
Loss before income taxes		1,414,832	1,022,385
Deferred income taxes	15	-	(18,240)
Net loss and total comprehensive loss for the year		1,414,832	1,004,145
Net loss per share			
Basic and diluted net loss per share	14	(0.01)	(0.01)

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

NovX21 Inc.**Statements of Changes in Equity**

For the years ended December 31, 2014 and 2013

In Canadian dollars

	Notes	Share capital	Contributed Surplus	Deficit	Total Equity
		\$	\$	\$	\$
Balance as at January 1st, 2013		20,619,784	2,031,191	(11,276,528)	11,374,447
Units issued by private placements	12.1	1,751,250	-	-	1,751,250
Units issued by a flow-through private placement	12.1	299,000	-	-	299,000
Exercise of warrants	12.2	15,000	-	-	15,000
Share-based payments	13.1	-	331,075	-	331,075
Diluting effect of the extended warrants	12.2	-	1,326,502	(1,326,502)	-
Issuance cost of units ^(a)	12.2	-	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 private placements	12.1	33,500	-	-	33,500
Balance as at December 31, 2013		22,718,534	3,828,978	(13,904,059)	12,643,453
Units issued by private placements	12.1	2,007,00	-	-	2,007,000
Share-based payments	13.1	-	345,332	-	345,332
Diluting effect of the extended warrants	12.2	-	497,700	(497,700)	-
Issuance cost of units ^(a)	12.2	-	154,024	(341,807)	(187,783)
Net loss and total comprehensive loss for the year		-	-	(1,414,832)	(1,414,832)
Balance as at December 31, 2014		24,725,534	4,826,034	(16,158,398)	13,393,170

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

^(a) In 2013, issuance costs of units were reduced by a deferred income tax asset of \$57,655.

NovX21 Inc.**Statements of Cash Flows**

For the years ended December 31, 2014 and 2013

In Canadian dollars

	Notes	December 31, 2014 \$	December 31, 2013 \$
OPERATING ACTIVITIES			
Net loss for the year		(1,414,832)	(1,004,145)
Adjustments:			
Depreciation of property and equipment		120	360
Share-based payments	13	305,335	330,961
Change in fair value of listed shares		-	(6,250)
Deferred income taxes		-	(18,240)
Net change in working capital items	16	(87,330)	(143,031)
Cash flows from operating activities		(1,196,707)	(840,345)
INVESTING ACTIVITIES			
Accounts receivable from companies with common officers		4,466	(324)
Accounts receivable from unrelated companies		(21,645)	-
Proceeds from disposal of listed shares		-	12,500
Additions to exploration and evaluation assets		(320,541)	(201,868)
Tax credits received		120,514	123,058
Short-term investments withdrawals		-	104,498
Acquisition of property and equipment	8	(106,518)	(40,715)
Acquisition of intangible assets		(976,012)	(591,636)
Cash flows from investing activities		(1,299,736)	(594,487)
FINANCING ACTIVITIES			
Issuance of shares on exercise of warrants		-	15,000
Issuance of units and flow-through units		2,007,000	2,233,750
Issuance cost of units		(187,783)	(214,329)
Cash flows from financing activities		1,819,217	2,034,421
Net change in cash		(677,226)	599,589
Cash, beginning of year		795,495	195,906
Cash, end of year		118,269	795,495
Supplementary information			
Interest received from operating activities		19,000	3,449

For additional information on cash flows refer to Note 16.

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

NovX21 Inc.

Notes to Financial Statements

December 31, 2014 and 2013

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 the province of Quebec.

The Company's main 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. GOING CONCERN

The financial statements have been prepared on the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its properties contain mineral deposits that are economically recoverable and that its technology to increase the chromium to iron ratios of chromites and extract platinum group metals is not operational, the Company has not yet generated income or cash flows from its operations. As at December 31, 2014, the Company has a cumulated deficit of \$16,158,398 (\$13,904,059 as at December 31, 2013). These material uncertainties cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and develop its technologies, as well as the support of its suppliers and payables. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statements of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. These adjustments could be significant.

3. 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 located at 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 year ended December 31, 2014 (including comparatives) were approved and authorized for issue by the Board of Directors on April 24, 2015.

