



HPQ Silicon Inc.

(Formerly HPQ Silicon Resources Inc.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the period ended March 31, 2023

INTRODUCTION

This management discussion and analysis ("MD&A"), prepared as at May 30, 2023, contains information as at March 31, 2023, and should be read in conjunction with the unaudited Consolidated Financial Statements for the periods ended March 31, 2023, of HPQ Silicon Inc (formerly HPQ Silicon Resources Inc.) ("HPQ-Silicon", the "Corporation" or "HPQ"). The information described in this report includes the activities of the parent company as well as its subsidiaries (see Note 4.2). The consolidated Financial Statements for the quarter were prepared by the management and have not been reviewed by the auditor. All amounts are in Canadian dollars.

The Notes referred to in this MD&A refer back to the Notes in the Consolidated Financial Statements. The Consolidated Unaudited Financial Statements are presented in compliance with the IAS 34 standards "Quarterly Financial Information" which calls for critical accounting estimates. They also demand of Management the exercise of its judgement in the application of the accounting methods used by HPQ Silicon. Note 5 of the Financial Statements outlines the particularly complex areas where such judgement is required as well as the hypotheses and estimates where such hypotheses and estimates have a major effect on the Consolidated Financial Statements. The consolidated Financial Statements were not adjusted in regard to the accounting value of Assets and Liabilities, Revenues and Expenses and to the classification used in the preparation of the Consolidated Cash Flow Statement under the hypothesis of the Corporation's ability to continue as a going concern. These adjustments could be significant.

HPQ Silicon Inc. was incorporated on December 20, 1996, under the Canada Business Corporations Act. The Corporation's shares are part of the Emerging Corporation category and are publicly traded on the TSX-Venture Exchange ("TSX-V") under the symbol: "HPQ". It is a reporting issuer under the securities laws of the provinces of Quebec, Alberta, and British Columbia. Since March 16, 2021, the Company's shares have been traded on the OTCQX Best Market under the symbol "HPQFF". On July 4, 2022, the Company obtained the certificate of modification of its corporate name for HPQ Silicon Inc. as well as its classification of its activity for Industrial, Technological or Life Sciences group 1 on the TSX Venture Exchange as of August 2022. HPQ Silicon's Head Office is located at 3000, Omer-Lavallée Street, Suite 306, Montréal, Québec, Canada, H2Y 1R8.

The Corporation regularly presents supplementary information on its activities which are filed on SEDAR (www.sedar.com).

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the development of technologies related to the transformation of quartz into silicon materials and its derivatives in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, which are identified in the regular filings done by the Corporation with the Canadian Regulatory Authorities, and there can be no assurance that they will prove to be accurate and the final results as well as future events could vary in a material manner and contradict the results expected under these Statements.

The reader is cautioned not to place undue reliance on forward-looking statements as, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements.

The Forward-Looking Statements are influenced by a variety of risks, uncertainties and other factors which could significantly alter the results and actual events. When used in this document the words such as "could", "plan", "estimate", "intention", "potential", "should" and similar expressions are Forward Looking Statements.

Even though the Corporation believes that the expectations expressed in these Forward-Looking Statements are reasonable, these statements are subject to risks and uncertainties and there is no assurance given by the Corporation that the expected results will correspond to the Forward-Looking Statements.

Many risks exist which could render these Forward-Looking Statements erroneous such as the inability to obtain patents or other development risks

The Corporation's ability to continue its operations is subject to securing additional financings needed to continue the development of its technologies, to start commercial production, and the continued support of its suppliers and creditors. Even though the Corporation was able to secure such financings in the past there is no guarantee it will be able to do so in the future.

The Corporation commits to update its Forward-Looking Statements and to advise its shareholders if circumstances, estimates or opinions issued by Management changes.

DESCRIPTION OF THE BUSINESS

The Company is a clean technology company with a patented (pending and granted), scalable and low carbon footprint industrial process for manufacturing high-purity Silicon (Si) and Fumed Silica.

