

HPQ - SILICON  
R E S O U R C E S



## **HPQ-Silicon Resources Inc.**

### **Consolidated Financial Statements As at March 31, 2020**

**(In Canadian dollars)**

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**HPQ-Silicon Resources Inc.**  
**Consolidated Statements of Financial Position**  
As at March 31, 2020 and December 31, 2019  
(in Canadian dollars)

	Notes	March 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		42,903	77,618
Marketable securities in a quoted company		82,000	90,000
Goods and services tax receivable		17,099	30,768
Royalties receivable	6	47,140	46,186
Deposit on contract	24	1,950,000	1,950,000
Prepaid expenses		113,684	100,000
		<u>2,252,826</u>	<u>2,294,572</u>
<b>Non-current</b>			
Exploration and evaluation assets	7	938,527	938,527
Property and equipment	8	4,240,000	4,240,000
Intangible assets	9	3,158,357	3,047,977
Royalties receivable	6	153,804	152,158
Investment accounted for using the equity method	10	158,015	180,942
		<u>8,648,703</u>	<u>8,559,604</u>
<b>Total assets</b>		<u>10,901,529</u>	<u>10,854,176</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	11	719,010	447,052
Due to directors	12	80,000	80,000
Royalties payable	9	136,439	129,713
		<u>935,449</u>	<u>656,765</u>
<b>Non-current</b>			
Due to directors, officers and a company owned by a director, without interest (effective rate of 3.1% in 2019 and 2018)	12	1,004,029	996,319
Interests payable on the convertible debenture	13	153,799	129,709
Convertible debenture and derivative financial liabilities	13	1,496,713	1,511,048
Royalties payable	9	1,035,004	1,028,351
		<u>3,689,545</u>	<u>3,665,427</u>
<b>Total liabilities</b>		<u>4,624,994</u>	<u>4,322,192</u>
<b>EQUITY</b>			
Share capital	14	32,310,717	32,296,592
Equity component of convertible debentures	13	115,491	115,491
Contributed surplus		1,942,549	2,174,311
Retained deficit		(28,092,222)	(28,054,410)
<b>Total equity</b>		<u>6,276,535</u>	<u>6,531,984</u>
<b>Total liabilities and equity</b>		<u>10,901,529</u>	<u>10,854,176</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 June 10, 2020.

**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 March 31, 2020 and 2019  
(in Canadian dollars)

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	Notes	2020	2019
		\$	\$
<b>Expenses</b>			
Salaries and employee benefits expense	15.1	85,534	100,625
Other operating expenses	17	123,757	156,414
Amortization of property and equipment		-	255
<b>Operating loss</b>		<u>209,291</u>	<u>257,294</u>
<b>Other income and expenses</b>			
Finance income	18	(5,400)	69,250
Financial costs	18	(98,600)	(119,687)
Share of loss from equity-accounted investment		(24,996)	(2,935)
Adjustment of ownership in equity-accounted investment		2,069	-
Change in fair value of derivative liability	13	<u>67,756</u>	<u>(56,760)</u>
		(59,171)	(110,132)
<b>Net loss and total comprehensive loss for the period</b>		<u><u>(268,462)</u></u>	<u><u>(367,426)</u></u>
<b>Loss per share</b>			
Basic and diluted loss per share	19	<u>(0.00)</u>	<u>(0.00)</u>

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

**HPQ-Silicon Resources Inc.**  
**Consolidated Statements of Changes in Equity**  
As at March 31, 2020 and 2019  
(in Canadian dollars)

