



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

### **Unaudited Consolidated Financial Statements**

**As at June 30, 2021**

**(in Canadian dollars)**

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# HPQ-Silicon Resources Inc.

## Consolidated Statements of Financial Position (unaudited)

As at June 30, 2021 and December 31, 2020

(in Canadian dollars)

	Notes	June 30, 2021 \$	December 31, 2020 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash		7,652,986	1,888,282
Marketable securities in a quoted company		1,288,000	722,000
Goods and services tax receivable		542,444	183,366
Investment tax credits receivable	8	20,000	20,000
Royalties receivable	6	-	50,000
Prepaid expenses		143,698	100,000
		<u>9,647,128</u>	<u>2,963,648</u>
<b>Non-current</b>			
Exploration and evaluation assets	7	1,246,265	1,135,416
Property and equipment	8	4,711,725	4,658,802
Intangible assets	9	9,996,703	6,598,451
Deposit on contract	24	1,950,000	1,950,000
Royalties receivable	6	179,546	179,546
Investment accounted for using the equity method	10	217,727	176,973
		<u>18,301,966</u>	<u>14,699,188</u>
<b>Total assets</b>		<u>27,949,094</u>	<u>17,662,836</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Trade and other payables	11	3,997,310	191,001
Due to directors	12	165,750	116,750
Royalties payable	9	237,170	215,324
		<u>4,400,230</u>	<u>523,075</u>
<b>Non-current</b>			
Due to directors, officers and a company owned by a director, without interest (effective rate of 3.1% in 2021 and 2020)	12	1,038,289	1,022,322
Interests payable on the convertible debenture	13	-	228,437
Convertible debenture and derivative financial liabilities	13	-	1,645,783
Royalties payable	9	1,925,758	1,754,540
		<u>2,964,047</u>	<u>4,651,082</u>
<b>Total liabilities</b>		<u>7,364,277</u>	<u>5,174,157</u>
<b>EQUITY</b>			
Share capital	14	48,570,575	38,888,312
Equity component of convertible debentures	13	-	115,491
Contributed surplus		1,161,785	2,144,842
Retained deficit		(29,147,543)	(28,659,966)
<b>Total equity</b>		<u>20,584,817</u>	<u>12,488,679</u>
<b>Total liabilities and equity</b>		<u>27,949,094</u>	<u>17,662,836</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 August 25, 2021.

### ON BEHALF OF THE BOARD

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

**HPQ-Silicon Resources Inc.****Consolidated Statements of net income (loss) and comprehensive income (loss) (unaudited)**

As at June 30, 2021 and 2020

(in Canadian dollars)

	Notes	Quarter ending June, 30		Six-month ending June, 30	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>Expenses</b>					
Salaries and employee benefits expense	15.1	198,787	125,591	315,585	211,125
Other operating expenses	17	215,618	158,353	366,605	282,110
Amortization of property and equipment		38,857	-	77,714	-
<b>Operating loss</b>		<u>453,262</u>	<u>283,944</u>	<u>759,904</u>	<u>493,235</u>
<b>Other incomes</b>					
Finance income	18	(403,150)	389,000	566,850	383,600
Financial costs	18	(169,490)	(86,780)	(343,545)	(185,380)
Share of loss from equity-accounted investment		(14,480)	(17,123)	(41,608)	(42,119)
Adjustment of ownership in equity-accounted investment		8,848	-	32,362	2,069
Change in fair value of derivative liability	13	37,638	(55,792)	58,268	11,964
		<u>(540,634)</u>	<u>229,305</u>	<u>272,327</u>	<u>170,134</u>
<b>Net loss and total comprehensive loss of the period</b>		<u><u>(993,896)</u></u>	<u><u>(54,639)</u></u>	<u><u>(487,577)</u></u>	<u><u>(323,101)</u></u>
<b>Loss per share</b>					
Basic and diluted net loss per share	19	<u><u>(0.00)</u></u>	<u><u>(0.00)</u></u>	<u><u>(0.00)</u></u>	<u><u>(0.00)</u></u>

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

**HPQ-Silicon Resources Inc.**  
**Consolidated Statements of Changes in Equity (unaudited)**  
As at June 30, 2021 and 2020  
(in Canadian dollars)