HPQ projects are focused on proposing innovative silicon (Si)-based solutions all the while developing a unique portfolio of high value-added silicon (Si) and Silica (SiO₂) products sought after by end users (Manufacturers of Li-Ion battery, Electric Vehicle (EV), anodes for Li-Ion batteries, to name just a few).

The Corporation's activities are on following niches:

1. SILICON (Si) NICHE

- a) Developing the *PUREVAPTM "Quartz Reduction Reactor" (QRR)*, a new green and low-cost process to transform Quartz (SiO₂) into Silicon Metal (Si).
- b) The Batteries Initiative, centred on transforming the Silicon produced by the *PUREVAPTM QRR* into the Silicon material needed for batteries applications and other high value silicon base applications.

As part of this this strategy, HPQ is working on:

- i. The planning and construction of a micron-sized silicon-based (Si or SiO) battery material production line,
- ii. Developing the *PUREVAPTM "Nano Silicon Reactors" (NSiR)*, a new process to make the nano silicon materials from silicon chunks.

2. FUMED SILICA (SiO₂) NICHE

- a) Developing a new plasma-base process that will allow a direct Quartz to Fumed silica transformation.

3. OTHER NICHES

- a) Developing innovative processes in the following sectors:
 - i. Manufacturing silicon or SiO particles for battery applications.
 - ii. Manufacturing carbon particles for super-capacitor applications
 - iii. Manufacturing silicon-based particles for battery and hydrogen applications, etc.

HPQ TECHNOLOGIES

SILICON (Si) NICHE

Silicon (Si), also known as silicon metal, is a semi-conductor material and the second most abundant element in earth's crust. Like all other energy metals (lithium, graphite, cobalt, nickel, etc.), it does not exist in its pure state and is expensive to extract.

Silicon is also one of today's key strategic materials needed for the decarbonization of the economy and the Renewable Energy Revolution ("RER"). The EU and Australia declared Silicon a critical raw material as a wide range of modern technologies depends on it to make various numbers of industrial and consumer products.

The Silicon market is ripe for the development of disruptive technologies, because:

- To extract it commercially from Quartz (SiO_2) an expensive & energy intensive carbothermic process, first invented in 1899, is still used,
- Depending on final application, (Solar, Electronics, Batteries) Chemical grade Silicon (99.5% Si) must either be purified & or engineered.

THE PUREVAP™ QUARTZ REDUCTION REACTOR (QRR)

The PUREVAP™ "Quartz Reduction Reactor" (QRR) is an innovative clean technology boasting a low-cost and environmentally friendly silicon production process, capable of transforming and purifying quartz (SiO_2) into High Purity Silicon metal (99.5% to 99.99% Si) —in a single step.

The primary advantage of the QRR is its unique ability to operate a process under a vacuum, resulting in the early removal of impurities. As a result, the QRR uses 25% less feedstock to make the same amount of silicon as traditional production processes (4.5 Metric Tonnes (MT) to make 1MT of silicon as opposed to 6MT) — granting up to a 20% cash cost advantage, all the while producing a higher purity silicon (4N versus 2N) and reducing negative environmental externalities.

Crucially, the QRR also allows for the substitution of costly high purity reductants with cheaper, more readily available materials. Conventional silicon producers, like Ferroglobe, Dow-DuPont, Elkem, Rima, and Rusal, on the other hand, rely on high purity low-ash coal, only available from two coal mines globally (Blue Gem Coal and Colombian coal). This extreme market concentration represents an economic liability for traditional silicon producers as any slight price increase quickly impacts their bottom line. Additionally, it acts as a market entrance barrier for new prospective participants.

This provides QRR with a substantial competitive edge, as its low-cost sourced materials are less susceptible to supply chain woes and price gouging.

PUREVAP™ QRR PROGRESS MILESTONES

The Gen 3 PUREVAP™ QRR (Gen3) Pilot Plant, a scale up version of the Gen 2 PUREVAP™ QRR by a factor of approximately 2,500 times, is being deployed to validate and replicate key findings previously identified during Gen 1 and 2 testing.