	Notes	Share capital	Equity component of convertible debenture	Contributed surplus	Retained deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at January 1st, 2019</b>		31,640,592	115,491	2,147,151	(26,662,235)	7,240,999
Issuance for the payment of accounts payable	14.1	14,125	-	-	-	14,125
Expiration of broker's warrants	14.3	-	-	(27,388)	27,388	-
Issuance cost of units	14.1	-	-	-	(750)	(750)
		<u>31,654,717</u>	<u>115,491</u>	<u>2,119,763</u>	<u>(26,635,597)</u>	<u>7,254,374</u>
Net loss and total comprehensive loss for the period		-	-	-	(367,426)	(367,426)
<b>Balance at March 31, 2019</b>		<u>31,654,717</u>	<u>115,491</u>	<u>2,119,763</u>	<u>(27,003,023)</u>	<u>6,886,948</u>
<b>Balance at January 1st, 2020</b>		32,296,592	115,491	2,174,311	(28,054,410)	6,531,984
Issuance for the payment of accounts payable	14.1	14,125	-	-	-	14,125
Expiration of warrants	14.2	-	-	(231,762)	231,762	-
Issuance cost of units	14.1	-	-	-	(1,112)	(1,112)
		<u>32,310,717</u>	<u>115,491</u>	<u>1,942,549</u>	<u>(27,823,760)</u>	<u>6,544,997</u>
Net loss and total comprehensive loss for the period		-	-	-	(268,462)	(268,462)
<b>Balance at March 31, 2020</b>		<u>32,310,717</u>	<u>115,491</u>	<u>1,942,549</u>	<u>(28,092,222)</u>	<u>6,276,535</u>

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

**HPQ-Silicon Resources Inc.**  
**Consolidated Statements of Cash Flows**  
March 31, 2020 and 2019  
(in Canadian dollars)

	Notes	2020	2019
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Net loss		(268,462)	(367,426)
Non cash items			
Amortization of property and equipment		-	255
Net change in fair value of marketable securities in a quoted company		8,000	(69,250)
Share of loss from equity-accounted investment		24,996	2,935
Adjustment of ownership in equity-accounted investment		(2,069)	-
Accretion revenues –royalties receivable		(2,600)	-
Accretion expenses– due to directors, officers and a company owned by a director		7,710	-
Accretion expenses-royalties payable		13,379	59,505
Accretion expenses - convertible debenture		53,421	37,456
Interests cost of the convertible debenture		24,090	22,726
Change in fair value of derivative liability		(67,756)	56,760
Salaries and employee benefits expense		37,692	47,115
Changes in working capital items	20	167,796	103,935
Cash flows used for operating activities		<u>(3,803)</u>	<u>(105,989)</u>
<b>INVESTING ACTIVITIES</b>			
Addition to intangible assets		(29,800)	(86,950)
Disposal of marketable securities in a quoted company		-	31,490
Cash flows used for investing activities		<u>(29,800)</u>	<u>(55,460)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance cost of units		(1,112)	(750)
Cash flows used for financing activities		<u>(1,112)</u>	<u>(750)</u>
<b>Net change in cash</b>		(34,715)	(162,199)
Cash beginning of the period		77,618	320,550
Cash end of the period		<u>42,903</u>	<u>158,351</u>

For additional cash flows information refer to Note 20.

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

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

As at March 31, 2020  
(in Canadian dollars)

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### **1. NATURE OF OPERATIONS**

HPQ-Silicon Resources Inc. ("HPQ" or "Company") specialize in the exploration of quartz in mining sites located in Quebec as well as development for its transformation into silicon.

### **2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS**

The consolidated financial statements of the Company have been prepared in accordance with IAS 34 interim financial reporting 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, that the PUREVAP™ technology for the transformation of quartz into high purity silicon metal is not yet ready to be used, the Company has not yet generated income or cash flows from its operations. As at March 31, 2020, the Company has cumulated retained deficit of \$28,092,222 (\$28,054,410 as at December 31, 2019). 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**

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 January 31, 2020.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

As at March 31, 2020  
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### **4.3 Investment in associate**

The 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 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 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.

#### **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.

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
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### 4.5 Financial instruments (continued)

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, royalties's receivable and the contract deposit are 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 the marketable securities of a quoted company as 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 quoted 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), royalties payable, due to directors, due to directors (current and non-current liabilities), 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.

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.

Interests 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.



# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

As at March 31, 2020

(in Canadian dollars)

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### **4.5 Financial instruments (continued)**

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.

### **4.6 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 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.

### **4.7 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.

### **4.8 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.

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
(in Canadian dollars)

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### 4.8 Exploration and evaluation assets and exploration and evaluation expenditures (continued)

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.11), 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 4.11), 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.