	Notes	Share capital	Equity component of convertible debenture	Contribut ed surplus	Retained deficit	Total equity
		\$	\$	\$	\$	\$
<b>Balance at January 1st, 2020</b>		32,296,592	115,491	2,174,311	(28 054,410)	6,531,984
Units issued by private placements	14.1	500,000	-	-	-	500,000
Issuance for the payment of accounts payable	14.1	423,764	-	-	-	423,764
Exercise of warrants	14.2	146,745	-	-	-	146,745
Exercise of broker's warrants	14.3	24,781	-	(6,749)	-	18,032
Exercise of broker's units	14.4	34,708	-	(17,208)	-	17,500
Expiration of warrants	14.2	-	-	(231,762)	231,762	-
Issuance cost of units	14.1	-	-	8,973	(24,727)	(15,754)
		<u>33,426,590</u>	<u>115,491</u>	<u>1,927,565</u>	<u>(27,847 375)</u>	<u>7,622,271</u>
Net loss and total comprehensive loss for the period		-	-	-	(323,101)	(323,101)
<b>Balance at June 30, 2020</b>		<u>33,426,590</u>	<u>115,491</u>	<u>1,927,565</u>	<u>(28,170,476)</u>	<u>7,299,170</u>
<b>Balance at January 1st, 2021</b>		38,888,312	115,491	2,144,842	(28,659,966)	12,488,679
Issuance for the payment of accounts payable	14.1	28,250	-	-	-	28,250
Exercise of warrants	14.2	6,474,624	-	(635,624)	-	5,839,000
Exercise of Share-based payments	15.2	1,113,433	-	(347,433)	-	766,000
Exercised conversion rights on convertible debentures	13	1,788,972	(115,491)	-	-	1,673,481
Exercised conversion rights on the interest of the convertible debentures	13	276,984	-	-	-	276,984
Issuance cost of units	14.1	-	-	-	-	-
		<u>48,570,577</u>	<u>-</u>	<u>1,161,785</u>	<u>(28,659,966)</u>	<u>21,072,394</u>
Net income and total comprehensive income for the period		-	-	-	(487,577)	(487,577)
<b>Balance at June 30, 2021</b>		<u>48,570,577</u>	<u>-</u>	<u>1,161,785</u>	<u>(29,147,543)</u>	<u>20,584,817</u>

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

**HPQ-Silicon Resources Inc.**  
**Consolidated Statements of Cash Flows (unaudited)**  
As at June 30, 2021 and 2020  
(in Canadian dollars)

	Notes	2021 \$	2020 \$
<b>OPERATING ACTIVITIES</b>			
Net income (loss)		(487,577)	(323,101)
Non-cash items			
Amortization of intangible assets		77,714	-
Net change in fair value of marketable securities in a quoted company		(566,000)	(368,000)
Share of loss from equity-accounted investment		41,608	42,119
Adjustment of ownership in equity-accounted investment		32,362	(2,069)
Accretion revenues – royalties receivable		-	(15,600)
Accretion expenses – due to directors, officers and a company owned by a director		15,967	15,480
Accretion expenses – royalties payable		193,064	26,758
Accretion expenses – convertible debenture		85,967	94,663
Interests cost of the convertible debenture		48,547	48,479
Change in fair value of derivative liability		(58,268)	(11,964)
Salaries and employee benefits expense		49,000	152,703
Changes in working capital items	20	104,969	286,015
Cash flows used for operating activities		<u>(527,371)</u>	<u>(54,517)</u>
<b>INVESTING ACTIVITIES</b>			
Addition to exploration and evaluation assets		-	(8,796)
Addition to property and equipment		(10,026)	(344,000)
Addition to intangible assets		<u>(302,899)</u>	<u>(59,800)</u>
Cash flows used for investing activities		<u>(312,925)</u>	<u>(412,596)</u>
<b>FINANCING ACTIVITIES</b>			
Issuance of units by private placements		-	500,000
Exercise of warrants		5,839,000	146,745
Exercise of broker's units		-	17,500
Exercise of broker's warrants		-	18,032
Exercise of share-based payments		766,000	-
Issuance cost of units		-	(17,754)
Cash flows used for financing activities		<u>6,605,000</u>	<u>666,523</u>
<b>Net change in cash</b>		5,764,704	199,410
Cash, beginning of the period		<u>1,888,282</u>	<u>77,618</u>
Cash, end of the period		<u>7,652,986</u>	<u>277,028</u>

For additional cash flows information refer to Note 20.

**Cash operations**

Interests received from operating activities 850 -

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

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

As at June 30, 2021

(in Canadian dollars)

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

HPQ-Silicon Resources Inc. (“HPQ” or the “Company”) specializes in exploration and evaluation of quartz properties located in Quebec as well as in the development of technologies of quartz for its transformation into silicon materials.

### **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.

The Company has not yet determined whether its properties contain mineral deposits that are economically recoverable. The Company has not yet determined whether the development of the PUREVAP™ technology for the transformation of quartz into high purity silicon metal, whether the PUREVAP™ NSiR technology for the fabrication of nano silicon materials as well as the technology for the production of fumed silica will operate successfully upon completion. The Company has not yet generated income or cash flows from its operations. As at June 30, 2021, the Company has cumulated a retained deficit of \$29,147,543 (\$28,659,966 as at December 31, 2020). The liquidity of the Company is not sufficient to fund its administrative and exploration and evaluation expenses for 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, completion of the equipment under construction and the successful operation, as well as the 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.

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, confinement or quarantine, voluntary or not, and social distancing, have caused significant disruption among businesses, globally and in Canada, due to the economic slowdown. Governments and central banks responded by implementing monetary and fiscal measures to stabilize the world economy; however, the current uncertain 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 the Company’s future financial position.