Started in June 2022, a vigorous testing program is ongoing and will take place roughly 12 months. The PUREVAP™ QRR R&D programme is progressing as planned.

This represents the final research and development phase before pre-commercial rollout and serves as the means to test the system under operational conditions while producing High Purity Silicon material sought after by high-value application manufacturers.

This final phase will allow HPQ, its technology provider and subcontractor to validate and quantify the QRR's disruptive advantages as previously identified during Gen 1 and 2 testing.

These advantages include:

- The ability to produce silicon metal at a greater purity than any traditional processes available on the market today in one step. .
- That PUREVAP™ QRR can produce 1MT of high-purity silicon with 25% fewer raw material inputs.
- The technology possesses a cash cost advantage as compared to the lowest-cost traditional silicon metal producer.

Any remaining operational or technological challenges should be worked out during this phase.

For the period ended March 31, 2023, the Company incurred \$693,000 in expenses related to the advancement of the Gen3 Pilot plant test program.

PUREVAP™ QRR FUTURE PROGRESS MILESTONES

During the next three (3) months, the company's activities will be focused on finalizing the testing programme. Under the current contract with PyroGenesis, this phase of the program is expected to cost \$693,000, but the company having already made a deposit of \$593,000 and a prepaid amount of \$100,000 on the cost of the program, will not have to do any cash payments to PYR. Residual operational or technological barriers may arise during the program and generate unforeseen additional costs.

Once the testing phase is completed at the end of Q2 2023, HPQ and its technology providers will use the data obtained during the tests to make in-depth analyses of the economic aspects of the project.

These studies, which could take six (6) months or more to finalize, will need to consider the cost of building and operating a commercial-scale plant, as well as all the different economic variables involved. The objective of these studies will be to allow HPQ to advance the project to the pre-commercialization stage of the PUREVAP™ QRR technology.

Starting in Q2 2023, the Parties will start negotiating a mutually agreeable transaction regarding the costs of this next phase.

INTELLECTUAL PROTECTION FOR THE PUREVAP™ QRR TECHNOLOGIES

For the period ending March 31, 2023, the company's PUREVAP™ QRR patent portfolio consisted of a patent acquired from PyroGenesis Canada Inc. in 2016, and a second patent emanating from ongoing improvement to the PUREVAP™ QRR processes, filed in 2019.

The first patent covers the *"silica to high purity production process"*. In March 2022 the United States Patent and Trademark Office issued U.S. Patent No. 11,267,714 for *"the silica to high purity production process"*. This patent is still pending in other jurisdictions that should be issuing their patent approval for this invention in due time.

The second is for a *"new and novel process for continuous operations of a plasma arc furnace under vacuum"*. This patent is still pending in different jurisdictions that should be issuing their patent approval for this invention in due time.

In January 2023, a third QRR patent application was filed in France. This new application is provisional and is entitled "Apparatus and method for producing silicon by carboreduction". Regardless of the fact that HPQ-Silicon is the owner of this patent, French law grants the inventors of this patent compensation in consideration of the work they have done in the realization of the patent, which encumbers the patent and becomes a debt payable by the owner to the inventors. The Parties (HPQ and the inventors) then

agreed, after negotiation, that this debt will be settled by the payment of a lump sum of €60,000, or €20,000 per inventor.

End of February 2023, the Parties agreed to settle this €60,000 debt through the issuance by HPQ Silicon of shares from its capital. 360,000 units representing a total consideration of CAD \$86,400 were issued. Each Unit consists of one (1) common share of the Company and one (1) warrant to purchase one (1) additional common share of the Company at an exercise price of \$0.32, for a period of two (2) years after the closing date of the transaction.

In March 2023, a fourth QRR patent application for HPQ Silicon was filed in France. This new application is provisional and is entitled "Apparatus and method for producing silicon of 3n purity or higher by purification of silicon of 2n purity". As before, this patent application is subject to French law, and it follows that the inherent patent is encumbered by the debt corresponding to the compensation payable to the inventors. HPQ Silicon and the inventors have agreed that HPQ Silicon's lump sum payment of €60,000 to the inventors will fully settle this debt and result in a final discharge.