### 4.9 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.

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.

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
(in Canadian dollars)

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### 4.9 Property and equipment (continued)

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.

### 4.10 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 will be calculated on a straight-line basis over the estimated useful life of the patent and intellectual property, which is valued is twenty years, when the technology will be ready to use. The amortization period and amortization method are reviewed annually and adjusted prospectively as required.

### 4.11 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 except of exploration and evaluation assets, equipment under construction and intangible assets that are not yet ready for use.

Property and equipment and intangible assets that are not yet ready for use must be tested for impairment annually.

In the case of exploration and evaluation assets, 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.

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

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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

As at March 31, 2020  
(in Canadian dollars)

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### **4.11 Impairment of exploration and evaluation assets, property and equipment and intangible assets** (continued)

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and assets-specific risk factors.

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.

### **4.12 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.

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 March 31, 2020 and December 31, 2019.

### **4.13 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.

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
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### 4.13 Income taxes (continued)

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.

### 4.14 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when share 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.

### 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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

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### **Other elements of equity**

Contributed surplus includes charges related to share 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.

### **4.15 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.

### **4.16 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.

### **4.17 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. Certain new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

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### **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 hold 13.68% (13.84% as at December 31,2019) of the common shares and voting rights in BGF. Management has concluded that it has significant influence over BGF. In making its judgement, 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 4.13).

##### **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, meets 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.

#### **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.

##### **Royalties receivable**

Management uses its judgment to estimate the amount of royalties receivable under the Beauce Placer property disposition agreement (see Note 6). Uncertainty in estimates is related to net revenue assumptions and the determination of a suitable discount rate.

# **HPQ-Silicon Resources Inc.**

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### **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 4.11).

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 7 for the exploration and evaluation assets impairment analysis.

During the period ending 2019, the Company recognized to profit or loss a devaluation of exploration and evaluation assets of \$262,565. 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 March 31, 2020 and December 31, 2019, 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 14.2, 14.3, 14.4 and 15.2).



# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

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### **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 23).

### **Royalties payable**

Management uses its judgment to estimate the amount of royalties payable under the PUREVAP™ technology acquisition agreement (see Note 9). 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. ROYALTIES RECEIVABLE**

The Company will receive from BGF as NSR for amount of \$35,000 between the fifteenth and the twenty-fourth month after the date of transfer of the Beauce Placer properties and \$25,000 each subsequent year. This NSR can be redeemed at the option of BGF for \$250,000. The corresponding asset, royalties' receivable, was recognized when the property was disposed of for a total amount of \$176,563, calculated on estimated cash flows under the agreement over a four-year period at a rate of 18%. Cash outflows before discounting of \$310,000 reflect management's estimate of how long it will take to repay royalties. During the last year 2020, an amount of \$10,000 was collected and March 31, 2020 an amount of \$ 2,600 (\$31,781 as at December 31,2019) was recognized in profit or loss as a accretion revenues-royalties receivable.



# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

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### 7. EXPLORATION AND EVALUATION ASSETS (continued)

All devaluation and write-off expenses are presented in profit or loss under the item Devaluation of exploration and evaluation assets or Write-off of exploration and evaluation assets.

During this previous year 2019, management has devaluated mining rights for the Martinville Property for the reason that no expenditure is planned for the coming years.

#### Quebec

##### *Roncevaux Property*

The Company holds a 100% interest in 27 claims (27 claims as at December 31, 2019) acquired by staking.

##### *Martinville Property*

During the year, the Company has devaluation this property and holds a 100% interest in 4 claims (4 claims as at December 31, 2019) acquired by staking.