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-Lavallée 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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

As at June 30, 2021

(in Canadian dollars)

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### **4.2 Principle of consolidation**

The Company's consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary HPQ Nano Silicon Powders Inc. (HPQ Nano). HPQ Nano was incorporated under the *Canada Business Corporations Act*, and specializes in the production of nano silicon materials and HPQ Polvere was incorporated under the *Canada Business Corporations Act*, and specializes in the production of fumed silica. 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.

### **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. Investments in the associate are initially recognized at cost and subsequently accounted for using the equity method.

The carrying amount of 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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

As at June 30, 2021

(in Canadian dollars)

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

#### **Financial assets at amortized cost**

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

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

After initial recognition, they are measured at amortized cost using the effective interest rate method. The update is omitted if its effect is not significant. Royalties 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, and 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 (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.

Interest expenses 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.



# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

As at June 30, 2021

(in Canadian dollars)

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

#### **Compound financial instrument**

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

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

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

No profit or gain is recognized for 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, brokers' warrants, brokers' 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 Investment tax credits receivable**

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred, to a refundable credit on duties for losses under the *Mining Tax Act*, and to a refundable tax credit for scientific research and experimental development tax credits. The tax credits are recognized as a reduction of the exploration costs incurred or cost of assets acquired and 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. Adjustments required, if any, are reflected in the year when such assessments are received.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

As at June 30, 2021

(in Canadian dollars)

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### **4.8 Exploration and evaluation assets and exploration and evaluation expenditures**

Exploration and evaluation expenditures are costs incurred in the course of the 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. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Exploration and evaluation assets include land recorded as a non-amortizable fixed asset and carried at cost less any accumulated impairment losses.

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

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

As at June 30, 2021

(in Canadian dollars)

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### **4.9 Property and equipment (continued)**

Upon the transfer of exploration and evaluation assets to property and equipment under Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When the 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.

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

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

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

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

### **4.10 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 is calculated on a straight-line basis over the estimated useful life of the patent and intellectual property, which is valued at 17 and 21 years, respectively. 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, with the exception of exploration and evaluation assets, equipment under construction and intangible assets that are not yet ready for use.

Intangible assets that are not yet ready for use must be tested for impairment annually.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

As at June 30, 2021

(in Canadian dollars)

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

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.

An impairment loss is recognized 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 asset-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 environmental 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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

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### **4.12 Provisions and contingent liabilities (continued)**

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the consolidated statements of financial position at June 30, 2021 and December 31, 2020.

### **4.13 Income taxes**

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

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that 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 must 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 its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from the 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, brokers' warrants, brokers' units or warrants are exercised, the share capital account also comprises the compensation costs or the value of the stock options, brokers' options, warrants or brokers' 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 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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

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### **4.14 Equity (continued)**

#### **Flow-through placements**

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

#### **Other elements of equity**

Contributed surplus includes charges related to share options, brokers' units, warrants and brokers' 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 an 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 brokers' warrants, brokers' units and brokers' 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 costs 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 the prior period if share options ultimately exercised are different to that estimated on vesting.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

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(in Canadian dollars)

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### **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.

In December 2017, the IASB published Annual improvements to IFRS Standards 2015-17 Cycle, which includes amendments to the following:

- Income tax consequences under IAS 12, *Income Taxes*, of payments on financial instruments classified as equity.
- Borrowing costs eligible for capitalization under IAS 23, *Borrowing Costs*.

The Company adopted these amendments in its financial statements beginning on January 1, 2019. The adoption of these amendments did not have a material impact on the Company's consolidated financial statement.

## **5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

### **5.1 Significant management judgments**

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

#### **Investment accounted for using the equity method**

The Company holds 6.82% (8.25% as at December 31, 2020) of the common shares and voting rights in Beauce Gold Fields Inc. ("BGF"). Management has concluded that it has significant influence over BGF. In making its judgment, management considered that three directors of the Company are common for both companies and two of them are also members of the Board of Directors.

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

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4.13).

#### **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.

# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

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### **5.1 Significant management judgments (continued)**

#### **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.

#### **Investment tax credits receivable**

The calculation of the Company's refundable tax credit on qualified exploration expenditures incurred, refundable tax credit and refundable tax credit of scientific research and experimental development tax credits 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. Differences arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments to the refundable tax credit, refundable tax credit of exploration and evaluation assets, refundable tax credit of scientific research and experimental development, exploration and evaluation assets, property and equipment and income tax expense in future periods. See Note 4.7 for more information.

#### **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.

#### **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 Note 7 for the exploration and evaluation assets impairment analysis.



# **HPQ-Silicon Resources Inc.**

## **Notes to Consolidated Financial Statements (unaudited)**

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### **5.2 Estimation uncertainty (continued)**

#### **Impairment of exploration and evaluation assets (continued)**

During the period, the Company did not recognize a devaluation of exploration and evaluation assets. No reversal of impairment losses has been recognized for the reporting periods.

