

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



HPQ-Silicon Resources Inc.

Unaudited Consolidated Financial Statements

As at June 30, 2022

(in Canadian dollars)

Table of contents

Consolidated Statements of Financial Position	2
Consolidated Statements of Comprehensive Loss	3
Consolidated Statements of Changes in Equity	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 37

HPQ-Silicon Resources Inc.

Consolidated Statements of Financial Position (unaudited)

As at June 30, 2022 and December 31, 2021

(in Canadian dollars)

	Notes	June 30, 2022	December 31, 2021
		\$	\$
ASSETS			
Current			
Cash		6,501,811	2,672,696
Marketable securities		498,000	666,000
Goods and services tax receivable		169,946	645,981
Investment tax credits receivable	9	50,000	50,000
Royalties receivable	6	230,932	-
Prepaid expenses and other		237,052	176,229
Exploration and evaluation assets held for sale	7	200,000	200,000
		<u>7,887,741</u>	<u>4,410,906</u>
Non-current			
Property and equipment	9	4,321,733	5,087,335
Intangible assets	10	9,813,450	9,856,438
Deposit on contract	25	1,950,000	1,950,000
Royalties receivable	6	-	211,864
Investment accounted for using the equity method	11	202,186	206,236
		<u>16,287,369</u>	<u>17,311,873</u>
Total assets		<u>24,175,110</u>	<u>21,722,779</u>
LIABILITIES			
Current			
Trade and other payables	12	299,813	258,905
Due to directors	13	83,000	41,500
Royalties payable	10	350,000	300,935
		<u>732,813</u>	<u>601,340</u>
Non-current			
Due to directors, officers and a company owned by a director, without interest (effective rate of 3.1% in 2022 and 2021)	13	998,926	982,456
Royalties payable	10	1,963,599	1,806,738
		<u>2,962,525</u>	<u>2,789,194</u>
Total liabilities		<u>3,695,338</u>	<u>3,390,534</u>
EQUITY			
Share capital	15	54,026,648	49,858,704
Contributed surplus		3,869,207	3,516,870
Deficit		(37,416,083)	(35,043,329)
Total equity		<u>20,479,772</u>	<u>18,332,245</u>
Total liabilities and equity		<u>24,175,110</u>	<u>21,722,779</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, 2022.

ON BEHALF OF THE BOARD

(s) Patrick Levasseur, Director

(s) Bernard J. Tourillon, Director

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

As at June 30, 2022 and 2021
(in Canadian dollars)

	Notes	Quarter ending June, 30		Six-month ending June, 30	
		2022	2021	2022	2021
		\$	\$	\$	\$
Expenses					
Salaries and employee benefits expense	15.1	219,919	198,787	348,745	315,585
Other operating expenses	18	397,634	215,618	589,784	366,605
Amortization of property and equipment		627,111	-	783,111	-
Amortization of intangible assets		140,259	38,857	277,748	77,714
Operating loss		<u>1,384,923</u>	<u>453,262</u>	<u>1,999,388</u>	<u>759,904</u>
Other incomes					
Finance income	19	(98,816)	(403,150)	(127,850)	566,850
Financial costs	19	(112,230)	(169,490)	(222,396)	(343,545)
Share of loss from equity-accounted investment		(6,896)	(14,480)	(18,298)	(41,608)
Adjustment of ownership in equity-accounted investment		(6,118)	8,848	14,248	32,362
Change in fair value of derivative liability	13	-	37,638	-	58,268
		<u>(224,060)</u>	<u>(540,634)</u>	<u>(354,296)</u>	<u>272,327</u>
Net loss and total comprehensive loss of the period		<u><u>(1,608,983)</u></u>	<u><u>(993,896)</u></u>	<u><u>(2,353,684)</u></u>	<u><u>(487,577)</u></u>
Loss per share					
Basic and diluted net loss per share	20	<u><u>(0.01)</u></u>	<u><u>(0.00)</u></u>	<u><u>(0.01)</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, 2022 and 2021
(in Canadian dollars)