### 8. 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	Total
	equipment	construction	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1 <sup>st</sup> , 2020 and December 31, 2020	3,058	4,240,000	4,243,058
<b>Accumulated depreciation</b>			
Balance at January 1 <sup>st</sup> , 2020 and March 31, 2020	3,058	-	3,058
<b>Carrying amount at March 31, 2020</b>	-	4,240,000	4,240,000

# HPQ-Silicon Resources Inc.

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### 8. PROPERTY AND EQUIPMENT (continued)

	Property and equipment		
	Computer equipment	Equipment under construction	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1 <sup>st</sup> , 2019 and December 31, 2019	3,058	4,240,000	4,243,058
<b>Accumulated depreciation</b>			
Balance at January 1 <sup>st</sup> , 2019	2,378	-	2,378
Depreciation	680	-	680
Balance at December 31, 2019	3,058	-	3,058
<b>Carrying amount at December 31, 2019</b>	-	4,240,000	4,240,000

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

### 9. 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. An addendum was signed on December 8, 2019 for the cancellation of the amounts payable for the years 2019 and 2020 and the modification of the minimum amounts for 2020 and 2021. A gain of \$350,000 on the modification of the initial agreement was recognized during the year. The minimum annual amounts under this new agreement are as follows:

	\$
2020	150,000
2021	200,000
2022 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.

# HPQ-Silicon Resources Inc.

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### 9. INTANGIBLE ASSETS (continued)

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

	Intangible assets		Total
	Patents	Intellectual property	
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1 <sup>st</sup> , 2020	191,900	2,856,077	3,047,977
Additions	7,566	110,814	118,380
<b>Carrying amount at March 31, 2020</b>	<u>199,466</u>	<u>2,966,891</u>	<u>3,158,357</u>

	Intangible assets		Total
	Patents	Intellectual property	
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1 <sup>st</sup> , 2019	122,022	2,519,527	2,641,549
Additions	69,878	336,550	406,428
<b>Carrying amount at December 31, 2019</b>	<u>191,900</u>	<u>2,856,077</u>	<u>3,047,977</u>

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

### 10. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On March 31, 2020, the Company holds a 13,68% (13,84% as at December 31, 2019) 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, 2019, the fair value of the participation amounts to \$287 013 (\$301,364 \$ as at December 31, 2019).

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

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### 10. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (continued)

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

	January 31, 2020	October 31, 2019
	\$	\$
Current assets	122,296	339,108
Non-current assets	1,747,996	1,635,953
Current liabilities	342,500	282,146
Non-current liabilities	154,440	168,047
Net and total loss of comprehensive income	181,316	586,466

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

	January 31, 2020	October 31, 2019
	\$	\$
Total net assets	1,373,452	1,525,868
Contributed surplus not attached to ordinary shareholders	(218,720)	(218,720)
	1,154,732	1,307,148
Portion of the interest held by the Company	13,68 %	13,84 %
	<u>158,015</u>	<u>180,942</u>

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

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 loss 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%.

During the period ended March 31, 2020, BGF issued shares for the closing of a private placement. Those issuances decreased the Company's ownership from 13,84% to 13,68%.

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

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### 11. TRADE AND OTHER PAYABLES

	March 31, 2020	December 31, 2019
	\$	\$
Trade accounts	483,548	279,284
Management fees payable	112,500	87,500
Salaries payable	41,538	28,846
Other	81,424	51,424
	<u>719,010</u>	<u>447,054</u>

### 12. DUE TO DIRECTORS, OFFICERS AND A COMPANY OWNED BY A DIRECTOR

The Company owes to directors, officers and a company owned by a director some salaries and remuneration for a nominal value of \$1,168,141 (\$1,168,141 as at December 31, 2019). The Company has obtained confirmation for said nominal value of \$1,088,141 debts (effective rate of 3.1%) (\$1,088,141 as at December 31, 2019, effective rate of 3.1%), that they will not request payment thereof prior to 12 months plus one day following March 31, 2020. These amounts are classified as non-current liabilities. The remaining amount of \$80,000 has been classified as current liabilities and presented as due to the directors.

### 13. 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 14.2). 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.

