



HPQ-Silicon Resources Inc.

Consolidated Financial Statements As at December 31, 2018 and 2017

(In Canadian dollars)

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Independent Auditor's Report

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To the Shareholders of
HPQ-Silicon Resources Inc.

Opinion

We have audited the consolidated financial statements of HPQ-Silicon Resources Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated 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. Our opinion is not modified in respect of this matter.

Information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in management discussion and analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained management discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Carole Lepage.

Raymond Cholet Grant Thornton LLP

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Rouyn-Noranda
April 29, 2019

HPQ-Silicon Resources Inc.

Consolidated Statements of Financial Position

As at December 31, 2018 and 2017
(in Canadian dollars)

	Notes	December 31, 2018 \$	December 31, 2017 \$
ASSETS			
Current			
Cash		320,550	314,103
Marketable securities in a quoted company		364,000	414,855
Goods and services tax receivable		277,981	105,940
Deposit on contract	26	1,950,000	-
Prepaid expenses		110,152	6,225
Assets held for distribution to the owners	6	-	1,505,000
Installments on due to a company	7	-	123,251
Installments on due to directors, officers and companies owned by a director or an officer	7	-	373,992
		<u>3,022,683</u>	<u>2,843,366</u>
Non-current			
Exploration and evaluation assets	8	1,195,970	1,285,360
Property and equipment	9	4,240,680	3,268,499
Intangible assets	10	2,641,549	2,205,166
Investment accounted for using the equity method	11	290,751	-
		<u>8,368,950</u>	<u>6,759,025</u>
Total assets		<u><u>11,391,633</u></u>	<u><u>9,602,391</u></u>
LIABILITIES			
Current			
Trade and other payables	12	501,335	170,755
Note payable classified for distribution to the owners	6 - 13	-	180,000
Royalties payable	10	322,951	129,713
		<u>824,286</u>	<u>480,468</u>
Non-current			
Due to directors, officers and a company owned by a director, without interest (effective rate of 3.1% in 2018 and 3% in 2017)	7	992,319	1,370,138
Interest payable on the convertible debenture	14	35,787	-
Convertible debenture and derivative financial liabilities	14	1,349,009	-
Royalties payable	10	949,233	919,821
		<u>3,326,348</u>	<u>2,289,959</u>
Total liabilities		<u><u>4,150,634</u></u>	<u><u>2,770,427</u></u>
EQUITY			
Share capital	15	31,640,592	30,149,744
Equity component of convertible debentures	14	115,491	-
Contributed surplus		2,147,151	1,908,285
Retained deficit		(26,662,235)	(25,226,065)
Total equity		<u>7,240,999</u>	<u>6,831,964</u>
Total liabilities and equity		<u><u>11,391,633</u></u>	<u><u>9,602,391</u></u>

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

These consolidated financial statements were approved and authorized for issue by the Board of Directors on April 29, 2019.

ON BEHALF OF THE BOARD

(s) Patrick Levasseur, Director
(s) Bernard J. Tourillon, Director

HPQ-Silicon Resources Inc.

Consolidated Statements of Comprehensive Loss

As at December 31, 2018 and 2017
(in Canadian dollars)

	Notes	2018 \$	2017 \$
Expenses			
Salaries and employee benefits expense	16.1	380,195	824,706
Other operating expenses	18	702,037	1,105,804
Restructuring costs		260,324	105,522
Amortization of property and equipment		1,019	1,019
Write-off of exploration and evaluation assets		159,104	278,811
Write-off of assets held for distribution to the owners		14,512	589,592
Operating loss		<u>1,517,191</u>	<u>2,905,454</u>
Other income and expenses			
Finance income	19	70,688	425,696
Financial costs	19	(347,991)	(298,025)
Gain on the distribution of subsidiary's shares		3,738	-
Write-off of flow-through shares obligation		-	38,145
Change in fair value of derivative liability	14	<u>75,978</u>	<u>-</u>
		(197,587)	165,816
Loss before income tax		<u>(1,714,778)</u>	<u>(2,739,638)</u>
Deferred income taxes	21	(69,355)	(123,395)
Net loss and total comprehensive loss for the period		<u>(1,645,423)</u>	<u>(2,616,243)</u>
Loss per share			
Basic and diluted loss per share	20	<u>(0.01)</u>	<u>(0.02)</u>

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

HPQ-Silicon Resources Inc.

Consolidated Statements of Changes in Equity

As at December 31, 2018 and 2017
(in Canadian dollars)

	Notes	Share capital	Equity component of convertible debenture	Contributed surplus	Retained deficit	Total equity
		\$	\$	\$	\$	\$
Balance at January 1st, 2017		25,917,327	-	1,588,685	(22,470,311)	5,035,701
Units issued by private placements	15.1	3,148,090	-	125,010	-	3,273,100
Exercise of warrants	15.1	727,077	-	(57,683)	-	669,394
Issuance for the payment of accounts payable	15.1	341,500	-	15,000	-	356,500
Share-based payments		-	-	269,847	-	269,847
Expiration of warrants		-	-	(95,995)	95,995	-
Issuance cost of units	15.1	15,750	-	63,421	(235,506)	(156,335)
		4,232,417	-	319,600	(139,511)	4,412,506
Net loss and total comprehensive loss for the period		-	-	-	(2,616,243)	(2,616,243)
Balance at December 31, 2017		<u>30,149,744</u>	<u>-</u>	<u>1,908,285</u>	<u>(25,226,065)</u>	<u>6,831,964</u>
Units issued by private placements	15.1	1,462,500	-	487,500	-	1,950,000
Exercise of warrants	15.1	1,039,835	-	(99,192)	-	940,643
Issuance for the payment of accounts payable	15.1	56,500	-	-	-	56,500
Convertible debentures (a) (b)	14	-	115,491	76,874	-	192,365
Distribution of shares of Beauce Gold Fields	11	(1,067,987)	-	-	-	(1,067,987)
Expiration of warrants		-	-	(229,319)	229,319	-
Expiration of broker's warrants		-	-	(12,815)	12,815	-
Expiration of broker's options		-	-	(11,078)	11,078	-
Expiration of options		-	-	(60,304)	60,304	-
Issuance cost of units	15.1	-	-	87,200	(104,263)	(17,063)
		1,490,848	115,491	238,866	209,253	2,054,458
Net loss and total comprehensive loss for the period		-	-	-	(1,645,423)	(1,645,423)
Balance at December 31, 2018		<u>31,640,592</u>	<u>115,491</u>	<u>2,147,151</u>	<u>(26,662,235)</u>	<u>7,240,999</u>

(a) Component of convertible debenture net of future income tax of \$41,639.

(b) Warrants net of future income tax of \$27,716.

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

HPQ-Silicon Resources Inc.

Consolidated Statements of Cash Flows

December 31, 2018 and 2017
(in Canadian dollars)

	Notes	2018 \$	2017 \$
OPERATING ACTIVITIES			
Net loss		(1,645,423)	(2,616,243)
Non cash items			
Amortization of property and equipment		1,019	1,019
Write-off of exploration and evaluation assets		159,104	278,811
Write-off of assets held for distribution to the owners		14,512	589,592
Deferred income taxes		(69,355)	(123,395)
Write-off of flow-through shares obligation		-	(38,145)
Share-based payments		-	268,847
Gain on the distribution of subsidiary's shares		(3 738)	-
Net change in fair value of marketable securities in a quoted company		(57,931)	(411,019)
Change of the present value of the installments on due to directors, officers and companies owned by a director		(130,822)	-
Accretion expenses– due to directors, officers and a company owned by a director		10,503	23,037
Accretion revenues –installments on due to directors, officers and companies owned by a director or an officer		(9,008)	(11,039)
Accretion revenues - installments on due to a company		(3,749)	(3,638)
Accretion expenses-royalties payable		222,650	189,259
Accretion expenses– installments on due to a company		-	1,629
Accretion expenses - convertible debenture		34,022	-
Interests cost of the convertible debenture		35,787	-
Change in fair value of derivative liability		(75,978)	-
Salaries and employee benefits expense		159,731	137,500
Changes in working capital items	22	(1,929,984)	269,600
Cash flows used to operating activities		<u>(3,288,660)</u>	<u>(1,443,185)</u>
INVESTING ACTIVITIES			
Addition to exploration and evaluation assets		(71,201)	(883,808)
Addition to property and equipment		(973,200)	(1,594,800)
Addition to assets held for distribution to the owners		(14,512)	(186,253)
Addition to intangible assets		(388,031)	(4,567)
Acquisition of marketable securities in a quoted company		(175,000)	(873,000)
Disposal of marketable securities in a quoted company		283,786	1 069 164
Investment in the subsidiary		(20,000)	-
Repayment of installments on due to a company		127,000	-
Installments on due to a company		-	(28,000)
Cash flows used to investing activities		<u>(1,231,158)</u>	<u>(2,501,264)</u>
FINANCING ACTIVITIES			
Issuance of units by private placements and flow-through placements		1,950,000	3,273,100
Exercise of warrants		940,643	669,394
Issuance of convertible debenture		1,800,000	-
Issuance cost of convertible debenture		(147,315)	-
Issuance cost of units		(17,063)	(156 335)
Cash flows from financing activities		<u>4,526,265</u>	<u>3,786,159</u>
Net change in cash		6,447	(158,290)
Cash beginning of the period		<u>314,103</u>	<u>472,393</u>
Cash end of the period		<u>320,550</u>	<u>314,103</u>

For additional cash flows information refer to Note 22.