	Notes	Share capital	Equity component of convertible debenture	Contributed surplus	Deficit	Total equity
		\$	\$	\$	\$	\$
Balance at January 1st, 2021		38,888,312	115,491	2,144,842	(28,659,966)	12,488,679
Common share issuance for the settlement of accounts payable	15.1	28,250	-	-	-	28,250
Exercise of warrants	15.2	6,474,624	-	(635,624)	-	5,839,000
Exercise of options	16.2	1,113,433	-	(347,433)	-	766,000
Exercised conversion rights on convertible debentures	14	1,788,972	(115,491)	-	-	1,673,481
Exercised conversion rights on the interest of the convertible debentures		276,984	-	-	-	276,984
		<u>48,570,575</u>	<u>-</u>	<u>1,161,785</u>	<u>(28,659,966)</u>	<u>21,072,394</u>
Net income and total comprehensive loss for the period		-	-	-	(487,577)	(487,577)
Balance at June 30, 2021		<u>48,570,575</u>	<u>-</u>	<u>1,161,785</u>	<u>(29,147,543)</u>	<u>20,584,817</u>
Balance at January 1st, 2022		49,858,704	-	3,516,870	(35,043,329)	18,332,245
Private placement unit issuance		3,264,000	-	340,000	-	3,604,000
Exercise of warrants	15.2	730,760	-	(87,200)	-	643,560
Exercise of options	16.2	173,184	-	(65,184)	-	108,000
Share-based payments		-	-	164,721	-	164,721
Issuance cost		-	-	-	(19,070)	(19,070)
		<u>54,026,648</u>	<u>-</u>	<u>3,869,207</u>	<u>(35,062,399)</u>	<u>22,833,456</u>
Net loss and total comprehensive loss for the period		-	-	-	(2,353,684)	(2,353,684)
Balance at June 30, 2022		<u>54,026,648</u>	<u>-</u>	<u>3,869,207</u>	<u>(37,416,083)</u>	<u>20,479,772</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, 2022 and 2021
(in Canadian dollars)

	Notes	2022	2021
		\$	\$
OPERATING ACTIVITIES			
Net loss		(2,353,684)	(487,577)
Non-cash items			
Share-based payments		164,721	-
Amortization of intangible assets		277,748	77,714
Amortization of property and equipment		783,111	-
Net change in fair value of marketable securities		168,000	(566,000)
Share of loss from equity-accounted investment		18,298	41,6088
Adjustment of ownership in equity-accounted investment		(14,248)	(32,362)
Accretion revenues – royalties’ receivable		(19,068)	-
Accretion expenses – due to directors, officers and a company owned by a director		16,470	15,967
Accretion expenses – royalties payable		205,926	193,064
Accretion expenses – convertible debenture		-	85,967
Interests cost of the convertible debenture		-	48,547
Change in fair value of derivative liability		-	(58,268)
Salaries and employee benefits expense		41,500	49,000
Changes in working capital items	21	338,998	104,969
Cash flows used for operating activities		<u>(372,228)</u>	<u>(527,371)</u>
INVESTING ACTIVITIES			
Acquisition of property and equipment		(17,509)	(10,026)
Acquisition of intangible assets		(117,638)	(302,899)
Cash flows used for investing activities		<u>(135,147)</u>	<u>(312,925)</u>
FINANCING ACTIVITIES			
Proceeds from issue of units by private placements		3,604,000	-
Proceeds from exercise of warrants		643,560	5,839,000
Proceeds from exercise of options		108,000	766,000
Issuance cost of units		(19,070)	-
Cash flows provided by financing activities		<u>4,336,490</u>	<u>6,605,000</u>
Net change in cash		3,829,115	5,764,704
Cash, beginning of the period		2,672,696	1,888,282
Cash, end of the period		<u>6,501,811</u>	<u>7,652,986</u>

For additional cash flows information refer to Note 21.

Cash operations

Interests received from operating activities	21,082	-
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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, 2022

(in Canadian dollars)

1. NATURE OF OPERATIONS

HPQ-Silicon Resources Inc. (“HPQ” or the “Company”) specializes in the exploration and evaluation of quartz properties located in Quebec as well as in the development of technologies related to the transformation of quartz into silicon materials. On August 24, 2021, the Company entered into a Memorandum of Understanding with EBH₂ Systems SA (“EBH₂”) whereby it would be granted a permanent world-wide license to sell products where EBH₂ generators are incorporated into all the HPQ Technologies, if the EBH₂ generators are used exclusively to autonomously power HPQ Technology or HPQ Technologies (see note 26). The TSX Venture Exchange (“TSX-V”) gave its approval of the EBH₂ transaction on condition that the Company submit, no later than December 31, 2021, an application to change its activity classification from mining to Industrial and Technology and on condition that the Company seek shareholder approval of the application of change in activity classification no later than 15 months after June 17, 2021. The Company submitted its application to the TSX-V on December 23, 2021 and the shareholders approved on June 30, 2022 the changes as required.

As a result of the pending change in activity, the Company will focus on the innovation of silicon solutions and related technology and no longer focus on the exploration and evaluation of quartz properties. The pending change in activity has suspended substantive expenditures on further exploration for and evaluation of mineral resources in the properties owned by the Company. As part of its exit strategy from mining activities, the Company has committed to a plan to sell certain mining rights and as a result has classified the related exploration and evaluation assets as held for sale. An impairment test was performed as of December 31, 2021 on the properties owned by the Company. Refer to note 7.