4. CHANGES IN ACCOUNTING POLICIES

4.1 New standard that is effective

A number of new standards, amendments and interpretations to existing standards are effective for annual periods beginning on or after January 1st, 2014. Information on the new standard relevant to the Company is presented below:

IFRIC 21 Levies

IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Asset. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. Management's analysis is that IFRIC 21 would have no material impact on the financial statements of the periods presented.

NovX21 Inc.**Notes to Financial Statements**

December 31, 2014 and 2013

In Canadian dollars

4. CHANGES IN ACCOUNTING POLICIES (continued)**4.2 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 and interpretations and the new amendment that is 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

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instrument: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet assessed the impact of this new standard on its financial statements.

5. SUMMARY OF ACCOUNTING POLICIES**5.1 Overall considerations**

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

5.2 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. The subsequent measurement of financial assets and financial liabilities is described below.

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 in the "loans and receivables" category upon initial recognition.

All financial assets 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.

NovX21 Inc.**Notes to Financial Statements**

December 31, 2014 and 2013

In Canadian dollars

5. SUMMARY OF ACCOUNTING POLICIES (continued)**5.2 Financial instruments** (continued)**Classification and subsequent measurement of financial assets** (continued)*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, accounts receivable, accounts receivable from unrelated companies and shares subscriptions receivable fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade accounts and are subsequently measured at amortized cost using the effective interest method. All interest-related charges are presented in profit or loss, if applicable.

5.3 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 year or, if later, at the date of issue of the potential ordinary shares.

5.4 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.

5.5 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 statements of financial position in reduction of the intangible assets.

5.6 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.

NovX21 Inc.**Notes to Financial Statements**

December 31, 2014 and 2013

In Canadian dollars

5. SUMMARY OF ACCOUNTING POLICIES (continued)**5.7 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.

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 5.10); 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 5.10) 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.

5.8 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 can be determined for land, 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.

NovX21 Inc.**Notes to Financial Statements**

December 31, 2014 and 2013

In Canadian dollars

5. SUMMARY OF ACCOUNTING POLICIES (continued)**5.8 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:

	<u>Useful life</u>
Pilot plant equipment	10 years
Leasehold improvements	5 years
Computer equipment	2.5 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.

5.9 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 capitalization criteria.

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

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 an appropriate part of the relevant general administrative expenses, whereas the cost of a separately acquired intangible asset includes 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.

	<u>Useful life</u>
Patents	20 years
Technology to increase the chromium to iron ratios of chromites and extract platinum group metals	10 years

5. SUMMARY OF ACCOUNTING POLICIES (continued)

5.9 Intangible assets (continued)

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, 2014 and 2013, the technology is not yet completed and is not amortized, but is subject to an annual impairment test, as described in Note 5.10.

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 5.10.

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.

5.10 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 expenditures 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.

NovX21 Inc.**Notes to Financial Statements**

December 31, 2014 and 2013

In Canadian dollars

5. SUMMARY OF ACCOUNTING POLICIES (continued)**5.11 Provisions and contingent liabilities**

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.

No liability is recognized if an outflow of economic resources as a result of a present obligation is not probable, except if it results from a business combination. 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, 2014 and 2013, there is no provision recognized.

5.12 Income taxes

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

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. Deferred income taxes are calculated using the liability method.

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.

Generally, deferred tax liabilities are provided for in full, even though IAS 12 *Income Taxes* identifies a limited number of exemptions.

5.13 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.

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.

5. SUMMARY OF ACCOUNTING POLICIES (continued)

5.13 Equity (continued)

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 statements of 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 recognized as an asset in the statements of financial position and their tax bases.

Other elements of equity

Contributed surplus includes charges related to share options and the value of unexercised 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.

5.14 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 option 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, it 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 warrants 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 payments to brokers, in respect with an equity financing, are recognized as issuance costs 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. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. 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.

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In Canadian dollars

5. SUMMARY OF ACCOUNTING POLICIES (continued)**5.15 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.

6. 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.

6.1 Significant management judgments*Recognition of deferred tax assets and evaluation of income tax expense*

Management continually evaluates the likelihood that its deferred tax assets could not be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 5.12).

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration program, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

6.2 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 5.10).

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.

6. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

6.2 Estimation uncertainty (continued)

Impairment of exploration and evaluation assets (continued)

The properties have not been evaluated for impairment since the Company has sufficient financing to meet its short-term obligations and has the capacity to hold the properties, considering it has exceeding activities on each one of them. In addition, claims will not expire in the short-term or will be renewed, significant activities were carried on during the previous years and promising results were obtained on each of the properties.