Cash operations

Interests paid related to operating activities

43,966

45,247

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

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements

As at December 31, 2018 and 2017
(in Canadian dollars)

1. NATURE OF OPERATIONS

HPQ-Silicon Resources Inc. ("HPQ " or "Company") specialize in the exploration of gold and quartz in mining sites located in Quebec.

2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and 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, the Company has not yet generated income or cash flows from its operations. As at December 31, 2018, the Company has cumulated retained deficit of \$26,662,235 (\$25,226,065 as at December 31, 2017). The liquidities of the Company are not sufficient to fund its administrative and exploration and evaluation expenses of the next year. 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 continued support of suppliers and creditors. 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 consolidated financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

3. GENERAL INFORMATION

HPQ is incorporated under the *Canada Business Corporations Act*. The address of the registered office and its principal place of business is 3000 Omer-Lavallee Street, office 306, Montreal, Quebec, Canada. HPQ shares are listed on the TSX Venture Exchange.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

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

4.2 Principle of consolidation

As at December 31, 2017, the Company's consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary Beauce Gold Fields Inc. ("BGF") until December 30, 2018. BGF was incorporated in August 2016 under the Canada Business Corporations Act. and specializes in the exploration of gold. The parent company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to influence these returns through its power over the subsidiary. All intra-group transactions, balances, revenues and expenses are eliminated upon consolidation. BGF's financial reporting date is December 31.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements

As at December 31, 2018 and 2017
(in Canadian dollars)

4.3 Investment in associate

Associate is an entity over which the Company is able to exert significant influence, but which is not a subsidiary. Investment in associate is initially recognized at cost and subsequently accounted for using the equity method.

The carrying amount of the interest in an associate is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate adjusted where necessary to ensure consistency with the accounting policies of the Company.

When the Company's share of the associated company's losses is equal to or greater than its interest in the partnership, the Company ceases to recognize its share in subsequent losses. Additional losses are provisioned, and a liability is recognized if the Company has a legal or constructive obligation or made payments on behalf of the associated Company.

4.4 Functional and presentation currency

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

4.5 New standards adopted since January 1, 2018

On January 1, 2018, the Company adopted IFRS 9 retrospectively, with the restatement of comparative data in accordance with the transitional provisions of IFRS 9. IFRS 9 defines the requirements for the recognition of financial assets and liabilities and replaces IAS 39, Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 had the effect of changing the classification of financial assets that were classified as loans and receivables but did not change the classification of other financial assets or financial liabilities. Cash, installments on due to a company and installments on due to directors, officers and companies held by a director or officer classified as loans and receivables in accordance with IAS 39 are now classified at amortized cost in accordance with IFRS 9. The adoption of this new standard had no impact on the measurement of financial instruments; therefore, the comparative amounts have not been restated.

4.6 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and liabilities are initially measured at fair value adjusted for transaction costs, if applicable.

Financial assets are derecognized when the contractual rights to cash flows from a financial asset expire, or when a financial asset and substantially all risks and rewards are transferred. A financial liability is derecognized in the event of termination, extinction, cancellation or expiration.

The classification of financial instruments under IFRS 9 is based on the entity's business model and the characteristics of the contractual cash flows of the financial asset or liability.

Classification and initial valuation of financial assets

Financial assets are classified into one of the following categories:

- Amortized cost;
- Fair value through profit or loss ("FVTPL");

All income and expenses relating to financial assets recognized in profit or loss are presented in finance costs or financial income.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements

As at December 31, 2018 and 2017
(in Canadian dollars)

4.6 Financial instruments(continued)

Subsequent valuation of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if they meet the following conditions:

- They are held according to an economic model whose objective is to hold financial assets in order to collect the contractual cash flows;
- The contractual terms of the financial assets give rise to cash flows that correspond solely to repayments of principal and interest payments on the principal outstanding.

After initial recognition, they are measured at amortized cost using the effective interest rate method. The update is omitted if its effect is not significant. Cash and contract deposit are included in this category of financial instruments. As at December 31, 2017, installments on due to a company and installments on due to directors, officers and companies owned by a director or an officer were also included in this category of financial instruments.

Financial assets that are held in a different economic model than "holding for the purpose of collection" or "holding for the purpose of collection and sale" are classified in the FVTPL category.

The class includes an equity investment. The Company accounts for the investment in FVTPL and has not made an irrevocable election to account for its investment in the marketable securities of a listed company at fair value through other comprehensive income ("FVTOCI").

Assets in this category are measured at fair value and gains or losses are recognized in net income. The fair value of financial assets in this category is determined based on transactions in an active market or by applying a valuation technique when there is no active market.

Impairment of financial assets

The impairment provisions in IFRS 9 use more forward-looking information, the expected credit loss model, which replaces the IAS 39 loss model.

The recognition of credit losses is no longer dependent on the identification of a credit loss event by the Company. Rather, it must take into account an expanded range of information for assessing credit risk and assessing expected credit losses, including past events, current circumstances, reasonable and justifiable forecasts that affect expected recoverability of future cash flows of the financial instrument.

The estimate of expected credit losses is determined at each reporting date to reflect changes in credit risk since the initial recognition of the related financial asset.

Classification and measurement of financial liabilities

The Company's financial liabilities include trade payables and other payables (excluding salaries and personnel expenses), the note payable classified for distribution to owners (in 2017), royalties payable, due to directors, officers and a corporation owned by a director (excluding salaries and personnel expenses), interest payable on the convertible debenture, the convertible debenture and its derivative liability.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements

As at December 31, 2018 and 2017
(in Canadian dollars)

4.6 Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Subsequently, financial liabilities, except derivative liability, are measured at amortized cost using the effective interest method. Derivative liability is measured subsequently at fair value with gains and losses recognized in profit or loss.

Interest expense and, as the case may be, changes in the fair value of an instrument recognized in profit or loss are presented in financial expenses or financial income.

Compound financial instrument

The components of the compound financial instrument (convertible debenture) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount in cash for a fixed number of equity instruments of the Company is classified as an equity instrument.

At the issue date, the liability component is recognized at fair value, which is estimated using the effective interest rate on the market for similar non convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest rate until it is extinguished on conversion or maturity.

The value of the conversion option classified as equity is determined at the issue date, by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This amount is recognized in equity, net of tax effects, and is not revised subsequently. When the conversion option is exercised, the equity component of the convertible debenture will be transferred to share capital. If the conversion option is not exercised at the expiry date of the convertible debenture, the equity component of the convertible debenture will be transferred to Retained deficit.

No profit or gain is recognized to the conversion or expiration of the conversion option.

Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity.

Transaction costs related to the liability component are included in the carrying value of the liability component and amortized over the estimated useful life of the debenture using the effective interest rate method.

4.7 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by adjusting loss attributable to common equity holders of the Company, and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include share options, broker's options, broker's warrants, broker's units, warrants and the convertible debenture. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.8 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. The tax credits are recognized as a reduction of the exploration costs incurred based on 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 to them.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements

As at December 31, 2018 and 2017
(in Canadian dollars)

4.9 Exploration and evaluation assets and exploration and evaluation expenditures

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits 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 recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights 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 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 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 expenses are recognized for these assets during the exploration and evaluation phase. Exploration and evaluation assets include a land recorded as non-amortizable fixed asset and carried at cost less any accumulated impairment losses.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.12), 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 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 4.12), and any impairment loss is recognized in profit or loss before reclassification.

Presently, neither the technical feasibility nor commercial viability of extracting a mineral resource has been demonstrated.

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.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

4.10 Property and equipment

Property and equipment are held at cost less accumulated amortization and accumulated impairment losses. Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable 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.

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4.10 Property and equipment (continued)

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

Amortization is recognized on a straight-line basis to reduce 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 <u>life</u>
Computer equipment	3 years

Equipment under construction will be amortized using the straight-line basis over a period of 10 years when it will be ready for use.

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

The residual value, amortization 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 upon 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

Patents and intellectual property are intangible assets measured at historical cost less accumulated amortization and accumulated impairment losses, if any. The cost of patents consists of the cost of patent applications. The cost of intellectual property is initially comprised of the acquisition cost. Amortization is calculated on a straight-line basis over the estimated useful life of the patent and intellectual property, which is twenty years. The amortization period and amortization method are reviewed annually and adjusted prospectively as required.

4.12 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.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment. Intangible assets that are not yet ready for use must be tested for impairment annually.