The 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 June 30, 2021 and December 31, 2020, 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).

#### **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 sources of estimation uncertainty (see Note 23).

#### **Royalties payable**

Management uses its judgment to estimate the amount of royalties payable under the PUREVAP™ and PUREVAP™ NSiR technology acquisition agreement (see Note 9). Uncertainty in estimates is related to net revenue assumptions and the determination of a suitable discount rate.

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

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#### 6. ROYALTIES RECEIVABLE

The Company will receive from BGF a Net Smelter return royalty (“NSR”) in the 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 2019, an amount of \$10,000 was collected and as at June 30, 2021, no amount (\$31,202 as at December 31, 2020) was recognized in profit or loss as an accretion of revenues and corresponding royalties’ receivable.

During the period of 2021, the Company received 166,667 shares of the capital stock of GBF in royalty settlement of a royalty receivable for a value of \$ 50,000. Following the debt settlement, the company recognized an increase of \$ 9,770 in the investment and a remainder of \$ 40,230 in net income.

#### 7. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1, 2021 \$	Additions \$	Balance at June 30, 2021 \$
<b>Quebec</b>			
<i>Roncevaux Property</i>			
Mining rights	5,881	-	5,881
Exploration and evaluation expenses	1,129,534	110,849	1,240,383
	<u>1,135,415</u>	<u>110,849</u>	<u>1,246,264</u>
<i>Martinville Property</i>			
Mining rights	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>
<i>Summary</i>			
Mining rights	5,882	-	5,882
Exploration and evaluation expenses	1,129,534	110,849	1,240,383
	<u>1,135,416</u>	<u>110,849</u>	<u>1,246,265</u>

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

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

	Balance at January 1, 2020	Additions	Balance at December 31, 2020
	\$	\$	\$
<b>Quebec</b>			
<i>Roncevaux Property</i>			
Mining rights	5,881	-	5,881
Exploration and evaluation expenses	932,645	196,889	1,129,534
	<u>938,526</u>	<u>196,889</u>	<u>1,135,415</u>
<i>Martinville Property</i>			
Mining rights	1	-	1
	<u>1</u>	<u>-</u>	<u>1</u>
<i>Summary</i>			
Mining rights	5,882	-	5,882
Exploration and evaluation expenses	932,645	196,889	1,129,534
	<u>938,527</u>	<u>196,889</u>	<u>1,135,416</u>

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.

#### Quebec

##### *Roncevaux Property*

The Company holds a 100% interest in 27 claims (27 claims as at December 31, 2020) acquired by staking.

##### *Martinville Property*

In 2019, the Company devaluated this property and holds a 100% interest in 4 claims (4 claims as at December 31, 2020) acquired by staking.

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## Notes to Consolidated Financial Statements (unaudited)

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### 8. PROPERTY AND EQUIPMENT

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

	Leasehold improvements \$	Equipment under construction \$	Total \$
<b>Gross carrying amount</b>			
Balance at January 1st, 2021	344,000	4,314,802	4,658,802
Additions	-	52,923	52,923
Investment tax credits	-	-	-
Balance at June 30, 2021	344,000	4,367,725	4,711,725
<b>Accumulated depreciation</b>			
Balance at January 1st, 2021 and June 30, 2021	-	-	-
<b>Carrying amount at June 30, 2021</b>	344,000	4,367,725	4,711,725

	Leasehold improvements \$	Equipment under construction \$	Total \$
<b>Gross carrying amount</b>			
Balance at January 1, 2020	-	4,240,000	4,240,000
Additions	344,000	94,802	438,802
Investment tax credits	-	(20,000)	(20,000)
Balance at December 31, 2020	344,000	4,314,802	4,658,802
<b>Accumulated depreciation</b>			
Balance at January 1, 2020 and December 31, 2020	-	-	-
<b>Carrying amount at December 31, 2020</b>	344,000	4,314,802	4,658,802

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

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

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#### 9. INTANGIBLE ASSETS

During the period of 2021, the Company acquired a technology for the production of fumed silica materials. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of net revenues, excluding the samples (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum amounts per the agreement. Also, the seller is being granted the right to convert, at any time and at its sole discretion, its royalties into a 50% equity stake of HPQ Polvere. An amount of \$ 3,300,000 paid in cash was recorded at the cost of intellectual property.

The minimum annual amounts when there is income under this new agreement are as follows:

	\$
2023	50,000
2024	100,000
2025	150,000
2026 and after	200,000

During the last year, the Company acquired the PUREVAP™ NSiR technology for the fabrication of nano silicon materials. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of net revenues (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum amounts per the agreement. Also, the seller is being granted the right to convert, at any time and at its sole discretion, its royalties into a 50% equity stake of HPQ Nano.