There was no impairment loss on the exploration and evaluation assets recognized in profit or loss for the years ended December 31, 2014 and 2013.

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 5.10).

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, 2014 and 2013.

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 13.2).

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 5.4 and 5.5 for more information.

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7. EXPLORATION AND EVALUATION ASSETS

	Balance as at January 1 st , 2014	Additions	Exploration credits	Balance as at December 31, 2014
	\$	\$	\$	\$
Lac Ewart				
Mining rights	11,403	-	-	11,403
Exploration and evaluation expenses	60,941	77,910	-	138,851
	<u>72,344</u>	<u>77,910</u>	<u>-</u>	<u>150,254</u>
Menarik				
Mining rights	7,592	8,080	-	15,672
Exploration and evaluation expenses	7,032,007	233,174	(5,598)	7,259,583
	<u>7,039,599</u>	<u>241,254</u>	<u>(5,598)</u>	<u>7,275,255</u>
Tavernier				
Mining rights	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Vauquelin				
Mining rights	<u>1,562</u>	<u>56</u>	<u>-</u>	<u>1,618</u>
Total exploration and evaluation assets	<u>7,113,506</u>	<u>319,220</u>	<u>(5,598)</u>	<u>7,427,128</u>

NovX21 Inc.**Notes to Financial Statements**

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7. EXPLORATION AND EVALUATION ASSETS (continued)

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

NovX21 Inc.

Notes to Financial Statements

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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.

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 Financial Statements**

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8. PROPERTY AND EQUIPMENT

	Land	Pilot plant equipment	Leasehold improvements	Computer equipment	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance as at January 1 st , 2014	4,480	950,354	135,495	2,670	1,092,999
Acquisitions	-	91,326	-	15,192	106,518
Balance as at December 31, 2014	<u>4,480</u>	<u>1,041,680</u>	<u>135,495</u>	<u>17,862</u>	<u>1,199,517</u>
Accumulated depreciation and impairment					
Balance as at January 1 st , 2014	-	596,045	130,668	2,550	729,263
Depreciation	-	99,602	2,069	3,159	104,830
Balance as at December 31, 2014	<u>-</u>	<u>695,647</u>	<u>132,737</u>	<u>5,709</u>	<u>834,093</u>
Carrying amount as at December 31, 2014	<u><u>4,480</u></u>	<u><u>346,033</u></u>	<u><u>2,758</u></u>	<u><u>12,153</u></u>	<u><u>365,424</u></u>

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 \$104,710 was capitalized as intangible assets during the year.

NovX21 Inc.**Notes to Financial Statements**

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8. PROPERTY AND EQUIPMENT (continued)

	Land	Pilot plant equipment	Leasehold improvements	Computer equipment	Total
	\$	\$	\$	\$	\$
Gross carrying amount					
Balance as at January 1 st , 2013	4,480	909,639	135,495	2,670	1,052,284
Acquisitions	-	40,715	-	-	40,715
Balance as at December 31, 2013	<u>4,480</u>	<u>950,354</u>	<u>135,495</u>	<u>2,670</u>	<u>1,092,999</u>
Accumulated depreciation and impairment					
Balance as at January 1 st , 2013	-	503,045	128,600	2,190	633,835
Depreciation	-	93,000	2,068	360	95,428
Balance as at December 31, 2013	<u>-</u>	<u>596,045</u>	<u>130,668</u>	<u>2,550</u>	<u>729,263</u>
Carrying amount as at December 31, 2013	<u><u>4,480</u></u>	<u><u>354,309</u></u>	<u><u>4,827</u></u>	<u><u>120</u></u>	<u><u>363,736</u></u>

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.

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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 as at January 1st, 2014	4,774,733	159,914	4,934,647
Acquisitions	1,016,122	6,094	1,022,216
Balance as at December 31, 2014	<u>5,790,855</u>	<u>166,008</u>	<u>5,956,863</u>
Accumulated depreciation			
Balance as at January 1 st , 2014	-	51,597	51,597
Depreciation	-	8,150	8,150
Balance as at December 31, 2014	<u>-</u>	<u>59,747</u>	<u>59,747</u>
Carrying amount as at December 31, 2014	<u><u>5,790,855</u></u>	<u><u>106,261</u></u>	<u><u>5,897,116</u></u>

(1) As at December 31, 2014, investment tax credits of \$106,653 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 \$539,254.