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4.12 Impairment of exploration and evaluation assets, property and equipment and intangible assets (continued)

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 expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the 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 charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.13 Assets held for distribution to the owners

Non-current assets classified as held for distribution to the owners are presented separately and are measured at the lower of their carrying amount immediately prior to their classification as held for distribution to the owners and their fair value less costs to sell.

4.14 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 from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure 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 government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of 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 have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

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4.14 Provisions and contingent liabilities (continued)

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the consolidated statements of financial position at December 31, 2018 and December 31, 2017.

4.15 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 reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will 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 generally recognized in full, although IAS 12 "Income Taxes" specifies limited exemptions. As a result of these exemptions, the Company does not recognize deferred tax on temporary differences relating to goodwill, or to its investments in subsidiaries.

Tax related to flow-through placements

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company has incurred eligible expenditures and has renounced or has the intention to renounce to its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from difference between the carrying amount of eligible expenditures capitalized in the statement of financial position and its tax basis.

4.16 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when share options, broker's options, broker's warrants, broker's units or warrants are exercised, the Share capital account also comprises the compensation costs or the value of the stock options, broker's options, warrants or broker's warrants previously recorded as Contributed surplus. In addition, if the shares are issued as consideration for the acquisition of a mineral property and other non-monetary assets, the shares were measured at 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 existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

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4.16 Equity (continued)

Flow-through placements

Issuance of flow-through units represents in substance an issue of common 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 as liability related to flow-through shares in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the liability related to flow-through shares using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to the fair value at the date of issuance and the residual proceeds are allocated to the liability related to flow-through shares. The fair value of the warrants is determined using the Black-Scholes valuation model. The liability related to flow-through shares recorded initially on the issuance of units is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Other elements of equity

Contributed surplus includes charges related to share options, broker's options, broker's units, warrants and broker's warrants until such options and warrants are exercised. When they are cancelled or expired, the related compensation cost is transferred in decrease of retained deficit. When options and warrants are exercised, the related compensation cost is transferred to share capital.

Retained deficit includes all current and prior period retained profits or losses, plus issuance costs, net of any underlying income tax benefit from these issuance costs and compensation related to options and warrants cancelled or expired, transferred from Contributed surplus.

4.17 Equity-settled share-based payments

The Company operates equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan does not feature any option for a 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 Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured 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 broker's warrants, broker's unit and broker's options) are ultimately recognized as an expense in profit or loss or capitalized as exploration and evaluation 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 of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

The expense is allocated over the vesting period, 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 was made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

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4.18 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the Chairman and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

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

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

5.1 Significant management judgments

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Investment accounted for using the equity method

The Company holds 15.33% of the common shares and voting rights in BGF. Management has concluded that it has significant influence over BGF. In making its judgment, management considered that three directors of the Company are common for both companies and two of them are also members of the Board of Directors.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could 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 4.15).

Derivative financial liability

To estimate the fair value of the derivative financial liability, an appropriate valuation model must be selected according to the terms and conditions of the instrument. This estimate also involves a number of assumptions about the most appropriate data for the valuation model, including the expected life and volatility of the conversion option.

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 programs, 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.

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5.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual results may be substantially different.

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 any cases (see Note 4.12).

When an indication of an impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units 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 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 expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Notes 6 and 8 for the exploration and evaluation assets impairment analysis and assets held for distribution to the owners.

During the period, the Company recognized to profit or loss a write-off of exploration and evaluation assets of \$159,104 (\$278,810 in 2017) and the assets held for distribution to the owners of \$14,512 (\$589,592 in 2017). No reversal of impairment losses has been recognized for the reporting periods.

The remaining properties have not been tested for impairment as the Company has the ability to retain properties as it has sufficient financial resources to meet its short-term obligations and expenditures are programmed over Future exercises. The rights to prospect for these properties will not expire in the near future and work has been carried out on these properties over the past three years.

Impairment of property and equipment and intangible assets

An assessment of the facts and circumstances demonstrating the existence of any indication that an asset may have depreciated or recovered is a subjective process that involves judgment and often a number of estimates and assumptions.

In assessing impairment, management estimates the recoverable amount of each cash-generating asset or unit based on future cash flows and uses an interest rate to discount them. The uncertainty in the estimates is related to assumptions about future operating results and the determination of an appropriate discount rate. As at December 31, 2018 and December 31, 2017, no impairment was recorded on property and equipment and intangible assets.

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, brokers' options, brokers' units, brokers' warrants 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 Notes 15.2, 15.3, 15.4, 15.5 and 16.2).

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5.2 Estimation uncertainty (continued)

Provisions and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability and provisions involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are source of estimation uncertainty (see Note 26).

Royalties payable

Management uses its judgment to estimate the amount of royalties payable under the PUREVAP™ technology acquisition agreement (see Note 10). Uncertainty in estimates is related to net revenue assumptions and the determination of a suitable discount rate.

Tax credits receivable

The calculation of the Company's refundable tax credit on qualified exploration expenditures incurred and refundable tax credit involves a degree of estimation and judgment in respect of certain 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. Difference arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit and refundable tax credit, exploration and evaluation assets, and income tax expense in future periods. See Note 4.7 for more information.

6. ASSETS HELD FOR DISTRIBUTION TO THE OWNERS

The Company transferred its gold assets to its BGF subsidiary in December 2018. The price of this transfer of \$1,505,000 was paid by BGF through the issuance of 13,250,000 common shares of its capital stock at a price of \$ 0.10. per share and the assuming of a \$ 180,000 mortgage on these assets.

The Company also granted BGF the right to explore and extract base and precious metals, other than quartz, on its Roncevaux property in consideration of the issuance by BGF of 100,000 common shares of its share capital at a price of \$0.10 per share and of a royalty of 5% (NSR) which may be redeemed in part by BGF by paying to the Company \$100,000 for each 0.1% up to a maximum of 4%.

In December 2018, BGF closed a \$550,000 financing and finalized its listing on the TSX Venture Exchange ("TSX") on February 4, 2019, when its common shares began trading on the TSX Venture Exchange. The Company distributed 80% of the shares it received from BGF to its shareholders on December 31, 2018.

Property Beauce Placer

The Company held a 100% interest in 152 claims as at December 31, 2017.

As at December 31, 2017, the carrying value of the exploration and evaluation assets included in this transaction has been reclassified under the Assets held for distribution to the owners in the near term for an amount of \$1,505,000. During the period, the management wrote off \$14,512 (\$589,592 as at December 31, 2017) to present exploration and evaluation expenses at fair value according to an evaluation report.

The secured mortgage note payable that was part of this transaction was reclassified in the note payable category for short-term distribution to the owners as at December 31, 2017.

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7. INSTALLMENTS ON DUE TO A COMPANY, TO DIRECTORS, OFFICERS AND COMPANIES OWNED BY A DIRECTOR OR AN OFFICER AND DUE TO DIRECTORS, OFFICERS AND A COMPANY OWNED BY A DIRECTOR

As at December 31, 2017, the installments on due are the amounts paid by the Company on the payments due to a company, to directors, officers and companies owned by a director or an officer. These installments have a total nominal value of \$510,000 (\$127,000 to a company and \$383,000 to directors, officers and companies owned by a director or an officer; \$510,000 at December 31, 2017 of which \$127,000 to a company and \$383,000 to directors, officers and companies owned by a director or an officer). On December 23, 2015, the parties have agreed that installments on due are without interest (effective rate of 3%). The creditors have until December 23, 2018 to determine how they wish that the installments on due had to be compensated otherwise compensation must inevitably be made at that time. During the year, the compensations were executed.

The Company owes to directors, officers and a company owned by a director some salaries and remuneration for a nominal value of \$1,088,141 (effective rate of 3.1%) (\$1,380,641, effective rate of 3% as at December 31, 2017). The Company has obtained confirmation for said nominal value of \$1,088,141 debts, that they will not request payment thereof prior to 12 months plus one day following December 31, 2018. These amounts are classified as non-current liabilities and presented as due to directors, officers and a company owned by a director.