The minimum annual amounts when there is income under this new agreement are as follows:

	\$
2021	50,000
2022	100,000
2023	150,000
2024 and after	200,000

The intellectual property, was recognized upon acquisition for a total amount of \$2,400,000, paid in cash. The related liability, royalties payable, of \$864,013 calculated based on estimated cash flows under the agreement over a period of 25 years at a discounted rate of 18%, was also recorded to intellectual property.

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

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#### 9. INTANGIBLE ASSETS (continued)

The Company acquired the technology 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 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:

	\$
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. In 2016, an amount of \$1,000,000 paid in cash was recorded at the cost of the intellectual property.

The following table shows the distribution of royalty payments to be paid according to PUREVAP™ technology as of June 30, 2021:

	QRR	NSiR	Total
	\$	\$	\$
Current	190,984	46,186	237,170
Non-current	1,030,169	895,589	1,925,758
	<u>1,221,153</u>	<u>941,775</u>	<u>2,162,928</u>

The following table shows the distribution of royalty payments to be paid according to PUREVAP™ technology as of December 31, 2020:

	QRR	NSiR	Total
	\$	\$	\$
Current	172,951	42,373	215,324
Non-current	932,900	821,640	1,754,540
	<u>1,105,851</u>	<u>864,013</u>	<u>1,969,864</u>

# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements (unaudited)

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(in Canadian dollars)

### 9. INTANGIBLE ASSETS (continued)

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

	Patents	Intangible assets Intellectual property	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1st, 2021	342,702	6,491,495	6,834,197
Additions	102,389	3,484,426	3,586,815
Balance as at June 30, 2021	445,091	9,975,921	10,421,012
<b>Accumulated depreciation</b>			
Balance at January 1st, 2021	15,385	220,361	235,746
Depreciation	11,380	176,733	188,563
Balance as at June 30, 2021	27,215	397,094	424,309
<b>Carrying amount at June 30, 2021</b>	417,876	9,578,827	9,996,703

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

	Patents	Intangible assets Intellectual property	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance at January 1, 2020	191,900	2,856,077	3,047,977
Additions	150,802	3,635,418	3,786,220
Balance as at December 31, 2020	342,702	6,491,495	6,834,197
<b>Accumulated depreciation</b>			
Balance at January 1, 2020	-	-	-
Depreciation	15,385	220,361	235,746
Balance as at December 31, 2020	15,385	220,361	235,746
<b>Carrying amount at December 31, 2020</b>	327,317	6,271,134	6,598,451

An amount of \$77,714 (\$38,857 as of December 31, 2020) is presented in Amortization of intangible assets and an amount of \$110,849 (\$196,889 as of December 31, 2020) is presented as an increase in exploration and evaluation assets.

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2021

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

On June 30, 2020, the Company holds an 6.82% (8.25% as at December 31, 2020) 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. As at June 30, 2021, the fair value of the participation amounts to \$607,360 (\$344,416 as at December 31, 2020).

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

	April 30, 2021	October 30, 2020
	\$	\$
Current assets	1,821,567	913,000
Non-current assets	2,180,813	1,854,237
Current liabilities	273,457	229,481
Non-current liabilities	182,239	174,981
Net and total loss of comprehensive income	344,615	709,566

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

	April 30, 2021	October 31, 2020
	\$	\$
Total net assets	3,543,684	1,362,775
Contributed surplus not attached to ordinary shareholders	(352,823)	(218,720)
	3,193,861	1,144,055
Portion of the interest held by the Company	6.82%	8.25%
	217,727	176,973

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

During the period of 2021, the Company received 166,667 shares of the capital stock of GBF in royalty settlement of a royalty receivable for a value of \$ 50,000. Following the debt settlement, the company recognized an increase of \$ 9,770 in the investment and a remainder of \$ 40,230 in net income

During the period ended April 30, 2021, BGF issued shares for the closing of a private placement and exercise of warrants. Those issuances decreased the Company's ownership from 8.25% to 6.82%.



# HPQ-Silicon Resources Inc.

## Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2021

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### 11. TRADE AND OTHER PAYABLES

	June 30, 2021	December 31, 2020
	\$	\$
Trade accounts	3,872,384	32,605
Management fees payable	-	75,000
Salaries payable	-	31,972
Other	124,927	51,424
	<u>3,997,310</u>	<u>191,001</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 \$1,253,891 (\$1,204,891 as at December 31, 2020). The Company has obtained confirmation for said nominal value of \$1,088,141 in debts (effective rate of 3.1%) (\$1,088,141 as at December 31, 2020, effective rate of 3.1%), that they will not request payment thereof prior to 12 months plus one day following June 30, 2021. These amounts are classified as non-current liabilities. The remaining amount of \$165,750 (\$116,750 as at December 31, 2020) 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. Concurrently, 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, at any time, at the option of the holder, into common shares of the Company at a price of \$0.11 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 as well as 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, 2019</b>	1,081,674	429,374	1,511,048
Accretion of convertible debenture	180,303	-	180,303
Change in fair value of derivative liability	-	(45,568)	(45,568)
<b>Carrying amount at December 31, 2020</b>	<u>1,261,977</u>	<u>383,806</u>	<u>1,645,783</u>
Accretion of convertible debenture	85,967	-	85,967
Change in fair value of derivative liability	-	(52,268)	(58,268)
Conversion	(1,347,944)	(325,538)	(1,673,482)
<b>Carrying amount at June 30, 2021</b>	<u>-</u>	<u>-</u>	<u>-</u>

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

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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 on a prorated basis 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 totalling \$147,315 were engaged.