(3) An amount of \$72,718 representing the income generated from the sale of concentrates treated in the development of the technology was recorded as a reduction of the acquisitions of the year.

The amount of inventory capitalized during the year totalize \$109,946.

NovX21 Inc.**Notes to Financial Statements**

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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 as at January 1st, 2013	4,187,211	156,183	4,343,394
Acquisitions	587,522	3,731	591,253
Balance as at December 31, 2013	<u>4,774,733</u>	<u>159,914</u>	<u>4,934,647</u>
Accumulated depreciation			
Balance as at January 1st, 2013	-	43,709	43,709
Depreciation	-	7,888	7,888
Balance as at December 31, 2013	<u>-</u>	<u>51,597</u>	<u>51,597</u>
Carrying amount as at December 31, 2013	<u>4,774,733</u>	<u>108,317</u>	<u>4,883,050</u>

(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 development of the technology was recorded as a reduction of the acquisitions of the year.

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

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 represents the development costs of \$5,790,855 as at December 31, 2014 (\$4,774,733 as at December 31, 2013). An impairment test was done at the end of each reporting year and no impairment loss was recognized.

NovX21 Inc.**Notes to Financial Statements**

December 31, 2014 and 2013

In Canadian dollars

10. TRADE

	December 31, 2014	December 31, 2013
	\$	\$
Trade	143,377	181,081
Trade from a company with a common officer	20,120	-
Trade from a company of which a partner is a director of the company	2,685	-
	<u>166,182</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 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.

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

NovX21 Inc.**Notes to Financial Statements**

December 31, 2014 and 2013

In Canadian dollars

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

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

	<u>Number</u>
Balance of class "A" shares as at January 1 st , 2013 ^(a)	61,896,644
Private placements ^(a)	17,512,500
Flow-through private placement ^(b)	2,300,000
Exercise of warrants	100,000
Balance of class "A" shares issued and fully paid as at December 31, 2013	81,809,144
Class "A" shares to be issued	
Private placements ^(a)	335,000
Balance of class "A" shares as at December 31, 2013	82,144,144
Private placements ^(c)	20,070,000
Balance of class "A" shares as at December 31, 2014	102,214,144

^(a) 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.

^(b) 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.

NovX21 Inc.**Notes to Financial Statements**

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

(c) 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 of warrants</u>	<u>Weighted average exercise price</u>
		\$
Balance as at January 1 st , 2013	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 issued	29,838,500	0.24
To be issued	335,000	0.20
Balance of warrants as at December 31, 2013	<u>30,173,500</u>	0.24
Issued	21,702,400	0.19
Expired	(10,000,000)	0.38
Balance as at December 31, 2014	<u>41,875,900</u>	0.18

(a) In 2013, the Company issued 100,000 class "A" shares for a total amount of \$15,000, following the exercise of 100,000 warrants. No amount was recorded at grant date for these warrants.

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

Warrants outstanding and exercisable as at December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013	Exercise price \$
Expiry date	Number	Number	
June 2014	-	400,000	0.35
June 2014	-	8,600,000	0.40
December 2014	-	1,000,000	0.20
March 2015 ⁽¹⁾	7,900,000	7,900,000	0.15
June 2015	641,000	641,000	0.10
June 2015	152,000	152,000	0.30
July 2015	1,632,400	-	0.10
March 2016	483,000	483,000	0.10
December 2016	10,997,500	10,662,500	0.20
January 2017	20,070,000	-	0.20
Balance before warrants to be issued	41,875,900	29,838,500	
To be issued			
December 2016	-	335,000	0.20
Balance of warrants	41,875,900	30,173,500	

⁽¹⁾ During the year ended December 31, 2014, the Company extended the expiry date of 7,900,000 warrants (10,000,000 in 2013) for a period of 12 months.

During the year ended December 31, 2014, the Company recorded an amount of \$154,024 (\$140,210 in 2013) as units issuance costs for the warrants issued to brokers and a total amount of \$497,700 (\$1,326,502 in 2013) for the diluting effect of the extended warrants.