	Convertible debenture	Derivative liability	Total
	\$	\$	\$
<b>Carrying amount at December 31, 2018</b>	930,249	418,760	1,349,009
Accretion of convertible debenture	151,425	-	151,425
Change in fair value of derivative liability	-	10,614	10,614
<b>Carrying amount at December 31, 2019</b>	<u>1,081,674</u>	<u>429,374</u>	<u>1,511,048</u>
Accretion of convertible debenture	54,421	-	54,421
Change in fair value of derivative liability	-	(67,756)	(67,756)
<b>Carrying amount at March 31, 2020</b>	<u>1,135,095</u>	<u>361,618</u>	<u>1,496,713</u>

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

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### 13. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITY (continued)

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

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.



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### 13. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITY (continued)

As at March 31, 2020, the fair value of the derivative financial liability of \$361,618 (\$429,374 as at December 31, 2019) was estimated using the Black-Scholes valuation model, based on the following assumptions:

	March 31 2020	December 31 2019
Average share price at date of grant	\$0.06	\$0.08
Expected dividend yield	0%	0%
Expected weighted volatility	81%	80%
Average risk-free interest rate	0,57%	1.65%
Expected average life	3,39 years	3,64 years
Average exercise price at date of grant	\$0.05	\$0.06

During the period, the Company recorded interest expense in the amount of \$24,090 (\$93,922 as at December 31, 2019) and (\$67,756) (\$151,425 as at December 31, 2019) is related to accretion of Convertible debenture.

### 14. EQUITY

#### 14.1 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.

	March 31, 2020	December 31, 2019
	Number of shares	Number of shares
Shares issued at the beginning	230,537,866	222,472,386
Private placements (e) (f) (h)	-	6,600,000
Issuance for the payment of accounts payable (a)(b)(c)(g)	-	1,465,480
Total shares issued and fully paid	230,537,866	230,537,866
Shares to be issued (i)	166,176	-
Total shares at the end	230,704,042	230,537,866

(a) On January 15, 2019, the Company has settled a trade account payable of \$14,125 by the issuance of 235,416 common shares. No profit or loss was recorded on this transaction.

(b) On April 15, 2019, the Company has settled a trade account payable of \$14,125 by the issuance of 156,944 common shares. No profit or loss was recorded on this transaction.

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### 14.1 Share capital (continued)

- (c) On June 3, 2019, the Company has settled a trade account payable of \$75,000 by the issuance of 750,000 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 \$0.15 per share, during a period of 24 months following the closing of the financing. An amount of \$11,250 related to the warrants was recorded as an increase of contributed surplus.
- (d) On July 15, 2019, the Company has settled a trade account payable of \$14,125 by the issuance of 156,944 common shares. No profit or loss was recorded on this transaction.
- (e) On July 25, 2019, the Company completed a private financing for an amount of \$325,000. The Company issued 3,250,000 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 \$0.15 per share, during a period of 36 months following the closing of the financing. An amount of \$32,500 related to the warrants was recorded as an increase of contributed surplus.
- (f) On August 16, 2019, the Company completed a private financing for an amount of \$35,000. The Company issued 350,000 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 \$0.15 per share, during a period of 36 months following the closing of the financing. An amount of \$1,750 related to the warrants was recorded as an increase of contributed surplus.

In addition, the Company paid an amount of \$1,600 commission fees. The Company issued to the agent 16,000 warrants (for a value of \$816). 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.

- (g) On October 15, 2019, 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.
- (h) On December 23, 2019, the Company completed a private financing for an amount of \$210,000. The Company issued 3,000,000 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 \$0.10 per share, during a period of 36 months following the closing of the financing.

In addition, the Company paid an amount of \$15,378 commission fees. The Company issued to the agent 219,400 warrants (for a value of \$8,232). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.10 per share for a period of 36 months from the date of closing of the financing. No amount related to warrants was recorded.

- (i) On January 15, 2020, 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 March 31, 2020.