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 generated income or positive cash flows from its operations. As at June 30, 2022, the Company has an accumulated deficit of \$37,416,083 (\$35,043,329 as at December 31, 2021). As the Company is still in its development phase and will now focus on the innovation of silicon solutions and related technology, the Company will likely continue to operate at a loss until the technology can be commercialized, and the Company will require additional financing in order to fund future operations and expansion plans. The Company does not expect to generate revenue from product sales unless and until it successfully completes development of its silicon solutions, which may take a number of years and is subject to significant uncertainty. Until such time that it can generate significant revenue from product sales, if ever, the Company expects to finance its operations through a combination of public or private equity or debt financings or other sources. The Company currently has no committed sources of financing available. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company’s control, and as such there is no assurance that it will be able to do so in the future. The ability of the Company to meet its commitments and discharge its liabilities as they become due and become profitable is dependent on the successful completion of the development of its technology and its commercial production, its ability to raise additional funding to finance these activities and the continued financial support of shareholders and lenders. The conditions mentioned above indicate the existence of a material uncertainty that may cast a significant doubt as to the Company’s ability to continue as a going concern.

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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

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.

During the Annual General Meeting held on June 30, 2022, the shareholders approved the change of the name of the company from HPQ-Silicon Resources Inc. to HPQ-Silicon Inc. This change came to effect on July 4, 2022.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

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

4.2 Principle of consolidation

The Company's consolidated financial statements include the accounts of the parent company and its wholly owned subsidiary HPQ Nano Silicon Powders Inc. ("HPQ Nano") and HPQ Silica Polvere Inc. ("HPQ Polvere"). 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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

4.5 Financial instruments (continued)

Recognition and derecognition

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.

Financial assets

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. Royalties receivable and the contract deposit are included in this category of financial instruments.

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

Financial assets at fair value through profit or loss ("FVTPL")

The class includes the marketable securities of a quoted company as an equity investment.

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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

4.5 Financial instruments (continued)

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.

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 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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

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.

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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

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.

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 and leasehold improvements are amortized on a straight-line basis over a period of 3 to 10 years and equipment under construction will be amortized on a straight-line basis over a period of 3 to 10 years when they are 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

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, 2022

(in Canadian dollars)

4.11 Impairment of exploration and evaluation 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 assets 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 assets 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)

As at June 30, 2022

(in Canadian dollars)

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, 2022 and December 31, 2021.

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)

As at June 30, 2022

(in Canadian dollars)

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 to Deficit. When options and warrants are exercised, the related compensation cost is transferred to share capital.

Deficit includes all current and prior period retained profits or losses, 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)

As at June 30, 2022
(in Canadian dollars)

4.16 Segmental reporting

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

4.17 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

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

Amendments to IAS 16, Property, Plant and Equipment: Proceeds Before Intended Use

In May 2020, the IASB issued Property, Plant and Equipment: Proceeds before Intended Use, Amendments to IAS 16. This amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit or loss.

This amendment is applicable to the Company beginning January 1, 2022. Management is currently assessing the impact of the adoption of this amendment but no significant impact is expected on the Company's financial statements.

IAS 1, Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 to require entities to disclose its material accounting policies instead of its significant accounting policies.

This amendment is applicable to the Company beginning January 1, 2023. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8 to replace the definition of a change in accounting estimate. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

This amendment is applicable to the Company beginning January 1, 2023. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

IAS 12, Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction

In May 2021, the IASB issued amendments to IAS 12 to require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

This amendment is applicable to the Company beginning January 1, 2023. The adoption of this amendment is not expected to have a significant impact on the Company's financial statements.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

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 6.08% (6.66% as at December 31, 2021) 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 judgement, management considered that two officers of the Company are common for both companies and two of them are also members of the Board of Directors.

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

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

Derivative financial liability

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

Going concern

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

5.2 Assumptions and 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 with respect to 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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

5.2 Assumptions and estimation uncertainty (continued)

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.

During the last year, the Company recognized an impairment of exploration and evaluation assets given its change in strategic plan. See Note 7 for the exploration and evaluation assets impairment. No reversal of impairment losses has been recognized for the reporting periods.

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, 2022 and December 31, 2021, 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 expected life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Notes 16.2).

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

5.2 Assumptions and estimation uncertainty (continued)

Provisions and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability and provisions involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty (see Note 24).

Assets held for sale

Following a decision by the Company's executive officers to dispose of Ronceveaux properties and Martinville Properties, the related exploration and evaluation assets were classified as held for sale. Accordingly, the related assets and liabilities were measured at fair value less costs of disposal. Estimates and assumptions were used by Management in measuring these assets at their fair value less costs to dispose.

For assets and liabilities to be classified as held for sale, IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, requires cash-generating units to be available for immediate sale in their present condition and for the sale to be highly probable.

The Company considered decisions made by the executive officers, ongoing processes, and the TSX-V's approval of the transaction with EBH₂ on condition that the Company change the nature of its activities from mining to Industrial and Technology, and it concluded that the criteria were met on December 31, 2021. As a result, the Ronceveaux and Martinville exploration and evaluation assets have been classified as held for sale in the Statement of Financial Position.

Royalties payable

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

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, 2022, an amount of \$19,068 (\$32,318 as at December 31, 2021) was recognized in profit or loss as an accretion of revenues and corresponding royalties' receivable.