For the first quarter of 2023, the Company incurred \$221,203 related to PUREVAP™ QRR patent applications and its filing in all jurisdictions where the Company has applied.

Under the terms of the 2016 patent purchase agreement, HPQ owns the original patent, a second patent from the R&D work done with Gen1 and Gen2 equipment, any proprietary know-how from the development of the technology, and any new patent applications that may arise from this work.

HPQ owns the exclusive worldwide rights to this technology and any improvements that may lead to the filing of new related patents in fields related to the production of silicon from quartz.

However, the company has granted PyroGenesis an exclusive, irrevocable, royalty-free worldwide license to use the process for purposes other than the production of silicon from quartz. If PyroGenesis is approached and or solicited by third parties for research and development projects or for commercial use outside HPQ's Field of Activity, HPQ shall have a right of first refusal, provided, however, that HPQ exercises its right of first refusal within thirty (30) days of receipt by PyroGenesis of a valid offer made in good faith by any such third party.

As part of its IP portfolio strategy to protect the *PUREVAP™ QRR* technologies, HPQ acquired from PyroGenesis on November 10, 2022 (with an effective date of September 30, 2022), a new intellectual property regarding a "*Low Carbon Emission Process for the production of Silicon*". Under the terms of the agreement, the parties are currently finalizing the terms of a complementary agreement surrounding the R&D phases associated with the development of equipment and processes necessary for the application of this IP.

Unless an extension is negotiated, HPQ has until June 30, 2023, to pay the purchase price of the intellectual property of \$3,600,000.

THE BATTERIES INITIATIVE

The battery initiative is centered around the transformation of silicon produced by *PUREVAP™ QRR* into silicon materials suitable for Li-Ion battery applications and all other high value-added silicon-based applications.

Over the last few years HPQ has signed at least seven (7) NDAs with EV manufacturers, battery makers and other high-value materials companies.

The recurrent theme between all these NDAs is their interest in our one-step manufacturing of High Purity Silicon (3N to 4N).

In addition to that, these potential clients have each made very specific demands regarding the sizing of the silicon materials they are looking for.

Without divulging information protected by NDAs, what we can say is that HPQ has come to realize that there are two different family size of Silicon materials that are sought after by EV manufacturers, battery makers and other high-value materials companies.

There is an immediate demand, and offer coming principally from China, for micron-size silicon material coming from the battery and advance material sectors, while demand for nano-size silicon materials come more from early-stage battery players.

Based on this information, the Company is of the opinion that it *PUREVAP™ QRR* gives it a competitive advantage and that is why it is implementing a two prone approach as it pertain to transforming our QRR Silicon into higher-value silicon material:

1. Working with Novacium, the focus will be on using commercially available technologies to transforming QRR Silicon into micro-size silicon materials for EV, battery, and advance material manufacturers.
2. Working with PyroGenesis, the focus remains on developing the *PUREVAP™ Nano Silicon Reactor (NSiR)* to make the nano silicon material needed by the next generation of battery manufacturers.

BATTERIES INITIATIVE PROGRESS MILESTONES - NOVACIUM

HPQ mandated Novacium in Q3 2022, to identify the characteristics and markets for micron sized Si or SiO materials and proposing pathways through which HPQ could build a materials production line. The perceivable effects of this collaboration will be more tangible during the year.

BATTERIES INITIATIVE FUTURE PROGRESS MILESTONES - NOVACIUM

The company is developing plans to create a production facility initially capable of manufacturing 200 Tonnes Per Year (TPA) of micron sized Si and SiO powders for battery applications by 2024.

Novacium has identified different techniques and equipment suppliers that have proven themselves commercially for this task. Tests were completed in the fourth quarter of 2022 using one technology, early in the first quarter of 2023 using a second technology provider, and it is expected to complete a final test with a third technology provider before the end of the first quarter of 2023.