## HPQ-Silicon Resources Inc.

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

As at December 31, 2021, the fair value of the derivative financial liability of \$363,806 (\$383,806 as at December 31, 2020) was estimated using the Black-Scholes valuation model, based on the following assumptions:

	December 31, 2020
Average share price at date of grant	\$1.10
Expected dividend yield	0%
Expected weighted volatility	93%
Average risk-free interest rate	0.2%
Expected average life	2.64 years
Average exercise price at date of grant	\$0.88

During the period, the Company recorded interest expenses in the amount of \$45,547 (\$98,728 as at December 31, 2020) and \$85,967 (\$180,303 as at December 31, 2020) related to the accretion of the convertible debenture.

Interest payable on the debenture was \$228,437 as at December 31, 2020).

On June 22 2021, the holder of the debenture converted \$ 1,800,000 of debentures into common shares at a price of \$ 0.11 per share and also converted the interests of \$ 276,984 into common shares at a price of \$ 0.61 per share in accordance with the terms of the convertible debenture. The Company issued 16,363,636 common shares on debenture and 454,072 common shares on interest.

#### 14. EQUITY

##### 14.1 Share capital

The authorized share capital of the Corporation consists of an unlimited number of common shares without par value. They are voting, participating and eligible to receive the dividends.

	June 30, 2021	December 31, 2020
	Number of shares	Number of shares
Shares issued at the beginning	273,769,559	230,537,866
Private placements (c) (f)	-	14,500,000
Issuance for the payment of accounts payable (a)(b)(d)(e)(g)	-	4,824,955
Exercise of warrants	38,215,000	19,041,588
Exercise of brokers' units	-	175,000
Exercise of brokers' warrants	-	890,150
Exercise of share-based payments	2,750,000	3,800,000
Exercise conversion rights on convertible debentures (i)	16,363,636	-
Exercise conversion interest on convertible debentures (j)	454,072	-
Total shares issued and full paid	331,552,267	273,769,559
Share to be issued (h)	29,620	-
Total shares at the end	331,581,887	273,769,559

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

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#### **14.1 Share capital (continued)**

(a) On January 15, 2020, the Company 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.

(b) On April 15, 2020, the Company settled a trade account payable of \$14,125 by the issuance of 201,785 common shares. No profit or loss was recorded on this transaction.

(c) 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 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. No amount related to warrants was recorded.

In addition, the Company recorded an amount of \$12,000 in commission fees. The Company issued 240,000 warrants (for a value of \$8,973) to the agent. Each warrant entitles the holder to subscribe 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.

(d) On May 26, 2020, the Company 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 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.

(e) On July 15, 2020, the Company settled a trade account payable of \$14,125 by the issuance of 37,171 common shares. No profit or loss was recorded on this transaction.

(f) On September 1, 2020, the Company completed a private financing for an amount of \$2,700,000. The Company issued 4,500,000 units consisting of one common share and one warrant. Each full warrant entitles the holder thereof to subscribe an equivalent number of common shares of the Company at a price of \$0.61 per share, during a period of 36 months following the closing of the financing. An amount of \$540,000 related to the warrants was recorded as an increase in contributed surplus.

(g) On October 15, 2020, the Company settled a trade account payable of \$14,125 by the issuance of 25,223 common shares. No profit or loss was recorded on this transaction.

(h) On May 13, 2021, the Company settled a trade account payable of \$28,250 by the issuance of 29,620 common shares. No profit or loss was recorded on this transaction.

(i) On June 29, 2021, the Company issued 16,363,636 common shares upon conversion of the convertible debenture.

(j) On June 29, 2021, the Company issued 454,072 common shares upon conversion of interests on the convertible debenture.

During the period ended June 30, 2021, 38,215,000 common shares were issued following the exercise of warrants. The weighted average share price at the exercise was \$0.153 per share.

During the period ended June 30, 2021, 2,750,000 common shares were issued following the exercise of share-based payments. The weighted average share price at the exercise was \$0.279 per share.