During 2021, the Company received 166,667 shares of the capital stock of GBF as a settlement of a royalty receivable from GBF of \$ 50,000. As a result of the exchange, the Company recognized an increase of \$ 9,770 in its investment of BGF and a loss of \$ 40,230.

7. ASSETS HELD FOR SALE

In December 2021, the Company's executive officers committed to a plan to sell the Ronceveaux and Martinville properties within the next 12 months, following a strategic decision to cease the exploration and evaluation activities of mining properties. The Ronceveaux and Martinville properties are presented separately in the statement of financial position at the lower of fair value less costs to sell and their carrying amounts.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

7. ASSETS HELD FOR SALE (continued)

The fair value was determined by discounting the excess amount spent on work, reported to the Ministère de l'Énergie et des Ressources naturelles, that may be applied in the six subsequent claim renewal periods. In addition, to determine fair value, comparable market transactions were analyzed and standard valuation methods were used. The methodologies used to determine fair value use Level 3 data inputs based on the fair value hierarchy disclosed in note 17.

This resulted in an impairment charge of \$1,164,595 as at December 31, 2021. The Ronceveaux and Martinville properties had negligible income or expenditures given it was classified as an exploration and evaluation property and all expenditures were capitalized.

8. EXPLORATION AND EVALUATION ASSETS

	Balance at January 1, 2021	Additions	Impairment	Balance at December 31, 2021
	\$	\$	\$	\$
Québec				
<i>Ronceveaux Property</i>				
Mining rights	5,881	-	-	5,881
Exploration and evaluation expenses	1,129,534	227,035	(1,164,595)	191,974
Reclassification to assets held for sale (Note 7)				(197,855)
Classification as Held for Sale	<u>1,135,415</u>	<u>227,035</u>	<u>(1,164,595)</u>	<u>-</u>
<i>Martinville Property</i>				
Mining rights	1	2,144	-	2,145
Reclassification to assets held for sale (Note 7)				(2,145)
Classification as Held for Sale	<u>1</u>	<u>2,144</u>	<u>-</u>	<u>-</u>
<i>Summary</i>				
Mining rights	5,882	2,144	-	8,026
Exploration and evaluation expenses	1,129,534	227,035	(1,164,595)	191,974
Reclassification to assets held for sale (Note 7)				(200,000)
	<u>1,135,416</u>	<u>229,179</u>	<u>(1,164,595)</u>	<u>-</u>

During this last year, management tested the Ronceveaux properties for impairment due to the fact that no expenditures are planned for the coming years as a result of management's strategy to exit mining operations (note 1). At the same time, management committed to a plan to sell the Ronceveaux properties and present them as held for sale (note 7).

HPQ-Silicon Resources Inc.
Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Quebec

Roncevaux Property

During the year, the Company holds a 100% interest in 27 claims (27 claims as at December 31, 2021) acquired by staking.

Martinville Property

In 2019, the Company recorded an impairment for the Martinville property and holds a 100% interest in 36 claims (36 claims as at December 31, 2021) acquired by staking.

9. PROPERTY AND EQUIPMENT

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

	Leasehold improvements	Equipment	Equipment under construction	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at January 1, 2022	344,000	4,240,000	503,335	5,087,335
Additions	-	-	17,509	17,509
Investment tax credits	-	-	-	-
Balance at June 30, 2022	<u>344,000</u>	<u>4,240,000</u>	<u>520,844</u>	<u>5,104,844</u>
Accumulated depreciation				
Balance at January 1, 2022	-	-	-	-
Depreciation	76,444	706,667	-	783,111
Balance at June 30, 2022	<u>76,444</u>	<u>706,667</u>	<u>-</u>	<u>783,111</u>
Carrying amount at June 30, 2022	<u><u>267,556</u></u>	<u><u>3,533,333</u></u>	<u><u>520,844</u></u>	<u><u>4,321,733</u></u>

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

9. PROPERTY AND EQUIPMENT (continued)

	Leasehold improvements	Equipment	Equipment under construction	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at January 1, 2021	344,000	-	4,314,802	4,658,802
Additions	-	-	458,533	458,533
Investment tax credits	-	-	(30,000)	(30,000)
Reclassification	-	4,240,000	(4,240,000)	-
Balance at December 31, 2021	<u>344,000</u>	<u>4,240,000</u>	<u>503,335</u>	<u>5,087,335</u>
Accumulated depreciation				
Balance at January 1, 2021 and December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at December 31, 2021	<u>344,000</u>	<u>4,240,000</u>	<u>503,335</u>	<u>5,087,335</u>

10. INTANGIBLE ASSETS

Fumed Silica

On June 30, 2021, the Company acquired intellectual property 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 as the cost of intellectual property.

The minimum annual royalty amounts owed 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

PUREVAP™ NSiR

On August 18, 2020, 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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

10. INTANGIBLE ASSETS (continued)

PUREVAP™ NSiR (continued)

The minimum annual amounts under this new agreement are as follows:

	\$
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.