The weighted average fair value of the warrants of \$0.07 (\$0.13 in 2013) was accounted for in contributed surplus. This value was calculated using the Black-Scholes pricing model using the following weighted assumptions:

	December 31, 2014	December 31, 2013
Average share price at the grant and modification date	\$0.14	\$0.24
Expected weighted volatility	139.72%	160.87%
Risk-free average interest rate	1.05%	1.08%
Expected average life	1.09 year	1.09 year
Average exercise price at the grant and modification date	\$0.14	\$0.35
Expected dividend	0%	0%

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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 follow:

	December 31, 2014	December 31, 2013
	\$	\$
Salaries and benefits	216,232	129,688
Share-based payments	345,332	331,075
Salaries and benefits capitalized to intangible assets	(190,068)	(97,526)
Share-based payments capitalized to intangible assets	(39,997)	(114)
Salaries and other employee benefits expense	<u>331,499</u>	<u>363,123</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 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.

NovX21 Inc.**Notes to Financial Statements**

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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 as at January 1 st , 2013	3,925,000	0.29
Granted	3,350,000	0.22
Expired	(2,250,000)	0.30
Cancelled	(750,000)	0.29
Outstanding as at December 31, 2013	<u>4,275,000</u>	0.22
Granted	2,850,000	0.17
Expired	(500,000)	0.30
Cancelled	(550,000)	0.20
Outstanding as at December 31, 2014	<u><u>6,075,000</u></u>	0.19

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

Range of exercise prices	2014		2013	
	Options outstanding		Options outstanding	
	Number	Weighted average remaining contractual life (years)	Number	Weighted average remaining contractual life (years)
From 0.00 to 0.18	2,850,000	4.32	-	-
From 0.19 to 0.29	3,125,000	1.75	3,675,000	2.75
From 0.30 to 0.50	<u>100,000</u>	2.19	<u>600,000</u>	0.69
	<u><u>6,075,000</u></u>		<u><u>4,275,000</u></u>	

As at December 31, 2014, 4,542,500 of the 6,075,000 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 in 2013) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

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

	2014	2013
Average share price at grant date	\$0.14	\$0.19
Expected weighted volatility	134.39%	140.72%
Risk-free average interest rate	1.48%	1.32%
Expected average life	5 years	2.64 years
Average exercise price at grant date	\$0.17	\$0.22
Expected dividend yield	0%	0%

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, 2014, amounts of \$305,335 (\$330,961 as at December 31, 2013) and \$39,997 (\$114 as at December 31, 2013) 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.

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 on 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 as at December 31, 2014 and 2013.

	December 31, 2014	December 31, 2013
	\$	\$
Net loss for the year	(1,414,832)	(1,004,145)
Weighted average number of class "A" shares outstanding	101,525,089	68,283,119
Basic and diluted net loss per share	(0.01)	(0.01)

15. INCOME TAXES**Major components of tax income**

The major components of tax income are outlined below:

	December 31, 2014	December 31, 2013
	\$	\$
Deferred tax income		-
Origination and reversal of temporary differences	(162,106)	(135,386)
Difference resulting from prior years adjustments	-	1,507
Changes in unrecognized temporary differences	162,106	115,639
Total deferred tax income	-	(18,240)

NovX21 Inc.**Notes to Financial Statements**

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In Canadian dollars

15. INCOME TAXES (continued)**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, 2014	December 31, 2013
	\$	\$
Expected tax income calculated using the combined federal and provincial income tax rate in Canada of 26.9%	(380,590)	(275,022)
Adjustments for the following items:		
Share-based payments	82,135	89,029
Deferred tax adjustments relating to prior years	-	1,507
Non-deductible (non-taxable) portion of the write down of the listed shares	-	(841)
Fiscal impact of the unrecognized temporary differences	162,106	115,639
Reversal of other liabilities	-	(6,960)
Fiscal impact of the flow-through shares issuance	80,431	53,800
Non-capital losses expired	58,948	-
Other non-deductible expenses	(3,030)	4,608
Deferred tax income	<u>-</u>	<u>(18,240)</u>

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, 2014	
	Federal	Provincial
	\$	\$
Unrecognized deductible temporary differences		
Capital losses	137,500	137,500
Non-capital losses	1,058,964	1,882,419
	<u>1,196,464</u>	<u>2,019,919</u>
	December 31, 2013	
	Federal	Provincial
	\$	\$
Unrecognized deductible temporary differences		
Capital losses	137,500	137,500
Non-capital losses	241,791	1,125,752
	<u>379,291</u>	<u>1,263,252</u>

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15. INCOME TAXES (continued)**Change in amounts recognized during the year**