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8. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1st, 2018	Additions	Disposal	Write-off	Balance at December 31, 2018
	\$	\$	\$	\$	\$
Quebec					
<i>Roncevaux Property</i>					
Mining rights	14,185	-	(10,000)	-	4,185
Exploration and evaluation expenses	850,027	79,714	-	-	929,741
	<u>864,212</u>	<u>79,714</u>	<u>(10,000)</u>	<u>-</u>	<u>933,926</u>
<i>Martinville Property</i>					
Mining rights	1,209	-	-	-	1,209
Exploration and evaluation expenses	260,835	-	-	-	260,835
	<u>262,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>262,044</u>
<i>Carrière Montpetit Property</i>					
Mining rights	673	-	-	(673)	-
Exploration and evaluation expenses	5,126	-	-	(5,126)	-
	<u>5,799</u>	<u>-</u>	<u>-</u>	<u>(5,799)</u>	<u>-</u>
<i>Drucourt Property</i>					
Mining rights	658	-	-	(658)	-
Exploration and evaluation expenses	128,359	-	-	(128,359)	-
	<u>129,017</u>	<u>-</u>	<u>-</u>	<u>(129,017)</u>	<u>-</u>
<i>Malvina Property</i>					
Mining rights	220	-	-	(220)	-
Exploration and evaluation expenses	5,126	-	-	(5,126)	-
	<u>5,346</u>	<u>-</u>	<u>-</u>	<u>(5,346)</u>	<u>-</u>
<i>Silica-other Property</i>					
Mining rights	3,586	-	-	(3,586)	-
Exploration and evaluation expenses	12,251	-	-	(12,251)	-
	<u>15,837</u>	<u>-</u>	<u>-</u>	<u>(15,837)</u>	<u>-</u>

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8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2018 \$	Additions \$	Disposal \$	Write-off \$	Balance at December 31, 2018 \$
<i>Other-Beauce Property</i>					
Mining rights	<u>3,105</u>	<u>-</u>	<u>-</u>	<u>(3,105)</u>	<u>-</u>
<i>Summary</i>					
Mining rights	23,636	-	(10,000)	(8,242)	5,394
Exploration and evaluation expenses	<u>1,261,724</u>	<u>79,714</u>	<u>-</u>	<u>(150,862)</u>	<u>1,190,576</u>
	<u>1,285,360</u>	<u>79,714</u>	<u>(10,000)</u>	<u>(159,104)</u>	<u>1,195,970</u>

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8. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1st, 2017	Additions	Tax credits	Write-off	Balance at December 31, 2017
	\$	\$	\$	\$	\$
Quebec					
<i>Roncevaux Property</i>					
Mining rights	9,219	4,966	-	-	14,185
Exploration and evaluation expenses	92,736	757,291	-	-	850,027
	<u>101,955</u>	<u>762,257</u>	<u>-</u>	<u>-</u>	<u>864,212</u>
<i>Martinville Property</i>					
Mining rights	440	769	-	-	1,209
Exploration and evaluation expenses	260,835	-	-	-	260,835
	<u>261,275</u>	<u>769</u>	<u>-</u>	<u>-</u>	<u>262,044</u>
<i>Carrière Montpetit Property</i>					
Mining rights	440	233	-	-	673
Exploration and evaluation expenses	5,126	-	-	-	5,126
	<u>5,566</u>	<u>233</u>	<u>-</u>	<u>-</u>	<u>5,799</u>
<i>Drucourt Property</i>					
Mining rights	658	-	-	-	658
Exploration and evaluation expenses	128,359	-	-	-	128,359
	<u>129,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,017</u>
<i>Malvina Property</i>					
Mining rights	220	-	-	-	220
Exploration and evaluation expenses	5,126	-	-	-	5,126
	<u>5,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,346</u>
<i>Silica-other Property</i>					
Mining rights	40,563	-	-	(36,977)	3,586
Exploration and evaluation expenses	12,251	-	-	-	12,251
	<u>52,814</u>	<u>-</u>	<u>-</u>	<u>(36,977)</u>	<u>15,837</u>

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8. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at January 1st, 2017	Additions	Tax credits	Write-off	Balance at December 31, 2017
	\$	\$	\$	\$	\$
<i>Other Property</i>					
Mining rights	15,225	-	-	(15,225)	-
<i>Other-Beauce Property</i>					
Mining rights	61,172	-	-	(58,067)	3,105
<i>Bellechasse-Timmins Gold Property</i>					
Mining rights	101,112	-	-	(101,112)	-
Exploration and evaluation expenses	37,189	30,241	-	(67,430)	-
	138,301	30,241	-	(168,542)	-
<i>Summary</i>					
Mining rights	229,049	5,968	-	(211,381)	23,636
Exploration and evaluation expenses	541,622	787,532	-	(67,430)	1,261,724
	770,671	793,500	-	(278,811)	1,285,360

All write-offs are included within Write-off of exploration and evaluation assets in profit or loss.

During the year, management has written-off mining rights for the Carrière Montpetit Property, Drucourt Property, Malvina Property, Silica-other Property and Other-Beauce Property, for the following reason: abandonment of mining claims.

During the previous year, management has written-off mining rights for the Silica-other Property, Other Property, Bellechasse-Timmins Property and Other-Beauce Property for the following reason: abandonment of mining claims.

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8. EXPLORATION AND EVALUATION ASSETS (continued)

Quebec

Roncevaux Property

The Company holds a 100% interest in 31 claims (33 claims as at December 31, 2017) acquired by staking.

Martinville Property

The Company holds a 100% interest in 12 claims (12 claims as at December 31, 2017) acquired by staking.

Carrière Montpetit Property

During the year, the Company has written-off this property.

Drucourt Property

The Company holds a 100% interest in 8 claims acquired by staking as at December 31, 2017. During the year, the Company has written-off this property.

Malvina Property

During the year, the Company has written-off this property.

Silica-other Property

On March 5, 2015 the Company acquired 8 claims by the issuance of 400,000 units (for a total amount of \$36,053). Each unit is consisting of one common share and one warrant. During the fiscal year 2017, the Company has written-off a part of this property.

During the year, the Company has written-off this property.

Other-Beauce Property

During the 2018 and 2017 years, the Company has written-off this property.

Bellechasse-Timmins Gold Property

During the previous year, the Company has written-off this property.

Other Property

During the 2018 and 2017 years, the Company has written-off this property.

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9. PROPERTY AND EQUIPMENT

Property and equipment of the Company are composed of computer equipment and an equipment under construction. The carrying amount is set out as follows:

	Property and equipment		
	Computer equipment	Equipment under construction	Total
	\$	\$	\$
Gross carrying amount			
Balance at January 1 st , 2018	3,058	3,266,800	3,269,858
Additions	-	973,200	973,200
Balance at December 31, 2018	3,058	4,240,000	4,243,058
Accumulated depreciation			
Balance at January 1 st , 2018	1,359	-	1,359
Depreciation	1,019	-	1,019
Balance at December 31, 2018	2,378	-	2,378
Carrying amount at December 31, 2018	680	4,240,000	4,240,680

	Property and equipment		
	Computer equipment	Equipment under construction	Total
	\$	\$	\$
Gross carrying amount			
Balance at January 1 st , 2017	3,058	1,672,000	1,675,058
Additions	-	1,594,800	1,594,800
Balance at December 31, 2017	3,058	3,266,800	3,269,858
Accumulated depreciation			
Balance at January 1 st , 2017	340	-	340
Depreciation	1,019	-	1,019
Balance at December 31, 2017	1,359	-	1,359
Carrying amount at December 31, 2017	1,699	3,266,800	3,268,499

All depreciation and amortization expenses are presented in Amortization of property and equipment.

HPQ-Silicon Resources Inc.

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10. INTANGIBLE ASSETS

The Company acquired the technology PUREVAP™ for the transformation of quartz into silicon metal of high purity. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of the net revenues (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum annual amounts per the agreement. The minimum annual amounts under the agreement are as follows:

	\$
2018	150,000
2019	200,000
2020 and after	250,000

The intellectual property and its related liability, royalties payable, were recognized upon acquisition for a total amount of \$815,427 and were calculated based on estimated cash flows under the agreement over a period of 20 years at a rate of 22%. The amount of \$50,000 recorded as a deposit in 2015 was reversed at the cost of the intellectual property. During the 2016 year, an amount of \$1,000,000 paid in cash was also recorded at the cost of the intellectual property.

The Company's intangible assets include patents and intellectual property. The carrying amount is as follows:

	Intangible assets		
	Patents	Intellectual property	Total
	\$	\$	\$
Gross carrying amount			
Balance at January 1 st , 2018	39,739	2,165,427	2,205,166
Additions	82,283	354,100	436,383
Balance at December 31, 2018	122,022	2,519,527	2,641,549
Accumulated depreciation			
Balance at January 1 st , 2018 and at December 31, 2018	-	-	-
Carrying amount at December 31, 2018	122,022	2,519,527	2,641,549

HPQ-Silicon Resources Inc.

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10. INTANGIBLE ASSETS (continued)

	Intangible assets		
	Patents	Intellectual property	Total
	\$	\$	\$
Gross carrying amount			
Balance at January 1 st , 2017	32,635	1,865,427	1,898,062
Additions	7,104	300,000	307,104
Balance at December 31, 2017	39,739	2,165,427	2,205,166
Accumulated depreciation			
Balance at January 1 st , 2017 and at December 31, 2017	-	-	-
Carrying amount at December 31, 2017	39,739	2,165,427	2,205,166

All amortization expense will be reported in Amortization of intangible assets at the time the technology will be ready to be used.

11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On December 31, 2018, the Company holds a 15.33% voting and equity interest in BGF. The investment is accounted for using the equity method since December 2018. BGF has a reporting date of July 31. This date was chosen to allow the personnel to adequately meet filing deadlines, in order not to conflict with other administrative tasks at the same time of year. The shares of BGF were listed on the TSX Venture Exchange as at February 4, 2019. On December 31, 2018, the fair value of the participation amounts to \$287,013.