# HPQ-Silicon Resources Inc.

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### 14.2 Warrants

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

	March 31, 2020		December 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, beginning of reporting year	70,628,000	-	75,178,000	-
Granted	-	-	7,350,000	0.13
Expired	(8,000,000)	0.36	(11,900,000)	0.25
Balance, end of reporting period	<u>62,628,000</u>	<u>0.14</u>	<u>70,628,000</u>	<u>0.17</u>

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

Expiration date	March 31, 2020		December 31, 2019	
	Number	Exercise price	Number	Exercise price
		\$		\$
January, 2020 (ii)	-	-	8,000,000	0.36
October, 2020 (iii)	3,000,000	0.18	3,000,000	0.18
December, 2020 (iv)	12,501,000	0.135	12,501,000	0.135
March, 2021 (vi)	4,375,000	0.11	4,375,000	0.11
June, 2021	750,000	0.15	750,000	0.15
August, 2021 (i)	31,250,000	0.155	31,250,000	0.155
January, 2022 (i) (vii)	4,152,000	0.155	4,152,000	0.155
July 2022	3,250,000	0.15	3,250,000	0.15
August 2022	350,000	0.15	350,000	0.15
December 2022	3,000,000	0.10	3,000,000	0.10
	<u>62,628,000</u>	<u>0.14</u>	<u>70,628,000</u>	<u>0.17</u>

- (i) Under the plan of arrangement, on February 6, 2019, the Company has reduced the exercise price of warrants from \$0.17 to \$0.155.
- (ii) Under the plan of arrangement, on February 6, 2019, the Company has reduced the exercise price of warrants from \$0.40 to \$0.36.
- (iii) Under the plan of arrangement, on February 6, 2019, the Company has reduced the exercise price of warrants from \$0.20 to \$0.18.

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
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### 14.2 Warrants (continued)

- (iv) Under the plan of arrangement, on February 6, 2019, the Company has reduced the exercise price of warrants from \$0.15 to \$0.135.
- (v) Under the plan of arrangement, on February 6, 2019, the Company has reduced the exercise price of warrants from \$0.12 to \$0.11.
- (vi) On February 14, 2019, the Company has extended 4,375,000 warrants until March 2021.
- (vii) On December 9, 2019, the Company has extended 4,152,000 warrants until January 2022.

### 14.3 Brokers' warrants

For this period, the Company recorded an amount of \$9,048 as shareholders' equity instruments when the broker's warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.

The weighted average fair value \$0.038 of the broker's warrants granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2019
Average share price at date of grant	\$0.08
Expected dividend yield	0%
Expected weighted volatility	81%
Average risk-free interest rate	1.64%
Expected average life	3.00 years
Average exercise price at date of grant	\$0.10

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

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

	March 31, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of reporting year	650,150	0.13	717,250	0.19
Granted	-	-	235,400	0.10
Expired	-	-	(302,500)	0.24
Balance, end of reporting year	<u>650,150</u>	<u>0.13</u>	<u>650,150</u>	<u>0.13</u>

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
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### 14.3 Brokers' warrants (continued)

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

Expiration date	March 31, 2020		December 31, 2019	
	Number	Exercise price	Number	Exercise price
		\$		\$
December, 2020	414,750	0.15	414,750	0.15
August, 2022	16,000	0.15	16,000	0.15
December, 2022	219,400	0.10	219,400	0.10
	<u>650,150</u>	<u>0.13</u>	<u>650,150</u>	<u>0.13</u>

### 14.4 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:

	March 31, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of reporting year	175,000	0.10	175,000	0.10
Expired	-	-	-	-
Balance, end of reporting year	<u>175,000</u>	<u>0.10</u>	<u>175,000</u>	<u>0.10</u>

Brokers' units are detailed as follows:

Expiration date	March 31, 2020		December 31, 2019	
	Number	Exercise price	Number	Exercise price
		\$		\$
December, 2020	175,000	0.10	175,000	0.10
	<u>175,000</u>	<u>0.10</u>	<u>175,000</u>	<u>0.10</u>

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
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### 15. EMPLOYEE REMUNERATION

#### 15.1 Salaries and employee benefits expense

Salaries and employee benefits expense are analysed below:

	As at March 31,	
	2020	2019
	\$	\$
Salaries and benefits	48,034	63,125
Management fees	37,500	37,500
	<u>85,534</u>	<u>100,625</u>

#### 15.2 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, 2018).

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:

	March 31, 2020		December 31, 2019	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of reporting year	12,400,000	0.19	12,400,000	0.19
Expired	-	-	-	-
Outstanding and exercisable, end of reporting year	<u>12,400,000</u>	<u>0.19</u>	<u>12,400,000</u>	<u>0.19</u>