In addition, Novacium has started conducting in-depth studies to better understand the silicon-based products that will see strong growth in the battery market in the coming years. The objective is to orient the production facility according to market demands.

Once all testing is complete, an evaluation of the CAPEX and OPEX of each process will be performed to select the most appropriate technology for HPQ's production line.

Once testing and studies are complete, Novacium will evaluate the capital investments (CAPEX) and operational expenses (OPEX) of each process to select the most appropriate technology for HPQ's production line.

HPQ and Novacium, in collaboration with several high-level research centers, intend to investigate how they can improve the battery performance of silicon materials. In addition, Novacium will conduct tests to see if its patented surface treatment processes can improve the performance of battery materials.

The costs for this work for 2023 are estimated at \$ 900,000, but these expenses will be eligible for a research tax credit in France.

INTELLECTUAL PROTECTION EMANATING FROM NOVACIUM DRIVEN BATTERIES INITIATIVE

As of March 31, 2023, no patent applications had been filed under the Novacium driven battery initiative.

BATTERIES INITIATIVE – *PUREVAP™ NANO SILICON REACTOR (NSiR)*

The NSiR is a new proprietary process that can use the high-purity silicon (3N to 4N) produced by the *PUREVAP™ QRR* and transform it into nano silicon spherical powders and wires. By internally sourcing silicon feedstock materials, HPQ's NSiR should be able to achieve low manufacturing cost while maintaining the flexibility to rapidly adapt the feed material to meet changing End-market requirements.

BATTERIES INITIATIVE PROGRESS MILESTONES – *PUREVAP™ NSiR*

The first Phase of the technology development started in August 2020 was focus on modifying the existing *Gen2 PUREVAP™ QRR* reactor into the *Gen1 PUREVAP™ NSiR* for the purpose of producing nano silicon materials. The resulting new *Gen1 NSiR* will be a batch process system with a design production capacity of 30 kg/month of nano silicon powders.

During January 2021, *Gen1 PUREVAP™ NSiR* commissioning tests were conducted. The material produced, under the less-than-optimum operating conditions of the first commissioning tests, was analysed by scanning electron microscope (SEM) imaging combined with X-ray diffraction (XRD).

By April 2021, ongoing tests allow the systematic advancement of the project. The main segments of the ongoing process validation and optimization tests can be summarized as follows:

1. Validation that the system can produce < 150nm nano materials,
2. Validation that the system can reach its design production parameters, and
3. Production of qualified samples.

Key takeaway from these latest results, centered around the production rate of the process, indicated that the system could produce at a higher rate than originally expected. As testing progressed during the second half of 2021, the challenge for the team became eliminating oxygen from the final product of nano-silicon material. The oxygen was affecting our ability to produce qualified samples.

Systematic analysis of the process indicated that:

- The internal sources of oxygen contamination were directly linked to the heat-resistant liner material used in the *Gen1 PUREVAP™ NSiR*, a modified *Gen2 PUREVAP™ Quartz Reduction Reactor ("QRR")*, originally designed for the carboreduction of quartz into Silicon (Si),
- The *GEN 1 PUREVAP™ NSiR* needed to be redesigned and rebuilt to eliminate the internal sources of the contamination.

A modified *Gen1.5 PUREVAP™ NSiR* system was re-designed and built in Q3 2021 and commissioned in Q4 2021. While Preliminary results obtained with material produced during commissioning tests completed in December 2021 were promising, unfortunately, even after final adjustments, the oxygen contamination issue is still affecting the material produce.

During the first quarter of 2023, the Company incurred \$8,105 in expenses related to the progress of the RNSI project.

BATTERIES INITIATIVE FUTURE PROGRESS MILESTONES – PUREVAP™ NSiR

Solutions to solve the contamination problem are currently being studied, but all these solutions require the manufacture of a brand new and dedicated PUREVAP™ NSiR proof of concept reactor to validate the chosen solution.

Although the proposed solutions are very interesting, management is of the opinion that for the coming months, it will be more important for the Company's to focus its efforts and budgets on the manufacturing of micron sized battery materials.