The aggregate amount of the associate can be summarized as follows:

	December 31, 2018
	\$
Current assets (a)	561,614
Non-current assets	1,515,000
Non-current liabilities (b)	180,000
Net and total loss of comprehensive income	-
(a) Cash component	
(b) Note payable, compound rate of 18%	

A reconciliation of the summarized financial information with the carrying value of the investment is as follows:

	December 31, 2018
	\$
Total net assets	1,896,614
Portion of the interest held by the Company	15.33 %
	290,751

The Company has not incurred any contingent liabilities or other commitments relating to its investment in this associate.

HPQ-Silicon Resources Inc.

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11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

During the period ending December 31, 2018, BGF issued shares as part of its Initial Public Offering as well as for acquisition of mining properties. These issuances resulted in the decrease of the Company's ownership of BGF from 100% to 72,49%. On December 17, 2018, the Company announced the distribution of 10 680 000 common shares of its subsidiary, BGF, to its shareholders registered as at December 24, 2018. Each shareholder of HPQ received one share of its subsidiary for each 20,813 common shares held of the Company. A total amount of \$1,067,987 representing the fair value of the shares was deducted from the Company's share capital as reduction of the stated capital. The carrying value of the distributed shares was \$1,064,249 and an amount of \$3,738 was recorded in the consolidated statement of comprehensive income as gain on the distribution of the subsidiary's shares. The distribution resulted in the decrease of HPQ ownership of BGF down to 15,33%.

12. TRADE AND OTHER PAYABLES

	December 31, 2018	December 31 2017
	\$	\$
Trade accounts	371,092	60,379
Management fees payable	25,000	-
Salaries payable	19,231	-
Other	86,012	110,376
	<u>501,335</u>	<u>170,755</u>

13. NOTE PAYABLE CLASSIFIED FOR DISTRIBUTION TO THE OWNERS

On February 6, 2012, the Company signed an estate mortgage to secure a loan for a sum of \$180,000 bearing interest at compound rate of 25% annually and secured by the land on Beauce Placer's property. On October 6, 2017, the Company agreed with the Mortgage to extend the term to July 31, 2019. In December 2018, the note payable was transferred to BGF.

14. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITY

In August 2018, the Company completed the offering of an unsecured convertible debenture in the amount of \$1,800,000 bearing interest at an annual rate of 5%, compounded monthly and payable on the debenture maturity date of August 20, 2023. Jointly, the Company issued 15,000,000 warrants. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.17 per share, until August 20, 2021 (see Note 15.2). The principal of that debenture is convertible, in all time, at the option of the holder, into common shares of the Company at a price of \$0.12 per share. At the date of conversion or of maturity, the unpaid interests will be converted into common shares of the Company at a price equal to the lowest discounted market price permitted by the policies of the TSX Venture Exchange, conditionally upon the exchange approval. Failing to obtain such approval, the interests will be payable in cash. Effective August 21, 2021, the Company may refund the convertible debenture in cash and all unpaid interests by paying a 20% annual compounded return on the debenture capital.

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14. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITY (continued)

	Convertible debenture	Derivative liability	Total
	\$	\$	\$
Issuance of convertible debenture	1,800,000	-	1,800,000
Issuance costs of the convertible debenture	(147,315)	-	(147,315)
Fair value of Equity component of convertible debenture net of costs	(157,130)	-	(157,130)
Fair value of interest conversion option	(494,738)	494,738	-
Fair value of warrants issued, net of issue costs	(104,590)	-	(104,590)
Accretion of convertible debenture	34,022	-	34,022
Change in fair value of derivative liability	-	(75,978)	(75,978)
Carrying amount at December 31, 2018	930,249	418,760	1,349,009

In accordance with IFRS, because of the discounted rate for payment of interest, the conversion option is a derivative financial liability measured at fair value and changes in fair value are recognized in the Consolidated Statement of Comprehensive Income each year.

The initial fair value of the derivative financial liability of \$494,738 was estimated using the Black-Scholes valuation model, based on the following assumptions:

Average share price at date of grant	\$0.085
Expected dividend yield	0%
Expected weighted volatility	86%
Average risk-free interest rate	2.18%
Expected average life	5 years
Average exercise price at date of grant	\$0.06

HPQ-Silicon Resources Inc.

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14. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITY (continued)

The fair value of the equity component of the convertible debenture of \$177,120 and warrants issued of \$117,900 was estimated using the Black-Scholes valuation model, based on the following assumptions, and allocated pro rata of the relative fair value

	Equity component of convertible debenture	Warrants
Average share price at date of grant	\$0.085	\$0.085
Expected dividend yield	0%	0%
Expected weighted volatility	86%	88%
Average risk-free interest rate	2.18%	2.12%
Expected average life	5 years	3 years
Average exercise price at date of grant	\$0.12	\$0.17

The value assigned to the liability component of the convertible debenture represents the residual value of the issue proceeds less the derivative financial liability, the fair value of the option to convert the principal and the fair value of the warrants issued.

Issuance costs of the convertible debenture for a total amount of \$147,315 were engaged.

As at December 31, 2018, the fair value of the derivative financial liability of \$418,760 was estimated using the Black-Scholes valuation model, based on the following assumptions:

Average share price at date of grant	\$0.06
Expected dividend yield	0%
Expected weighted volatility	84%
Average risk-free interest rate	1.88%
Expected average life	4,64 years
Average exercise price at date of grant	\$0.05

During the period, the Company recorded interest expense in the amount of \$35,787.

HPQ-Silicon Resources Inc.

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15. EQUITY

15.1 Share capital

The share capital of the Company consists only of common shares and an unlimited number of shares without par value. All shares are participating and are equally eligible to receive dividends and the repayment of capital, and represent one vote each at the shareholder's meeting of HPQ.

	December 31, 2018	December 31, 2017
	Number of shares	Number of shares
Shares issued at the beginning	192,145,349	154,699,336
Private placements (a) (c) (g) (k)	16,250,000	24,401,000
Issuance for the payment of issuance cost of units (g)	-	175 000
Issuance for the payment of accounts payable (b)(d)(e)(h)(i)(j)	450,954	3,279,750
Exercise of warrants	13,437,750	9,424,087
Total shares issued and fully paid	222,284,053	191,979,173
Shares to be issued (f) (l)	188,333	166,176
Total shares at the end	222,472,386	192,145,349

- (a) On February 23, 2017, the Company completed a private financing for an amount of \$1,600,000. The Company issued 9,411,766 units consisting of one common share and one warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.25 per share, during a period of 24 months following the closing of the financing. No amount related to warrants was recorded.

In addition, the Company recorded an amount of \$28,305 commission fees as units' issue costs. The Company issued to an agent 166,500 warrants (for a value of \$14,792). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.25 per share for a period of 24 months from the date of closing of the financing and the Company issued to an agent 136,000 warrants (for a value of \$12,596). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.23 per share for a period of 24 months from the date of closing of the financing. No amount related to the warrants was recorded.

- (b) On March 3, 2017, the Company has settled a trade account payable of \$14,125 by the issuance of 88,280 common shares. No profit or loss was recorded on this transaction.
- (c) On March 7, 2017, the Company completed a private financing for an amount of \$423,000. The Company issued 2,488,234 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.25 per share, during a period of 24 months following the closing of the financing. No amount related to the warrants was recorded.
- (d) On September 12, 2017, the Company has settled a trade account payable of \$28,250 by the issuance of 191,470 common shares. No profit or loss was recorded on this transaction.
- (e) On October 2, 2017, the Company has settled a trade account payable of \$300,000 by the issuance of 3,000,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.20 per share, during a period of 36 months following the closing of the financing. An amount of \$15,000 related to the warrants was recorded as an increase of contributed surplus and no profit or loss was recorded on this transaction.

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Notes to Consolidated Financial Statements

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15. EQUITY (continued)

15.1 Share capital (continued)

- (f) On October 15, 2017, the Company has settled a trade account payable of \$14,125 by the issuance of 166,176 common shares. No profit or loss was recorded on this transaction. The common shares are to be issued on December 31, 2017.
- (g) On December 7, 2017, the Company completed a private financing for an amount of \$1,250,100. The Company issued 12,501,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.15 per share, during a period of 36 months following the closing of the financing. An amount of \$125,010 related to the warrants was recorded as an increase of contributed surplus.

In addition, as commission costs, the Company recorded an amount of \$76,475 in commission fees as units issue costs. The Company issued to the agents 414,750 brokers' warrants (for a value of \$18,825). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.15 per share for a period of 36 months from the date of closing of the financing. The Company issued to an agent 175,000 common shares (for a value of \$15,750) and 175,000 brokers' units (for a value of \$17,208). Each unit is composed of one common share and one warrant. Each broker's unit entitles the holder to acquire one common share of the Company at a price of \$0.10 per share and each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.15 per share, for 36 months following the closing of the financing.