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020

(in Canadian dollars)

### 15.2 Share-based payments (continued)

The table below summarizes the information related to outstanding share options as at March 31, 2020:

Outstanding options		
Number of options	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
3,200,000	0.07	0.45
3,500,000	0.12	2.75
100,000	0.15	1.23
400,000	0.19	1.50
5,200,000	0.30	1.51
<u>12,400,000</u>	<u>0.19</u>	<u>1.58</u>

The table below summarizes the information related to outstanding share options as at December 31, 2019:

Outstanding options		
Number of options	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
3,200,000	0.07	0.70
3,500,000	0.12	3.00
100,000	0.15	1.48
400,000	0.19	1.75
5,200,000	0.30	1.76
<u>12,400,000</u>	<u>0.19</u>	<u>1.83</u>

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

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### 16. FAIR VALUE MEASUREMENT

#### 16.1 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 March 31, 2020 and December 31, 2019 are classified as Level 1.

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

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

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

The fair value royalties' receivable in the current term as well as the royalties payable in the current term approximate the book value at the end of the period.

The fair value of royalties receivable in the non-current term, due to directors, officers and a company owned by a director and royalties payable in the non-current term is \$ 153,684, \$ 1,004,029 and \$ 1,035,004 respectively (\$ 152,158, \$ 996,319 and \$ 1,028,351 respectively as at December 31, 2019) and that of the convertible debenture is \$ 1,135,095 (excluding the derivative financial liability) (\$ 1,081,674 as at December 31, 2019). See notes 6, 12 and 13 for methods of assessing fair values.

Financial instruments are classified in level 2 of the fair value hierarchy except for royalties' receivable and royalties payable which are classified in level 3 of the fair value hierarchy.

### 17. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	March 31,	
	2020	2019
Professional and consultation fees	\$ 102,380	\$ 144,269
Traveling expenses	-	1,500
Office expenses	7,762	7,170
Information to shareholders and registration fees	13,032	13,172
Bank charges	583	467
Administrative expenses recovered	-	(10,164)
	<u>123,757</u>	<u>156,414</u>



# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
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### 18. FINANCE INCOME AND FINANCIAL COSTS

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

	March 31,	
	2020	2019
	\$	\$
Net change in fair value of marketable securities in a quoted company	(8,000)	69,250
Accretion revenues - royalties receivable	2,600	-
	<u>(5,400)</u>	<u>69,250</u>

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

	March 31,	
	2020	2019
	\$	\$
Interest charges on convertible debenture	(24,090)	(22,726)
Accretion expenses- royalties payable	(13,379)	(59,505)
Accretion expenses- due to directors, officers and companies owned by a director	(7,710)	-
Accretion expenses -Component of the convertible debenture	(53,421))	(37,456)
	<u>(98,600)</u>	<u>(119,687)</u>

### 19. 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, 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 13, 14.2 to 14.4 and 15.2.

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 2020 and 2019.

	March 31,	
	2020	2019
Net loss	\$ (268,462)	\$(367,426)
Weighted average number of outstanding shares	230,704,042	222,284,053
Basic and diluted loss per share	\$ (0.00)	\$(0.00)

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements

As at March 31, 2020  
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### 20. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	As at March 31,	
	2020	2019
	\$	\$
Goods and services tax receivable	13,669	134,833
Prepaid expenses	(13,684)	(11,838)
Trade and other payables	167,811	(19,060)
	<u>167,796</u>	<u>103,935</u>

Non-cash balance sheet transactions are detailed as follows:

	2020	2019
	\$	\$
Issuance of shares for payment of an account payable	14,125	14,125
Trade and other payables included in exploration and evaluation assets	14,107	11,888
Trade and other payables included in intangible assets	161,775	54,900

### 21. 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.

#### 21.1 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 March 31,	
	2020	2019
	\$	\$
Short-term employee benefits		
Salaries and employee benefits expense	48,034	63,125
Management fees <sup>(1)</sup>	37,500	37,500
Total remuneration	<u>85,534</u>	<u>100,625</u>

(1) Paid to a company owned by a director

Trade and other payables include an amount of \$298,518 due to directors and to a company owned by a director (\$223,209 as at December 31, 2019).