At the appropriate time, the Company will move forward with the construction of a brand new and dedicated PUREVAP™ NSiR proof-of-concept reactor.

The 2023 estimated cost for this work around \$100,000.

INTELLECTUAL PROTECTION FOR THE PUREVAP™ NSiR TECHNOLOGIES

As of the end of fiscal 2022, the company's PUREVAP™ NSiR patent portfolio consisted of one patent acquired from PyroGenesis Canada Inc. by HPQ Nano Silicon Powders Inc (HPQ NANO) (a 100% HPQ owned subsidiary) in 2020.

The patent covers the *“Nano-silicon particles/wire production by arc furnace for rechargeable batteries”*. This patent is still pending in different jurisdictions around the world.

Under the terms of the 2020 patent purchase agreement, HPQ NANO owns the original patent, any proprietary know-how from the development of the technology, and any new patent applications that may arise from this work.

HPQ owns the exclusive worldwide rights to this technology and any improvements that may lead to the filing of new related patents in fields related to the production of nano and micron size silicon powders.

However, the company has granted PyroGenesis an exclusive, irrevocable, royalty-free worldwide license to use the process for purposes other than the production of nano and micron size silicon powders. If PyroGenesis is approached and or solicited by third parties for research and development projects or for commercial use outside HPQ's Field of Activity, HPQ shall have a right of first refusal, provided, however, that HPQ exercises its right of first refusal within thirty (30) days of receipt by PyroGenesis of a valid offer made in good faith by any such third party.

During the first quarter of fiscal year 2023, the Company incurred \$11,613 in patent applications expenses related to PUREVAP™ NSiR process in all the jurisdictions where the Company made applications.

FUMED SILICA (SiO₂) NICHE

Fumed Silica is a versatile, microscopic white powder with a large surface area and low bulk density. Because of fumed silica's importance in industries like personal care, pharmaceuticals, agriculture (both feed and food), construction (sealants and adhesives), batteries, and automotives, it is material in high demand.

Yet, traditional production method requires a large amount of energy and many chemicals, making it an unsustainable process that generates significant GHG emissions.

The environmental impact of current fumed silica manufacturing, requiring massive energy inputs (~115,000 kWh of energy to produce 1 Tonne (MT) of Fumed Silica) combined with the release in the atmosphere large quantities of hydrogen chloride gas, constraining its usage in contemporary markets.

FUMED SILICA REACTOR

As ESG continues to grow in importance to corporate maturation and profitability, the manufacturing issues affecting Fumed Silica will only become more prevalent. Carbon taxes escalating pricing will influence the development and profitability of companies that currently manufacture fumed silica.

HPQ Silica Polvere Inc (HPQ POLVERE) (a 100% owned HPQ subsidiary) Fumed Silica Reactor is much simpler than traditional fumed silica production methods. The patented (pending) plasma-based process relies on exposing quartz feedstock to an electric arc in a manner like that of lightning. The extremely high temperature in the Fumed Silica Reactor vaporizes the quartz, turning it into tiny particles. Then, it can be re-solidified into Fumed Silica powders, perfect for a variety of industrial and commercial applications.

HPQ POLVERE Fumed Silica Reactor allows a direct Quartz to Fumed silica transformation, removing the usage of hazardous chemical in the making of Fumed silica and eliminating the Hydrogen Chloride Gas (HCl) associated with its manufacturing.

Furthermore, the process requires 15,000 kWh to produce a MT of Fumed Silica, this represents an 86% reduction in the energy footprint associated with manufacturing Fumed Silica. Finally, since the new process uses Quartz as feedstock, its capital requirements will only be a small fraction of what is required to build a traditional Fumed Silica plant.

Engineering and construction of the Fumed Silica Pilot Plant, budgeted at \$2 million, is finance by the following parties:

- The Federal Government of Canada (SDTC) will pay \approx 33% of the cost,
- The Quebec Government (TED) will pay \approx 30% of the cost,
- HPQ Silica Polvere Inc (a 100% owned HPQ subsidiary) will pay \approx 29% of the cost, and
- PyroGenesis Canada Inc will cover the remaining \approx 8% and act as operator.