- (h) On March 1, 2018, the Company has settled a trade account payable of \$14,125 by the issuance of 117,708 common shares. No profit or loss was recorded on this transaction.
- (i) On April 15, 2018, the Company has settled a trade account payable of \$14,125 by the issuance of 156,684 common shares. No profit or loss was recorded on this transaction.
- (j) On July 15, 2018, the Company has settled a trade account payable of \$14,125 by the issuance of 176,562 common shares. No profit or loss was recorded on this transaction.
- (k) On August 20, 2018, the Company completed a private financing for an amount of \$1,950,000. The Company issued 16,250,000 units consisting of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.17 per share, during a period of 36 months following the closing of the financing. An amount of \$487,500 related to the warrants was recorded as an increase of contributed surplus.
- (l) On October 15, 2018, the Company has settled a trade account payable of \$14,125 by the issuance of 188,333 common shares. No profit or loss was recorded on this transaction. The common shares are to be issued on December 31, 2018.

During the period ended December 31, 2018, 13,437,750 common shares (9,424,087 common shares as of December 31, 2017) were issued following the exercise of warrants.

HPQ-Silicon Resources Inc.

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15. EQUITY (continued)

15.2 Warrants

During the month of June 2018, the Company has put in place an incentive program to encourage the exercise of 6,674,600 of its outstanding warrants. The warrants gave to the holder thereof the right to purchase one common share at the price of \$0.07 per share of which 3,034,000 warrants were exercisable until August 27, 2018 and 3,640,600 warrants until December 24, 2018. In accordance with the Incentive Program which started June 18, 2018 and terminated July 17, 2018, for a twenty-nine-day period, upon exercise of each warrant at the price of \$0.07 per share, the holder thereof received one common share and an additional warrant giving the right to subscribe for one common share at the price of \$0.17 per share during the period of 18 months following the date of the issuance of such warrant. In connection with the incentive program, 4,152,000 warrants were exercised for gross proceeds of \$ 290,640. The Company recorded an amount of \$87,200 as shareholders' equity instruments issuance costs when the warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.

The weighted average fair value \$0.021 of the warrants granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2018
Average share price at date of grant	\$0.08
Expected Dividends yield	0 %
Expected weighted volatility	98%
Average risk-free interest rate	1.92 %
Expected average life	1.5 years
Average exercise price at date of grant	\$0.17

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

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

	December 31, 2018		December 31, 2017	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, beginning of reporting year	75,233,370	-	57,396,956	-
Granted	35,402,000	0.17	27,401,000	0.20
Exercised	(13,437,750)	0.07	(9,424,087)	0.07
Expired	(22,019,620)	0.22	(140,499)	0.10
Balance, end of reporting period	75,178,000	-	75,233,370	-

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15. EQUITY (continued)

15.2 Warrants (continued)

Outlined below are the outstanding warrants which could be exercised for an equivalent number of common shares:

Expiration date	December 31, 2018		December 31, 2017	
	Number	Exercise price \$	Number	Exercise price \$
February, 2018	-	-	1,800,000	0.07
March, 2018	-	-	1,462,500	0.35
June, 2018	-	-	3,740,750	0.07
July, 2018	-	-	6,200,000	0.25
August, 2018	-	-	5,959,000	0.07
October, 2018	-	-	2,840,909	0.30
December, 2018	-	-	7,006,000	0.07
December, 2018	-	-	6,448,211	0.25
February, 2019	4,375,000	0.12	4,375,000	0.12
February, 2019	9,411,766	0.25	9,411,766	0.25
March, 2019	2,488,234	0.25	2,488,234	0.25
January, 2020	4,152,000	0.17	-	-
January, 2020	8,000,000	0.30 to 0.40	8,000,000	0.30 to 0.40
October, 2020	3,000,000	0.20	3,000,000	0.20
December, 2020	12,501,000	0.15	12,501,000	0.15
August, 2021	31,250,000	0.17	-	-
	<u>75,178,000</u>	<u>-</u>	<u>75,233,370</u>	<u>-</u>

15.3 Brokers' options

Outstanding brokers' options entitle their holder to subscribe to an equivalent number of common shares, as follows:

	December 31, 2018		December 31, 2017	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of reporting year	89,172	0.14	89,172	0.14
Expired	(89,172)	0.14	-	-
Balance, end of reporting period	<u>-</u>	<u>-</u>	<u>89,172</u>	<u>0.14</u>

HPQ-Silicon Resources Inc.

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15. EQUITY (continued)

15.3 Brokers' options (continued)

Outlined below are the outstanding brokers' options which could be exercised for an equivalent number of common shares:

Expiration date	December 31, 2018		December 31, 2017	
	Number	Exercise price \$	Number	Exercise price \$
July, 2018	-	-	89,172	0.14
	<u>-</u>	<u>-</u>	<u>89,172</u>	<u>0.14</u>

15.4 Brokers' warrants

Outstanding brokers' warrants entitle their holder to subscribe to an equivalent number of common shares, as follows:

	December 31, 2018		December 31, 2017	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of reporting year	752,690	0.19	35,440	0.25
Granted	-	-	717,250	0.19
Expired	(35,440)	0.25	-	-
Balance, end of reporting year	<u>717,250</u>	<u>0.19</u>	<u>752,690</u>	<u>0.19</u>

For the previous year, the Company recorded an amount of \$46,213 as shareholders' equity instruments issuance costs when the brokers' warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.

As of December 31, 2017, the weighted average fair value \$0.064 of the brokers' warrants granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2017
Average share price at date of grant	\$0.13
Expected dividend yield	0%
Expected weighted volatility	99%
Average risk-free interest rate	1.30%
Expected average life	2.58 years
Average exercise price at date of grant	\$0.19

HPQ-Silicon Resources Inc.

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15. EQUITY (continued)

15.4 Brokers' 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 brokers' warrants.

Outlined below are the outstanding brokers' warrants which could be exercised for an equivalent number of common shares:

Expiration date	December 31, 2018		December 31, 2017	
	Number	Exercise price \$	Number	Exercise price \$
December, 2018	-	-	35,440	0.25
February, 2019	302,500	0.24	302,500	0.24
December, 2020	414,750	0.15	414,750	0.15
	<u>717,250</u>	<u>0.19</u>	<u>752,690</u>	<u>0.19</u>

15.5 Brokers' units

Brokers' units granted during the 2017 year entitle the holder to subscribe at a price of \$0.10 to an equivalent number of units composed of one common share and one warrant. Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.15 per share, for 36 months following the closing of the financing.

Brokers' units are detailed as follows:

	December 31, 2018		December 31, 2017	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of reporting year	261,000	0.13	86,000	0.19
Granted	-	-	175,000	0.10
Expired	(86,000)	0.19	-	-
Balance, end of reporting year	<u>175,000</u>	<u>0.10</u>	<u>261,000</u>	<u>0.13</u>

For the 2017 year, the Company recorded an amount of \$17,208 as issuance costs of equity instruments when the brokers' units were granted and was recorded as an increase to contributed surplus and a decrease to retained deficit.

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15. EQUITY (continued)

15.5 Brokers' units (continued)

The weighted average fair value of \$0.053 of the brokers' units granted in 2017 was estimated on the grant date using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2017
Average share price at date of grant	\$0.09
Expected dividend yield	0%
Expected weighted volatility	97%
Average risk-free interest rate	1.71%
Expected average life	3.0 years
Average exercise price at date of grant	\$0.10

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

Brokers' units are detailed as follows:

Expiration date	December 31, 2018		December 31, 2017	
	Number	Exercise price \$	Number	Exercise price \$
March, 2018	-	-	86,000	0.19
December, 2020	175,000	0.10	175,000	0.10
	<u>175,000</u>	<u>0.10</u>	<u>261,000</u>	<u>0.13</u>

16. EMPLOYEE REMUNERATION

16.1 Salaries and employee benefits expense

Salaries and employee benefits expense are analysed below:

	As at December 31,	
	2018	2017
	\$	\$
Salaries and benefits	270,517	368,062
Management fees	150,000	150,000
Remuneration of director	90,500	78,500
Share-based payments	-	228,144
Change of the present value of the installments on due to directors, officers and companies owned by a director at effective rate	(130,822)	-
	<u>380,195</u>	<u>824,706</u>

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16. EMPLOYEE REMUNERATION (continued)

16.2 Share-based payments

On September 13, 2016, the Company adopted a new share-based payment plan under which the Board of Directors may award to directors, officers, employees and consultants, share options entitling its holder to purchase common shares of the Company. The maximum number of shares issuable under the plan is 14,000,000 common shares (14,000,000 as at December 31, 2017).

The exercise price of each share option is determined by the Board of Directors and cannot be less than the market price of common shares as defined by TSX Venture Exchange policies on the day prior to the award, and the term of the options cannot exceed ten years.

The maximum number of common shares that can be issued to a beneficiary, during any 12-month period is limited to 5% of issued and outstanding shares.

The maximum numbers of shares that can be issued to a consultant during any 12-month period is limited to 2% of issued and outstanding shares; moreover, the share options granted to consultants performing investor relations activities maybe exercised by stages over a 12-month period after the grant, at a rate of 25% per quarter.