On March 31, 2020, due to directors, officers and a company owned by a director total \$1,084,029 (1,076,319 as at December 31, 2019).

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

As at March 31, 2020  
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### **22. 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 25.

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.

### **23. 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.

#### **23.1 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  $\pm 10\%$  as at March 31, 2020 ( $\pm 10\%$  as at December 31, 2019), the profit or loss and equity would have changed by \$8,200 (\$9,000 as at December 31, 2019).

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 March 31, 2020, a 10% increase in the value of the shares would have increased the derivative financial liability by \$ 50,268 (\$ Nil as at December 31,2019) and a decrease of 10% would have decreased the financial liability by \$ 49,151 (\$Nil as at December 31,2019).

# HPQ-Silicon Resources Inc.

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### 23.2 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 and the royalties's receivable for an amount of \$2,193,847 as at March 31, 2020 (\$2,225,962 as at December 31, 2019).

The credit risk for the deposit on a contract and the royalties's receivable 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.

### 23.3 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.

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

	March 31, 2020	December 31, 2019
	\$	\$
Less than a year		
Trade and other payables	604,698	375,435
Royalties payable	150,000	150,000
Total	<u>754,698</u>	<u>525,435</u>
Between one and five years		
Royalties payable	1,200,000	1,200,000
Debenture	2,310,355	2,310,355
	<u>3,510,355</u>	<u>3,510,355</u>
Plus 5 years		
Royalties payable	<u>2,750,000</u>	<u>2,750,000</u>

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

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

As at March 31, 2020  
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### **24. 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.

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 March 31, 2020, 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 March 31, 2020, an amount of \$34,642 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 24 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 March 31, 2020, in addition to the royalties' payable mentioned in Note 9, 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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements**

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### **24. CONTINGENCIES AND COMMITMENTS (continued)**

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 and September 6, 2019, an amendment was signed between the parties extending the contract for an additional period of 5 months and 4 months respectively. On January 9, 2020, an addendum was signed with Apollon Solar in the development of its project to produce porous silicon wafers that can be used in solid Li-ion batteries. Under this amendment, the Company undertakes to pay fees of € 120,000 over a period of 6 months from January 2020.

### **25. SUBSEQUENT EVENT**

In March 2020, the World Health Organization declared the COVID-19 epidemic a pandemic. The situation is constantly evolving, and the measures put in place have numerous economic repercussions at the global, national, provincial and local levels. These measures, which include travel bans, solitary confinement or quarantine, voluntary or not, and social distancing, have caused significant disruption among businesses, globally and in Canada, due to the slowdown economic. Governments and central banks responded by implementing monetary and fiscal measures to stabilize the world economy; however, the current difficult economic climate may cause adverse changes in cash flow, the level of working capital and / or the search for future financing, which could have a direct impact on its future financial position. The financial impact on Company is not know at this time. The impacts will be adequately reflected in fiscal 2020.

On April 23, 2020, the Company completed a private financing for an amount of \$500,000. The Company issued 10,000,000 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 \$0.10 per share, during a period of 36 months following the closing of the financing.

In addition, the Company recorded an amount of \$12,000 commission fees. The Company issued to the agent 240,000 warrants (for a value of \$8 973). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.10 per share for a period of 36 months from the date of closing of the financing.

On April 23, 2020, the Company has settled a trade account payable of \$28,250 by the issuance of 367,961 common shares. No profit or loss was recorded on this transaction.

On May 26, 2020, the Company has settled a trade account payable of \$395,514 by the issuance of 4,394,600 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 \$0.10 per share, during a period of 36 months following the closing of the financing. This agreement is subject to regulatory approval.

After the period ended, 61,000 warrants have been raised for a total amount of \$8,235 in cash, 175,000 broker units were exercised for a total amount of \$ 17,500 in cash as well as the issuance of 175,000 warrants.