PUREVAP™ QRR

On July 29, 2016, the Company acquired PUREVAP™ QRR 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 fiscal 2019.

PUREVAP™ QRR

The minimum annual amounts under this new agreement are as follows:

	\$
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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

10. INTANGIBLE ASSETS (continued)

The following table shows the distribution of royalty payments to be paid according to PUREVAP™ technology as of June 30, 2022:

	QRR	NSiR	Total
	\$	\$	\$
Current	250,000	100,000	350,000
Non-current	1,006,806	956,793	1,963,599
	<u>1,256,806</u>	<u>1,056,793</u>	<u>2,313,599</u>

The following table shows the distribution of royalty payments to be paid according to PUREVAP™ technology as of December 31, 2021:

	QRR	NSiR	Total
	\$	\$	\$
Current	216,189	84,746	300,935
Non-current	921,949	884,789	1,806,738
	<u>1,138,138</u>	<u>969,535</u>	<u>2,107,673</u>

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

	Patents	Intellectual property	Total
	\$	\$	\$
Gross carrying amount			
Balance at January 1, 2022	547,991	10,005,249	10,553,240
Additions	234,760	-	234,760
Balance as at June 30, 2022	<u>782,751</u>	<u>10,005,249</u>	<u>10,600,920</u>
Accumulated depreciation			
Balance at January 1, 2022	42,619	654,183	696,802
Depreciation	20,271	257,727	277,748
Balance as at June 30, 2022	<u>62,890</u>	<u>911,660</u>	<u>974,550</u>
Carrying amount at June 30, 2022	<u>719,861</u>	<u>9,093,589</u>	<u>9,813,450</u>

HPQ-Silicon Resources Inc.
Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

10. INTANGIBLE ASSETS (continued)

	Patents	Intellectual property	Total
	\$	\$	\$
Gross carrying amount			
Balance at January 1, 2021	342,702	6,491,495	6,834,197
Additions	205,289	3,513,754	3,719,043
Balance as at December 31, 2021	<u>547,991</u>	<u>10,005,249</u>	<u>10,553,240</u>
Accumulated depreciation			
Balance at January 1, 2021	15,385	220,361	235,746
Depreciation	27,234	433,822	461,056
Balance as at December 31, 2021	<u>42,619</u>	<u>654,183</u>	<u>696,802</u>
Carrying amount at December 31, 2021	<u>505,372</u>	<u>9,351,066</u>	<u>9,856,438</u>

An amount of \$ 277,748 (\$234,021 as of December 31, 2021) is presented in Amortization of intangible assets and an amount of \$227,035 as of December 31, 2021 is presented as an increase in exploration and evaluation assets and was subsequently written down. See note 7.

11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On June 30, 2022, the Company holds an 6.08% (6.66% as at December 31, 2021) voting and equity interest in BGF. The investment is accounted for using the equity method since December 2018. As at June 30, 2022, the fair value of the participation amounts to \$212,576 (\$334,048 as at December 31, 2021).

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

	April 30, 2022	October 31, 2021
	\$	\$
Current assets	821,737	749,645
Non-current assets	3,194,449	3,036,863
Current liabilities	111,144	126,151
Non-current liabilities	224,576	206,478
Net and total loss of comprehensive income	291,606	726,063

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

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

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

	April 30, 2022	31 octobre 2021
	\$	\$
Total net assets	3,680,466	3,453,879
Contributed surplus not attached to ordinary shareholders	<u>(356,589)</u>	<u>(356,589)</u>
	3,323,877	3,097,290
Portion of the interest held by the Company	6.08%	6.66%
	<u>202,186</u>	<u>206,236</u>

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

During 2021, the Company received 166,667 shares of the capital stock of GBF as a settlement of a royalty receivable from GBF of \$50,000. As a result of the exchange, the Company recognized an increase of \$9,770 in its investment of BGF and a loss of \$40,230.

During the period ended June 30, 2022, BGF issued shares for the closing of a private placement and exercise of warrants. Those issuances decreased the Company's ownership from 6.66% to 6.08%.

12. TRADE AND OTHER PAYABLES

	June 30, 2022	December 31, 2021
	\$	\$
Trade accounts	173,740	199,801
Salaries payable	5,000	25,000
Other	<u>121,073</u>	<u>34,104</u>
	<u>299,813</u>	<u>258,905</u>

13. 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 \$1,103,391 (2020: \$1,061,891). The Company has obtained confirmation for said nominal value of \$1,020,391 in debts (effective rate of 3.1%) (2021: \$1,020,391, effective rate of 3.1%), that they will not request payment thereof prior to 12 months plus one day following June 30, 2022. These amounts are classified as non-current liabilities. The remaining amount of \$83,000 (2021: \$41,500) has been classified as current liabilities and presented as due to the directors.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

14. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITY

In August 2018, the Company completed the offering of an unsecured convertible debenture in the amount of \$1,800,000 bearing interest at an annual rate of 5%, compounded monthly and payable on the debenture maturity date of August 20, 2023. 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.