# HPQ-Silicon Resources Inc.

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### 14.2 Warrants

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

	June 30, 2021		December 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, beginning of reporting year	62,656,012	0.17	70,628,000	0.17
Granted	-	-	19,069,600	0.22
Exercised	(38,215,000)	0.15	(19,041,588)	0.14
Expired	-	-	(8,000,000)	0.36
Balance, end of reporting period	<u>24,441,012</u>	<u>0.20</u>	<u>62,656,012</u>	<u>0.17</u>

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

	June 30, 2021		December 31, 2020	
Expiration date	Number	Exercise price	Number	Exercise price
		\$		\$
March 2021 (ii) (iii)	-	-	4,375,000	0.11
August 2021 (i)	-	-	31,250,000	0.155
January 2022 (i) (iv)	4,152,000	0.155	4,152,000	0.155
July 2022	1,779,412	0.15	1,779,412	0.15
August 2022	200,000	0.15	200,000	0.15
December 2022	1,375,000	0.10	2,325,000	0.10
April 2023	8,540,000	0.10	9,680,000	0.10
May 2023	4,394,600	0.10	4,394,600	0.10
September 2023	4,000,000	0.61	4,500,000	0.61
	<u>24,441,012</u>	<u>0.20</u>	<u>62,656,012</u>	<u>0.17</u>

- (i) Under the plan of arrangement, on February 6, 2019, the Company reduced the exercise price of warrants from \$0.17 to \$0.155.
- (ii) Under the plan of arrangement, on February 6, 2019, the Company reduced the exercise price of warrants from \$0.12 to \$0.11.
- (iii) On February 14, 2019, the Company extended 4,375,000 warrants until March 2021.
- (iv) On December 9, 2019, the Company extended 4,152,000 warrants until January 2022.

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

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#### 14.4 Brokers' units

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

Brokers' units are detailed as follows:

	December 31, 2020	
	Number	Weighted average exercise price
		\$
Balance, beginning of reporting year	175,000	0.10
Exercised	(175,000)	0.10
Balance, end of reporting year	-	-

#### 15. EMPLOYEE REMUNERATION

##### 15.1 Salaries and employee benefits expense

Salaries and employee benefits expense are analyzed below:

	Quarter ending June, 30		Six-month ending June, 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and benefits	112,287	39,091	191,585	87,125
Managements fees	37,500	37,500	75,000	75,000
Remuneration of director	49,000	49,000	49,000	49,000
Salaries and employee benefit expenses	<u>198,787</u>	<u>125,591</u>	<u>315,585</u>	<u>211,125</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 the holder to purchase common shares of the Company. The maximum number of shares to be granted under the plan is 14,000,000. A total of 12,400,000 options have been granted and 6,550,000 (3,800,000 as at December 31, 2020) have been exercised. As of June 30, 2021, 5,850,000 remained exercisable (8,600,000 as at December 31, 2020).

## HPQ-Silicon Resources Inc.

### Notes to Consolidated Financial Statements (unaudited)

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#### 15.2 Share-based payments (continued)

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 number 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 may be 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:

	June 30, 2021		December 31, 2020	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding, beginning of reporting year	8,600,000	0.23	12,400,000	0.19
Exercised	(2,750,000)	0.28	(3,800,000)	0.08
Outstanding and exercisable, end of reporting year	<u>5,850,000</u>	<u>0.21</u>	<u>8,600,000</u>	<u>0.23</u>

The table below summarizes the information related to outstanding share options as at June 30, 2021:

Outstanding options		
Number of options	Weighted average exercise price \$	Weighted average remaining contractual life (years)
2,900,000	0.12	1.50
2,950,000	0.30	0.26
<u>5,850,000</u>	<u>0.21</u>	<u>0.88</u>

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#### 15.2 Share-based payments (continued)

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

Number of options	Outstanding options	
	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
2,900,000	0.12	2.00
100,000	0.15	0.48
400,000	0.19	0.75
5,200,000	0.30	0.76
8,600,000	0.19	1.17

#### 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 June 30, 2021 and December 31, 2020 are classified as Level 1.

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

##### 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 \$179,546, \$1,038,289 and \$1,925,758 respectively (\$179,546, \$1,022,322 and \$1,712,167 respectively as at December 31, 2020) and that of the convertible debenture is Nil (excluding the derivative financial liability) (\$1,261,977 as at December 31, 2020). 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.



## HPQ-Silicon Resources Inc.

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#### 17. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	Quarter ending June, 30		Six-month ending June, 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Professional fees	166,217	135,160	267,674	237,540
Traveling expenses	59	264	124	264
Office expenses	20,397	12,557	33,064	20,319
Information to shareholders and registration fees	38,096	12,899	81,106	25,931
Bank charges	1,099	818	1,657	1,401
Administrative expenses recovered	(10,250)	(3,345)	(17,020)	(3,345)
	<u>215,618</u>	<u>158,353</u>	<u>366,605</u>	<u>282,110</u>

#### 18. FINANCE INCOME AND FINANCIAL COSTS

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

	Quarter ending June, 30		Six-month ending June, 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net change in fair value of marketable securities in a quoted company	(404,000)	376,000	566,000	368,000
Accretion revenues - royalties receivable	-	13,000	-	15,600
Interest	850		850	
Finance income	<u>(403,150)</u>	<u>389,000</u>	<u>566,850</u>	<u>383,600</u>

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

	Quarter ending June, 30		Six-month ending June, 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interest charges on convertible debenture	(23,436)	(24,389)	(48,547)	(48,479)
Amortization change of the present value of royalties payable	(96,532)	(13,379)	(193,064)	(26,758)
Accretion expenses- due to directors, officers and companies owned by a director	(8,014)	(7,770)	(15,967)	(15,480)
Accretion expenses -Component of the convertible debenture	(41,508)	(41,242)	(85,967)	(94,663)
	<u>(169,490)</u>	<u>(86,780)</u>	<u>(343,545)</u>	<u>(185,380)</u>

## HPQ-Silicon Resources Inc.

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#### 19. INCOME (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 2021 and 2020.