FUMED SILICA PROGRESS MILESTONES

The Fumed Silica Reactor Technology R&D development is advancing although at a slower pace than previously divulge in 2021.

As of March 31, 2023, HPQ POLVERE paid its \$336,184 share of the project cost to date regarding the ongoing engineering and design work.

End of May 2023, the project reached its first key milestone with the completion of the engineering tasks related to the design and fabrication of the Pilot Plant.

In addition, PyroGenesis is currently conducting a series of small-scale R&D tests for HPQ POLVERE to validate improved concepts for the pilot plant and produce small sample sizes of fumed silica for evaluation.

Between Q3 2022 and Q1 2023, a series of twelve (12) of lab scale tests were completed. These tests are important as they provide useful information to:

1. Identify the production parameters which optimize the process and fumed silica quality at a small scale and,
2. Evaluate the properties of the Fumed Silica powders produced at lab scale and compare them with commercial grade material.

The lab test tests showed promising results by successfully demonstrating a capacity to produce Hydrophilic Fumed Silica comparable to commercial-grade materials.

FUMED SILICA FUTURE PROGRESS MILESTONES

The goal of the program is like what we are accomplishing with the *Gen3 PUREVAP™ QRR* Pilot Plant, which is building and operating a 50 Tonnes (MT) per year commercial Fumed Silica Reactor pilot plant.

Engineering and construction of the Fumed Silica Pilot Plant is ongoing and will likely finish midway through 2023. Afterwards, validation of the pilot plant technology will commence, alongside assessments of commercial scalability. These tests should be complete towards the middle of 2024 and will set the stage for the development of the commercial Fumed Silica Reactor, afterward.

Under the ongoing contract with PyroGenesis, HPQ Polvere still has one payment of \$284,021 to do in 2024 for the pilot plant project and approximately \$70,000 to be paid for the five tests to be completed.

INTELLECTUAL PROTECTION FOR THE FUMED SILICA REACTOR TECHNOLOGIES

For the period ending March 31, 2023, the company's *Fumed Silica Reactor* patent portfolio consisted of one patent acquired from PyroGenesis Canada Inc. by HPQ Silica Polvere Inc (HPQ POLVERE) (a 100% HPQ owned subsidiary) in 2021.

The patent covers a *"Plasma arc process and apparatus for the production of Fumed Silica"*. This patent is still pending in different jurisdictions around the world.

Under the terms of the 2021 patent purchase agreement, HPQ POLVERE owns the original patent, any proprietary know-how from the development of the technology, and any new patent applications that may arise from this work.

HPQ POLVERE owns the exclusive worldwide rights to this technology and any improvements that may lead to the filing of new related patents in fields related to the production of fumed silica directly from Quartz.

However, the company has granted PyroGenesis an exclusive, irrevocable, royalty-free worldwide license to use the process for purposes other than the production of fumed silica directly from Quartz. If PyroGenesis is approached and or solicited by third parties for research and development projects or for commercial use outside HPQ POLVERE Field of Activity, HPQ POLVERE shall have a right of first refusal, provided, however, that HPQ POLVERE exercises its right of first refusal within thirty (30) days of receipt by PyroGenesis of a valid offer made in good faith by any such third party.

OTHER NICHES

Currently, HPQ is working with Novacium regarding the development of processes for making hydrogen via hydrolysis of silicon and other materials.

NEW TECHNOLOGIES INTELLECTUAL PROTECTION

During Q1 2023, no new patents resulting from the collaboration with Novacium SAS had been registered yet, but the company has incurred \$54,384 related to related expenses for patents held by Novacium SAS.

RESEARCH AND DEVELOPMENT EXPENSE

The following table represents the research and development expenses for the quarter and period ending March 31, 2023, compared to the corresponding period of 2022.