	Convertible debenture	Derivative liability	Total
	\$	\$	\$
Carrying amount at January 1, 2021	1,261,977	383,806	1,645,783
Accretion of convertible debenture	85,967	-	85,967
Change in fair value of derivative liability	-	(58,268)	(58,268)
Conversion	(1,347,944)	(325,538)	(1,673,482)
Carrying amount at December 31, 2021	<u>-</u>	<u>-</u>	<u>-</u>

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 period.

The Company recorded interest expenses in the amount of \$45,547 and \$85,967 related to the accretion of the convertible debenture as at December 31, 2021.

15. EQUITY

15.1 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, 2022	December 31, 2021
	Number of shares	Number of shares
Shares issued at the beginning	334,792,358	273,769,559
Private placements (d)	6,800,000	-
Issuance for the payment of accounts payable (c)	-	50,091
Exercise of warrants	4,152,000	38,455,000
Exercise of options	900,000	5,700,000
Exercise conversion rights on convertible debentures (a)	-	16,363,636
Exercise conversion interest on convertible debentures (b)	-	454,072
Total shares issued and full paid at the end	<u>346,644,358</u>	<u>334,792,358</u>

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

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

15.1 Share capital (continued)

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

(c) On August 27, 2021, the Company settled a trade account payable of \$42,375 by the issuance of 50 091 common shares. No profit or loss was recorded on this transaction.

(d) On May 2, 2022, the Company completed a private financing for an amount of \$3,604,000. The Company issued 6,800,000 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 \$0.60 per share, during a period of 24 months following the closing of the financing. An amount of \$340,00 to warrants was recorded.

During the period, 4,152,000 common shares were issued following the exercise of warrants. The weighted average share price at the exercise was \$0.155 per share.

During the period, 900,000 common shares were issued following the exercise of options. The weighted average share price at the exercise was \$0.12 per share.

15.2 Warrants

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

	June 30, 2022		December 31, 2021	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, beginning of reporting year	24,201,012	0.20	62,656,012	0.17
Granted	6,800,000	0.60	-	-
Exercised	(4,152,000)	0.16	(38,455,000)	0.15
Balance, end of reporting period	26,849,012	0.31	24,201,012	0.20

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

15.2 Warrants (continued)

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

Expiration date	June 30, 2022		December 31, 2021	
	Number	Exercise price \$	Number	Exercise price \$
January 2022 (i) (ii)	-	-	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	1,375,000	0.10
April 2023	8,300,000	0.10	8,300,000	0.10
May 2023	4,394,600	0.10	4,394,600	0.10
September 2023	4,000,000	0.61	4,000,000	0.61
May 2024	6,800,000	0.60	-	-
	<u>26,849,012</u>	<u>0.31</u>	<u>24,201,012</u>	<u>0.20</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) On December 9, 2019, the Company extended 4,152,000 warrants until January 2022.

16. EMPLOYEE REMUNERATION

16.1 Salaries and employee benefits expense

Salaries and employee benefits expense are analyzed below:

	Quarter ending June, 30		Six-month ending June, 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	66,053	112,287	145,013	191,585
Managements fees	118,750	37,500	175,000	75,000
Remuneration of director	41,500	49,000	44,500	49,000
Salaries and benefits recovered	(6,384)	-	(12,768)	-
Salaries and employee benefit expenses	<u>219,919</u>	<u>198,787</u>	<u>348,745</u>	<u>315,585</u>

16.2 Share-based payments

On October 5, 2021, the Company adopted a new share-based payment plan (the "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 21,100,000 (22,000,000 as at December 31, 2021). As of June 30, 2022, 17,685,000 remained exercisable (17,885,000 as at December 31, 2021).

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

16.2 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, 2022		December 31, 2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Outstanding, beginning of reporting year	17,885,000	0.61	8,600,000	0.23
Granted	700,000	0.35	14,985,000	0.71
Exercised	(900,000)	0.12	(5,700,000)	0.29
Outstanding and exercisable, end of reporting period	<u>17,685,000</u>	<u>0.63</u>	<u>17,885,000</u>	<u>0.61</u>

The table below summarizes the information related to outstanding share options as at June 30, 2022:

Outstanding options		
Number of options	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
2,000,000	0.12	0.50
700,000	0.35	4.87
9,650,000	0.55	1.47
5,335,000	1.00	4.47
<u>17,685,000</u>	<u>0.63</u>	<u>2.40</u>

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

16.2 Share-based payments (continued)

The table below summarizes the information related to outstanding share options as at December 31, 2021:

Number of options	Outstanding options	
	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
2,900,000	0.12	1.00
9,650,000	0.55	1.97
5,335,000	1.00	4.97
<u>17,885,000</u>	<u>0.61</u>	<u>2.71</u>

The weighted fair value of the granted options of \$0.235 (\$ 0.181 as at December 2021) was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2022	2021
Average share price at date of grant	\$0.38	\$0.435
Expected dividend yield	0 %	0 %
Expected weighted volatility	73,0 %	83,9 %
Average risk-free interest rate	1.65 %	1.15 %
Expected average life	5.0 years	3.0 years
Average exercise price at date of grant	\$0.35	\$0.71

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

An amount of \$164,721 as professional and consultation fees (\$2,720,089 of employee remuneration expenses) all of which related to equity-settled share-based payment transactions were included in profit or loss and credited to contributed surplus (\$2,359,792 as salaries and employee benefits expense and \$360,297 as professional and consultation fees as at December 2021).