	Balance as at January 1 st , 2014	Recognized in profit or loss	Balance as at December 31, 2014
	\$	\$	\$
Recognized amounts			
Property and equipment	177,172	28,199	205,371
Exploration and evaluation assets	(1,642,299)	(80,459)	(1,722,758)
Intangible assets	(123,608)	(356,133)	(479,741)
Share issuance costs	50,206	26,880	77,086
Non-capital losses	1,538,529	381,513	1,920,042
Deferred income tax assets and liabilities	-	-	-

	Balance as at January 1 st , 2013	Recognized in profit or loss	Recognized in equity	Balance as 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	(68,935)	(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		

As at December 31, 2014, 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 statements of financial position. These losses can be carried over the following years:

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15. INCOME TAXES (continued)**Change in amounts recognized during the year** (continued)

	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	31,844	167
2033	82,255	552
	<u>672,775</u>	<u>4,962</u>

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

	Federal	Provincial
	\$	\$
2034	1,058,964	1,520,920
2033	-	361,499
	<u>1,058,964</u>	<u>1,882,419</u>

Accumulated capital losses of \$137,500 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 \$401,347 (\$188,727 in 2013).

16. ADDITIONAL INFORMATIONS - CASH FLOWS

The changes in working capital items are detailed as follows:

	December 31, 2014	December 31, 2013
	\$	\$
Accounts receivable	(16,523)	-
Sales taxes receivable	(18,025)	(31,446)
Inventory	(54,258)	(7,617)
Prepaid expenses	15,054	(14,061)
Trade	(13,578)	(89,907)
	<u>(87,330)</u>	<u>(143,031)</u>

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16. ADDITIONAL INFORMATIONS - CASH FLOWS (continued)

Non-cash balance sheet transactions are detailed as follows:

	December 31, 2014	December 31, 2013
	\$	\$
Share-based payments capitalized to intangible assets	39,997	114
Depreciation of property and equipment capitalized to intangible assets	104,710	95,068
Amortization of patents capitalized to intangible assets	8,150	7,888
Investment tax credits credited to intangible assets	(106,653)	(103,453)
Investment tax credits credited to exploration and evaluation assets	5,598	-
Trade included in exploration and evaluation assets	19,266	20,587

17. RELATED PARTY TRANSACTIONS

The Company's related parties include a company with a common director, 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.

17.1 Transactions with key management personnel

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

	December 31, 2014	December 31, 2013
	\$	\$
Short-term employee benefits		
Consulting fees ⁽¹⁾	105,000	218,495
Consulting fees capitalized to intangible assets	105,000	105,000
Professional fees	60,090	-
Share-based payments	88,551	146,640
Share-based payments capitalized to intangible assets	39,997	-
Total remuneration	398,638	470,135

(1) In 2013, includes an amount of \$13,495 for severance payments.

17.2 Transactions with related companies

As at December 31, 2014, the Company incurred professional fees in the amount of \$109,773 from a company of which a partner is a director of the Company.

18. SEGMENT REPORTING

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

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December 31, 2014 and 2013

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19. 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 Company's assets, and to provide an adequate return to the shareholders 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 flows, 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 12.1 and 21.

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 offering.

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.

20. FINANCIAL INSTRUMENTS 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 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.

20.1 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:

	December 31, 2014	December 31, 2013
	\$	\$
Cash	118,269	795,495
Accounts receivable	16,523	-
Accounts receivable from unrelated companies	21,645	-
Accounts receivable from companies with common officers	-	4,466
Shares subscriptions receivable	40,000	40,000
Carrying amounts	<u>196,437</u>	<u>839,961</u>

NovX21 Inc.**Notes to Financial Statements**

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20. FINANCIAL INSTRUMENTS RISKS (continued)**20.1 Credit risk** (continued)

Accounts receivable are made of trade accounts and the Company's exposition to credit risk is considered as being limited. The Company continuously monitors defaults of counterparties. No provision for credit losses has been recognized in the periods presented.

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 as at December 31, 2014, 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.

20.2 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 placements for a sufficient amount.

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

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

	December 31, 2014 Less than one year	December 31, 2013 Less than one year
Trade	\$ 166,182	\$ 181,081

21. 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 following a flow-through private placement for which it renounced to tax deductions in favour of the investors as at December 31, 2013. The balance on the flow-through placement not spent is nil as at December 31, 2014 (\$299,000 as at December 31, 2013). The Company must spend the funds on the exploration of its mining properties.