	Quarter ending June, 30		Six-month ending June, 30	
	2021	2020	2021	2020
Net loss attributable to common shareholders	(993,896)	(54,639)	(487,557)	(323,101)
Weighted average number of outstanding shares	285,639,359	240,146,949	306,801,669	241,101,784
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

See note 25 for share capital transactions after June 30, 2021.

#### 20. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	As at June 30,	
	2021	2020
	\$	\$
Goods and services tax receivable	(359,078)	(56,987)
Prepaid expenses	(43,698)	(9,123)
Trade and other payables	507,745	352,125
	<u>104,969</u>	<u>286,015</u>

Non-cash balance sheet transactions are detailed as follows:

	2021	2020
	\$	\$
Issuance of shares for payment of an account payable	28,250	423,764
Issuance of shares on conversion of the convertible debenture	1,673,482	-
Issuance of shares on conversion of interests on the convertible debenture	276,984	-
Trade and other payables included in exploration and evaluation assets	-	5,311
Trade and other payables included in intangible assets	3,300,000	242,232
Dettes fournisseurs et autres créditeurs inclus dans les actifs d'immobilisation corporelles	42,897	-

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#### 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:

	Quarter ending June, 30		Six-month ending June, 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term employee benefits				
Salaries and employee benefits expense	88,386	39,091	167,684	87,125
Management fees <sup>(1)</sup>	37,500	37,500	75,000	75,000
Remuneration of director	49,000	49,000	49,000	49,000
Total remuneration	<u>174,886</u>	<u>125,591</u>	<u>291,684</u>	<u>211,125</u>

<sup>(1)</sup> Paid to a company owned by a director

Trade and other payables include an amount of Nil due to directors and to a company owned by a director (\$106,972 as at December 31, 2020).

On June 30, 2021, due to directors, officers and a company owned by a director totalled \$1,204,039 (1,139,072 as at December 31, 2020).

#### 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 improve.

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

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#### **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's 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 June 30, 2021 ( $\pm 10\%$  as at December 31, 2020), the profit or loss and equity would have changed by \$128,800 (\$72,200 as at December 31, 2020).

##### **23.2 Credit risk**

Credit risk is the risk that another party to a financial instrument fails to meet 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 the royalties receivable for an amount of \$7,832,532 as at June 30, 2021 (\$2,117,828 as at December 31, 2020).

The credit risk for the deposit on a contract and the royalties 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 counterpart 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.

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#### 23.3 Liquidity risk (continued)

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

	June 30, 2021 \$	December 31, 2020 \$
Less than a year		
Trade and other payables	3,997,310	84,028
Royalties payable	250,000	250,000
Total	<u>4,247,310</u>	<u>334,028</u>
Between one and five years		
Royalties payable	1,200,000	2,100,000
Debenture	2,310,355	2,310,355
	<u>3,510,355</u>	<u>4,410,355</u>
Plus 5 years		
Royalties payable	<u>4,500,000</u>	<u>4,500,000</u>

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

#### 24. CONTINGENCIES AND COMMITMENTS

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

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 had 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 reduction forms related to the amount of \$77,000 in CEE renounced to the investors and that had not been incurred as at December 31, 2012. As at June 30, 2021, an amount of \$8,131 pertaining to part XII.6 taxes is included in trade payable accounts.

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

### **Notes to Consolidated Financial Statements (unaudited)**

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

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 had 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 had produced the reduction forms related to the amount of \$293,000 in CEE renounced to the investors and that had not been incurred as at December 31, 2017. As at June 30, 2021, an amount of \$34,642 pertaining to part XII.6 taxes is included in trade payable accounts.

The Company entered into a new agreement 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 the issued invoice.

The term of the agreement is 12 months starting on July 15, 2020 and the services totalizing \$50,000 must be paid by the Company at the end of each quarter for \$12,500 plus HST.

As at June 30, 2021, in addition to the royalties payable mentioned in Note 9, the Company is committed to the purchase of test equipment for approximately \$2,992,000. Of this amount, a deposit of \$1,950,000 was made.

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 undertook 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 approved by both parties extending the contract for an additional period of 5 months and 4 months respectively. On August 28, 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. On December 30, 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 2021.

#### **25. SUBSEQUENT EVENT**

Subsequent to period ended, 200,000 share options were issued for a total amount of \$60,000 in cash.