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

17. FAIR VALUE MEASUREMENT

17.1 Financial instruments measured at fair value

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

The fair value of the marketable securities in a quoted company was estimated based on the market price at the closing date. Marketable securities in a quoted company measured at fair value in the consolidated statement of financial position as at June 30, 2022 and December 31, 2021 are classified as Level 1.

17.2 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 and royalties payable 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 \$230,932, \$998,926 and \$1,963,599 respectively (\$211,864, \$982,456 and \$1,806,738 respectively as at December 31, 2021). See notes 6, 13 and 10 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.

18. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	Quarter ending June, 30		Six-month ending June, 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Professionnal fees ⁽¹⁾	304,069	166,217	453,180	267,674
Traveling expenses	13,937	59	13,937	124
Office expenses	32,679	20,397	44,060	33,064
Information to shareholders and registration fees	57,170	38,096	82,261	81,106
Bank charges	1,021	1,099	1,889	1,657
Loss (gain) on exchange rate	(9,399)	-	(2,134)	-
Administrative expenses recovered	(1,843)	(10,250)	(3,409)	(17,020)
	<u>397,634</u>	<u>215,618</u>	<u>589,784</u>	<u>366,605</u>

⁽¹⁾ Including share-based payments of \$164,721 in 2022

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

19. FINANCE INCOME AND FINANCE COSTS

Finance income consists of the following for the reporting periods presented:

	Quarter ending June, 30		Six-month ending June, 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Net change in fair value of marketable securities in a quoted company	(128,000)	(404,000)	(168,000)	566,000
Accretion revenues - royalties receivable	9 534	-	19,068	-
Interest	19 650	850	21,082	850
Finance income	<u>(98,816)</u>	<u>(403,150)</u>	<u>(127,850)</u>	<u>566,850</u>

Finance costs consists of the following for the reporting periods presented:

	Quarter ending June, 30		Six-month ending June, 30	
	2022 \$	2021 \$	2022 \$	2021 \$
Interest charges on convertible debenture	-	(23,436)	-	(48,547)
Amortization change of the present value of royalties payable	(103,963)	(96,532)	(205 926)	(193,064)
Accretion expenses- due to directors, officers and companies owned by a director	(8,267)	(8,014)	(16 470)	(15,967)
Accretion expenses -Component of the convertible debenture	-	(41,508)	-	(85,967)
	<u>(112,230)</u>	<u>(169,490)</u>	<u>(222 396)</u>	<u>(343,545)</u>

20. 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 15.2 and 16.2.

Both the basic and diluted loss per share have been calculated using the loss as the numerator, i.e. no adjustment to the loss was necessary in 2022 and 2021.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

20. INCOME (LOSS) PER SHARE (continued)

	Quarter ending June, 30		Six-month ending June, 30	
	2022	2021	2022	2021
Net loss attributable to common shareholders	(1,608,983)	(993,896)	(2,353,684)	(487,557)
Weighted average number of outstanding shares	344,239,963	285,639,359	343,899,832	306,801,669
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.00)

See note 26 for share capital transactions after June 30, 2022.

21. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	As at June 30,	
	2022	2021
	\$	\$
Goods and services tax receivable	476,035	(359,078)
Prepaid expenses and other	(60,823)	(43,698)
Trade and other payables	(76,214)	507,745
	<u>338,998</u>	<u>104,969</u>

Non-cash balance sheet transactions are detailed as follows:

	As at June 30,	
	2022	2021
	\$	\$
Issuance of shares for payment of an account payable	-	28,250
Issuance of shares on conversion of the convertible debenture	117,122	3,300,000
Issuance of shares on conversion of interests on the convertible debenture	-	1,673,482
Trade and other payables included in intangible assets	-	276,984
Trade and other payables included in Property and equipment	-	42,897

22. 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.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

22.1 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	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	46,900	88,386	101,033	167,684
Managements fees ⁽¹⁾	118,750	37,500	175,000	75,000
Remuneration of director	41,500	49,000	41,500	49,000
Salaries and employee benefit expenses	<u>207,150</u>	<u>174,886</u>	<u>317,533</u>	<u>291,684</u>

⁽¹⁾ Paid to a company owned by a director

Trade and other payables include an amount of Nil due to a company owned by a director (\$59,854 as at December 31, 2021).

On June 30, 2022, due to directors, officers and a company owned by a director totalled \$1,081,926 (\$1,023,956 as at December 31, 2021).