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

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

	December 31, 2018		December 31, 2017	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of reporting year	13,200,000	0.18	11,650,000	0.19
Granted	-	-	3,500,000	0.12
Expired	(800,000)	0.14	(1,950,000)	0.12
Outstanding, end of reporting period	<u>12,400,000</u>	<u>0.19</u>	<u>13,200,000</u>	<u>0.18</u>
Exercisable, end of reporting period	<u>12,400,000</u>	<u>0.19</u>	<u>13,200,000</u>	<u>0.18</u>

HPQ-Silicon Resources Inc.

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16. EMPLOYEE REMUNERATION

16.2 Share-based payments (continued)

The table below summarizes the information related to outstanding share options as at December 31, 2018:

Outstanding options		
Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)
3,200,000	0.07	1.70
3,500,000	0.12	4.00
100,000	0.15	2.48
400,000	0.19	2.75
5,200,000	0.30	2.76
<u>12,400,000</u>	<u>0.19</u>	<u>2.83</u>

The table below summarizes the information related to outstanding share options as at December 31, 2017:

Outstanding options		
Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)
3,200,000	0.07	2.70
3,800,000	0.12	4.64
600,000	0.15	0.97
400,000	0.19	3.75
5,200,000	0.30	3.76
<u>13,200,000</u>	<u>0.18</u>	<u>3.63</u>

The weighted fair value of the granted options of \$0.072 as at December 31, 2017 was determined using the Black-Scholes option pricing model, based on the following weighted average assumptions:

2017	
Average share price at date of grant	\$0.10
Expected dividend yield	0%
Expected weighted volatility	100%
Average risk-free interest rate	1.82%
Expected average life	5 years
Average exercise price at date of grant	\$0.12

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16. EMPLOYEE REMUNERATION (continued)

16.2 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 of the share options. No special features inherent to the share options granted were incorporated into measurement of fair value.

In total, an amount of \$253,493 as at December 31, 2017 of employee remuneration expenses (all of which related to equity-settled share-based payment transactions) was included in profit or loss (\$228,144 as salaries and employee benefits expense and \$25,349 as professional and consultation fees as at December 31, 2017) and credited to contributed surplus.

An amount of \$16,354 as at December 31, 2017 was recorded in profit or loss and credited to contributed surplus for the 250,000 share options that were acquired during the 2017 year.

17. FAIR VALUE MEASUREMENT

17.1 Financial instruments measured at fair value

The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy levels are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the 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 fair value of the marketable securities in a quoted company was estimated based on the market price at the closing date. Marketable securities in a quoted company measured at fair value in the consolidated statement of financial position as at December 31, 2018 are classified as Level 1.

The fair value of the derivative liability has been estimated based on the volatility of the Company and has been classified in Level 3 of the fair value hierarchy.

17.2 Financial instruments measured at amortized cost for which a fair value is disclosed

The fair value of due to directors, officers and a company owned by a director, non-current liabilities, royalties payable and convertible debenture was estimated using an analysis of discounted cash flows with an interest rate for similar financial instruments.

The fair value of royalties payable approximates the carrying amount at the end of the year as the fair value of the due to directors, officers and a company owned by a director is \$992,319 (\$1,370,138 in 2017) and the convertible debenture is \$930,249 (excluding the derivative liability instrument) (\$nil in 2017).

Financial instruments are classified in Level 2 of the fair value hierarchy, except for royalties payable and convertible debenture which are classified in Level 3 of the fair value hierarchy.

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18. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	December 31,	
	2018	2017
	\$	\$
Professional and consultation fees (1)	469,333	769,626
Investors relations fees (2)	-	103,354
Traveling expenses	91,540	79,522
Office expenses	78,144	88,841
Information to shareholders and registration fees	61,008	58,724
Bank charges	2,012	4,107
Change in the present value of the installments on due to a company, at the effective rate (3)	-	1,629
	<u>702,037</u>	<u>1,105,804</u>

(1) Including share-based payments of \$25,349 in 2017

(2) Including share-based payments of \$16,354 in 2017

(3) Relating to professional and consultation fees

19. FINANCE INCOME AND FINANCIAL COSTS

Finance income may be analyzed as follows for the reporting periods presented:

	December 31,	
	2018	2017
	\$	\$
Net change in fair value of marketable securities in a quoted company	57,931	411,019
Accretion revenues – installments on due to directors, officers and companies owned by a director or an officer at the effective rate	9,008	11,039
Accretion revenues- installments on due to a company at the effective rate	3,749	3,638
	<u>70,688</u>	<u>425,696</u>

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19. FINANCE INCOME AND FINANCIAL COSTS (continued)

Financial costs may be analyzed as follows for the reporting periods presented:

	December 31,	
	2018	2017
	\$	\$
Interest charges on notes payable	(45,029)	(45,247)
Interest charges on convertible debenture	(35,787)	-
Accretion expenses- royalties payable	(222,650)	(189,259)
Accretion expenses- due to directors, officers and companies owned by a director	(10,503)	(23,037)
Accretion expenses -Component of the convertible debenture	(34,022)	-
XII.6 tax portion	-	(40,482)
	<u>(347,991)</u>	<u>(298,025)</u>

20. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of outstanding shares during the period. In calculating the diluted loss per share, dilutive potential common shares such as warrants, agent's options, brokers' warrants, brokers' units, share options and the convertible debenture have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 15.2 to 15.5 and 16.2.

Both the basic and diluted loss per share have been calculated using the loss as the numerator, i.e. no adjustment to the loss was necessary in 2018 and 2017.

	December 31,	
	2018	2017
Net loss	\$(1,645,423)	\$(2,616,243)
Weighted average number of outstanding shares	206,045,035	169,401,402
Basic and diluted loss per share	\$(0.01)	\$(0.02)

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21. INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2018	2017
	\$	\$
Origination and reversal of temporary differences	(440,735)	(713,061)
Change in tax rate	3,494	71,956
Tax effect of flow-through shares	-	256,088
Reversal of liabilities related to flow-through shares	-	(123,395)
Write-off of flow-through shares obligation	-	(10,223)
Prior year adjustments	-	(1,660)
Temporary differences not recorded	367,886	396,900
	<u>(69,355)</u>	<u>(123,395)</u>

Relationship between expected tax expense and accounting profit or loss

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

	2018	2017
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.7% (26.8% in 2017)	(457,846)	(734,223)
Adjustments for the following items :		
Change in tax rate	3,494	71,956
Fiscal impact of temporary difference not recorded	367,886	396,900
Non-taxable portion of the variation of fair value	(8,233)	(55,077)
Non-taxable portion of the capital gain	5,635	-
Prior year adjustments	-	(1,660)
Tax effect of flow-through shares	-	256,088
Reversal of liabilities related to flow-through shares	-	(123,395)
Write-off of flow-through shares obligation	-	(10,223)
Share-based payments	-	72,319
Other non-deductible expenses	19,709	3,920
Deferred income tax income	<u>(69,355)</u>	<u>(123,395)</u>

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Deferred tax assets and liabilities and variation of recognized amounts during the year

	Balance, January 1, 2018	Recognized in profit or loss	Recognized in equity	Balance, December 31, 2018
	\$	\$	\$	\$
Recognized				
Marketable securities	(2,618)	(465)	-	(3,083)
Intangible assets	(229,338)	(5,115)	-	(234,453)
Convertible debenture	-	(89,196)	(69,355)	(158,551)
Due to directors, officers and a company owned by a director	(11,960)	(22,708)	-	(34,668)
Non-capital losses	243,916	186,839	-	430,755
Recognized deferred tax assets and liabilities	-	69,355	(69,355)	-
Reversal of liabilities related to flow-through shares		-		
		-		

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21. INCOME TAXES (continued)

	December 31, 2018	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	267,379	298,866
Intangible assets	35,985	30,201
Issuance costs of equity instruments	327,401	327,401
Exploration and evaluation assets	4,183,468	6,758,983
Provisions and reserves	2,153,325	2,153,325
Unused loss carry-forwards	9,765,690	9,556,945
	<u>16,733,248</u>	<u>19,125,721</u>

	December 31, 2017	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	266,360	253,367
Intangible assets	35,985	30,201
Issuance costs of equity instruments	287,755	287,755
Exploration and evaluation assets	3,965,010	6,540,525
Provisions and reserves	1,823,675	1,823,675
Installments on due to officers	9,009	9,009
Installments on due to a company	3,749	3,749
Unused loss carry-forwards	8,930,817	8,779,410
	<u>15,322,360</u>	<u>17,727,691</u>

The ability to realize the tax benefits depends on many factors, including the probability to generate future taxable incomes. 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 unrecognized assets totaling an amount of \$4,709,446 (\$4,337,038 in 2017).