23. 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.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

24. 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.

24.1 Market risk

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

Other price risk sensitivity

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

If the quoted share price for the shares had changed by $\pm 15\%$ as at June 30, 2022 ($\pm 15\%$ as at December 31, 2021), the profit or loss and equity would have changed by \$74,700 (\$99,900 as at December 31, 2021).

24.2 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 royalties' receivable for an amount of \$6,732,743 as at June 30, 2022 (\$2,884,560 as at December 31, 2021).

The credit risk for the deposit, the deposit on a contract and the royalties' receivable is considered limited. The Company continuously monitors default of counterparts. 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.

24.3 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, equipment and intangible assets through private placements.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022

(in Canadian dollars)

24.3 Liquidity risk (continued)

The following table sets out the contractual maturities of the Company's financial liabilities:

	June 30, 2022	December 31, 2021
	\$	\$
Less than a year		
Trade and other payables	299,813	258,905
Royalties payable	350,000	350,000
Total	<u>649,813</u>	<u>608,905</u>
Between one and five years		
Royalties payable	1,750,000	1,750,000
	<u>1,750,000</u>	<u>1,750,000</u>
Plus 5 years		
Royalties payable	4,500,000	4,500,000
	<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.

25. 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 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, 2022, an amount of \$17,321 pertaining to part XII.6 taxes is included in trade payable accounts.

As at June 30, 2022, in addition to the royalties' payable mentioned in Note 10, the Company is committed to the purchase of test equipment for approximately \$3,473,467. Of this amount, a deposit of \$1,950,000 was made.

HPQ-Silicon Resources Inc.

Notes to Consolidated Financial Statements (unaudited)

As at June 30, 2022
(in Canadian dollars)

25. CONTINGENCIES AND COMMITMENTS (continued)

Under the agreement which entered into on August 24, 2021 between EBH₂ and the Company, the Company will be granted a permanent world-wide license to sell products where EBH₂ generators are incorporated into all the HPQ Technologies, if the EBH₂ generators are used exclusively to autonomously power HPQ Technology or HPQ Technologies (“The HPQ- EBH₂ bundle license”).

The Company agrees to pay EBH₂ for the bundled HPQ- EBH₂ license under the conditions set out below:

- A. A cash payment to EBH₂ of Five Hundred Thousand US dollars (US\$ 500,000)).
- B. The Company will issue to EBH₂ of 10,000,000 units at a price of C\$0.70 Per Unit. Each Unit is comprised of one (1) common share and one (1) common share purchase warrant of HPQ. Each Warrant will entitle EBH₂ to purchase one common share of the capital stock of HPQ at an exercise price of \$ 0.75 for a period of 36 months from the date of closing of the Transaction. Each common share issued pursuant to the Units will have a mandatory four (4) month and one (1) day holding period from the date of its issuance. The transaction is subject to the TSX Venture Exchange and to standard regulatory approvals. In addition, the Company must file a file for a change of activity no later than December 31, 2021 and receive the approval of the shareholders at the annual meeting.

The parties have agreed that the cash payment and issuance of the units for the transaction will be made after an independent third party has validated that the EBH₂ process works and can be scaled up to meet the energy requirement of HPQ Technologies, based on the following milestones:

1. An independent third-party, chosen by the Parties, will be mandated to confirm that the EBH₂ travel demonstration module can generate 1,000 Watts per hour (1 Kw per hour), 24 Kw per day, 168 Kw or 0.17 Mw of energy over 7 days from 1 litre of water (H₂O). Upon receipt of confirmation that the production and other milestones has been met, the cash payment of the transaction will be paid to EBH₂ and 5,000,000 units will also be issued to EBH₂.
2. An independent third-party, chosen by the Parties will be mandated to confirm that the EBH₂ system can be scaled up to meet the energy requirement of HPQ Technology. Upon receipt of a confirmation that the production and other agreed milestones have been met, 4,000,000 units will be issued to EBH₂.
3. Upon a successful demonstration that a EBH₂ system can produce the energy required to power up HPQ PUREVAP™ QRR pilot plant, the remaining 1,000,000 units will be issued to EBH₂.

HPQ and EBH₂ agree to create a new 50/50 joint venture (NEWCO) and EBH₂ will grant NEWCO a permanent exclusive license for the marketing, sale and service of EBH₂ systems and products in North America (Canada, Mexico and United States). In addition, the Company accepts that from 5 years, but not more than 10 years from the date of receipt of the first commercial delivery of the EBH₂ systems ready for sale in North America by NEWCO. EBH₂ may at any time and at its sole discretion, choose to purchase HPQ's stake in NEWCO by exchanging HPQ's stake in NEWCO for an ongoing royalty of eight percent (8%) on NEWCO's gross sales, which royalty will be paid monthly on the 15th day of the following month.

26. SUBSEQUENT EVENT

Subsequent to period end, 1,979,412 warrants were exercised for a total amount of \$296,911 in cash.