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21. INCOME TAXES (continued)

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

	Federal	Provincial
	\$	\$
2029	229,797	120,080
2030	627,620	624,214
2031	759,417	755,536
2032	649,448	647,675
2033	803,620	798,209
2034	723,985	720,353
2035	1,082,684	1,077,205
2036	1,766,123	1,756,689
2037	1,602,371	1,593,219
2038	1,520,625	1,507,765
	<u>9,765,690</u>	<u>9,600,945</u>

The Company has tax credits for investment which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded. These tax credits can be carried over the following years:

	Federal	Provincial
	\$	\$
2027	3,363	-
2028	70,404	-
2029	8,810	-
2030	6,540	-
2031	310	-
2032	4,501	-
2033	1,200	-
	<u>95,128</u>	<u>-</u>

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22. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	As at December 31,	
	2018	2017
	\$	\$
Goods and services tax receivable	(172,041)	155,447
Prepaid expenses	(103,927)	147,405
Deposit on contract	(1,950,000)	-
Advances for exploration expenses	-	45,600
Trade and other payables	295,984	(78,852)
	<u>(1,929,984)</u>	<u>269,600</u>

Non-cash balance sheet transactions are detailed as follows:

	2018	2017
	\$	\$
Issuance of shares for payment of an account payable	56,500	56,500
Issuance of shares for payment of an account payable related to intangible assets	-	300,000
Issuance of equity instruments for issuance cost of units	87,200	79,171
Issuance of equity instruments for the issuance of warrants for the convertible debenture	76,874	-
Equity component of the convertible debenture	115,491	-
Shares received in consideration of assets held for distribution to owners	1,325,000	-
Shares received in consideration of exploration and evaluation assets	10,000	-
Distribution to the shareholders of the Company of the shares of the subsidiary	1,067,987	-
Payment of the due to directors, officers and a company owned by a director in consideration of installments on due to directors, officers and companies owned by a director or an officer	383,000	-
Assuming of notes payable by the subsidiary	180,000	-
Trade and other payables included in exploration and evaluation assets	11,888	3,375
Trade and other payables included in intangible assets	50,889	2,537

23. RELATED PARTY TRANSACTIONS

The Company's related parties include key management and companies held by a director or an officer, 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.

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23. RELATED PARTY TRANSACTIONS (continued)

23.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and officers. Key management personnel remuneration includes the following expenses:

	As at December 31,	
	2018	2017
	\$	\$
Short-term employee benefits		
Salaries and employee benefits expense	270,517	368,062
Management fees ⁽¹⁾	150,000	150,000
Directors remuneration	90,500	78,500
Consultation fees	14,200	22,600
Change of the present value of the installments on due to directors, officers and a company owned by a director, at effective rate	(130,822)	-
Total short-term employee benefits	394,395	619,162
Share-based payments	-	228,144
Total remuneration	394,395	847,306

(1) Paid to a company owned by a director

On December 31, 2018, the installments to directors, officers and companies owned by a director or an officer total nil (\$373,992 as at December 31, 2017) (see Note 7).

Trade and other payables include an amount of \$141,418 due to directors and to a company owned by a director (\$27,895 as at December 31, 2017).

On December 31, 2018, due to directors, officers and a company owned by a director total \$992,319 (\$1,370,138 as at December 31, 2017).

24. 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 business, and to provide an adequate return to owners of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and 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 a flow-through placement for which an amount should be used for exploration work. See all the details in Note 26.

The Company finances its exploration and evaluation activities mainly by seeking additional capital either through private placements or public placements. When funding conditions are not optimal, the Company can sign option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow down its activities until funding conditions improves.

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25. FINANCIAL INSTRUMENT RISKS

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

The Company risk management is coordinated in close cooperation with the Board of Directors. The Company's risk management focuses on actively securing the Company short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes.

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

25.1 Market risk

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

Other price risk sensitivity

The Company was exposed to fluctuations in the market prices of its marketable securities in a quoted company and derivative financial liability. The maximum risk to which the shares and derivative financial liability were exposed is equal to their fair value.

If the quoted share price for the shares had changed by $\pm 15\%$ as at December 31, 2018 ($\pm 13\%$ as at December 31, 2017), the profit or loss and equity would have changed by \$54,600 (\$51,857 as at December 31, 2017).

The fair value of the derivative financial liability is estimated using the Black-Scholes valuation model, with the most volatile data being the value of the shares at the measurement date. As at December 31, 2018, a 10% increase in the value of the shares would have increased the derivative financial liability by \$52,766 and a decrease of 10% would have decreased the financial liability by \$51,988.

25.2 Credit risk

Credit risk is the risk that another party to a financial instrument fails to its obligations and, therefore, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of cash, deposit on a contract, instalments on due to a company (in 2017) and installments on due to directors, officers and companies owned by a director or an officer (in 2017) for an amount of \$2,270,550 as at December 31, 2018 (\$811,346 as at December 31, 2017).

The credit risk for the deposit on a contract is considered limited. The Company continuously monitors default of counterparties. No impairment loss has been recognized in the periods presented.

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

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25. FINANCIAL INSTRUMENT RISKS (continued)

25.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations with financial liabilities that are settled by 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.

Over the period, the Company has financed its exploration programs, its working capital requirements and acquisitions of mining properties, plant and equipment and intangible assets through private placements and a debenture.

The following table sets out the contractual maturities (including interest payments, if any) of the Company's financial liabilities:

	As at December 31,	
	2018	2017
	\$	\$
Less than a year		
Trade and other payables	482,104	170,755
Note payable classified for distribution to the owners	-	180,000
Royalties payable	322,951	129,713
Total	805,055	480,468
Between one and five years		
Due to directors, officers and a company owned by a director	1,123,141	1,380,641
Royalties payable	714,910	674,926
Debenture	2,310,355	-
	4,148,406	2,055,567
Plus 5 years		
Royalties payable	234,323	244,895

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash.

26. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through shares and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

- Two years following the flow-through financings;
- One year after the Company has renounced the tax deductions relating to the exploration work.

However, there is no guarantee that the Company's exploration expenses 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 investors.

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26. CONTINGENCIES AND COMMITMENTS (continued)

In 2011, the Company entered into agreements with subscribers whereby the Company had to incur \$245,000 of Canadian Exploration Expenses (“CEE”) before December 31, 2012. The Company had incurred \$163,875 in CEE before December 31, 2012 and an approximate balance of \$77,000 of CEE renounced to the investors was not been incurred as at December 31, 2012 and was used for other purposes than exploration expenses. The maximal contingency for the Company, in relation to non-compliance with its obligations with subscribers, is approximately \$55,000. As at February 28, 2014, the Company had produced the reductions forms related to the amount of \$77,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2012. As at December 31, 2018, an amount of \$8,131 pertaining to part XII.6 taxes is included in trade accounts.

In 2016, the Company entered into agreements with subscribers whereby the Company had to incur \$1,245,000 of Canadian Exploration Expenses (“CEE”) before December 31, 2017. The Company had incurred \$919,296 in CEE before December 31, 2017 and an approximate balance of \$293,000 of CEE renounced to the investors has not been incurred as at December 31, 2017 and was used for other purposes than exploration expenses. The maximal contingency for the Company, in relation to non-compliance with its obligations with subscribers, is approximately \$220,000. As at February 28, 2018, the Company has produced the reductions forms related to the amount of \$293,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2017. As at December 31, 2018, an amount of \$40,482 pertaining to part XII.6 taxes is included in trade accounts.

The Company agreed to continue the contract for another year under the same terms and conditions as stipulated in the agreement signed on July 15, 2014 with AGORACOM. The Company will issue shares for services rendered by AGORACOM in exchange for the online advertising, marketing and branding services. The number of shares to be issued at the end of each period will be determined by using the closing price of the shares of the Company on the TSX Venture Exchange at the date of issued invoice. The term of the agreement is 12 months starting on July 15, 2018 and the services totalizing \$50,000 must be paid by the Company at the end of each quarter for the amount of \$12,500 plus TVH.

As at December 31, 2018, in addition to the royalties payable mentioned in Note 10, the Company is committed for the purchase of the test equipment which was about \$2,540,000. Of this amount, a deposit of \$1,950,000 was made.

The TSX venture exchange has approved the \$ 1,500,000 Equity Line of credit that PyroGenesis has granted to the Company. The equity line of credit can only be used to cover unexpected project cost overruns that could potentially occur in the test equipment project, after the end of planned test period in 2019 until December 31, 2020.

To be acceptable under the terms of the Equity Line of Credit, Cost overruns shall be considered as such by both Parties and approved before they are incurred. Upon approval, the Company must send a written thirty days (30) notice of its intent to drawdown the Equity Line of Credit to pay for the Cost overruns. Once the approved work is completed, PyroGenesis shall remit to HPQ an invoice covering the completed work and the Company will organize the payment of the invoice by means of issuance of common shares of its capital stock, as prescribed by TSX Venture Exchange policies, for a number of shares totalling the amount of the applicable invoice at an issuance price equal to the share quote on the invoice date, less a ten percent (10%) discount.

On November 17, 2017, the Company entered into a service agreement with Apollon Solar in the development of its Silicon SoG production project. Under this agreement, the Company undertakes to pay fees of € 188,000 over a period of 10 months from January, 2018. On October 5, 2018, an amendment was signed between the parties extending the contract for an additional five months.

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27. SUBSEQUENT EVENT

As per the listing application of February 6, 2019, the Company reduced the exercise price of the warrants who where between \$0.07 and \$0.40 to \$0.065 and \$0.36.