	March 31		Project			
	2022	2023	PUREVAP QRR	PUREVAP NSiR	FUMED SILICA	Other
Beginning balance January 1	0	2,406,957	1,504,866	0	522,579	379,512
Add:						
Salary	0	215,478	0	8,105	0	207,373
Consultant	0	413,908	315,000	0	0	98,908
Supply for testing	0	378,000	378,000	0	0	0
Material	0	0	0	0	0	19,530
Travel expenses	0	18,073	0	0	0	18,073
	0	1,044,989	693,000	8,105	0	343,884
Investment tax credits	0	0	0	0	0	0
Total the period:	0	1,044,989	693,000	8,105	0	343,884
Cumulative	0	3,451,946	2,197,866	8,105	522,579	723,396

RECENT CORPORATE DEVELOPMENT OVERALL PERFORMANCE

- March 2023, HPQ announces that the QRR pilot plant is operated in semi-continuous batch mode and that it has produced silicon materials with a purity greater than 99.5% during the first three (3) tests.
- In February 2023, the Company announces its intention to build a production line for silicon-based battery materials in North America ("NA").
- January 2023, the test program of the PUREVAP™ QRR pilot plant reached the halfway mark.

FINANCING AND OTHER

- During the period of 2023, the Company issued 1,500,000 common shares following the exercise of 1,500,00 warrants for a total amount of \$150,000.
- As at March 31, 2023, the Company had \$1,256,526 in cash, marketable securities of \$1,086,541, goods and services tax receivable of \$281,235, investment tax credits receivable of \$165,412, deposit on contract \$593,000 and \$311,514 in prepaid expenses and others.

SELECTED FINANCIAL INFORMATION

The first quarter of 2023

The Net Loss increase of \$913,329 (123%) (\$1,658,030 vs \$744,701) compared to the 2022 period corresponds to the increase in operating expenses of \$1,433,555 (233%) (\$2,048,020 vs \$614,465). During the last seven quarters, their respective averages were \$2,274,531 and \$1,956,788.

The following table presents the selected financial information for the last eight quarters.

	Fiscal 2023	Fiscal 2022				Fiscal 2021		
Quarter ending:	03/31	12/31	09/30	06/30	03/31	12/31	09/30	06/30
	\$	\$	\$	\$	\$	\$	\$	\$
Operating costs	2,048,020	4,828,150	1,391,926	1,384,923	614,465	4,727,680	307,110	453,262
Net loss (profit)	1,658,030	4,930,577	1,799,874	1,608,983	744,701	5,158,711	684,978	993,896
Loss (profit) per share) basic and diluted	0.00	0.02	0.00	0.01	0.00	0.02	0.00	0.00
Current assets	4,694,228	5,551,793	6,630,118	7,887,741	4,942,189	4,410,906	5,287,309	9,647,128
Total Assets	20,335,290	21,612,239	26,832,812	24,175,110	21,814,780	21,722,779	23,963,454	27,949,094
Current Liabilities	4,524,567	4,435,269	3,740,180	732,813	627,399	601,340	675,850	4,400,230
Non-current Liabilities	2,734,415	2,658,300	3,073,818	2,962,525	2,884,277	2,789,194	2,763,765	2,964,047
Shareholders' Equity	13,076,308	14,518,670	19,018,814	20,479,772	18,303,104	18,332,245	20,523,839	20,584,817

Financial period of 2023

During the period ending March 31, 2023, the Company saw an increase in its Net Loss of \$913,329 (123%) (\$1,658,030 vs \$744,701), while operating costs increased of \$1,433,555 (233%) (\$2,048,020 vs. \$614,465) and the increase in other income and expenses of \$520,226 (\$389,990 vs. -\$130,236), during the last three previous periods these costs averaged respectively at a profit of \$168,948 and \$ 376,799.

The following table presents financial information for the periods 2020 at 2023.

	FISCAL 2023	FISCAL 2022	FISCAL 2021	FISCAL 2020
	03/31/23	03/31/22	03/31/21	03/31/20
	\$	\$	\$	\$
Operating expenses	2,048,020	614,465	306,642	209,291
Net income (loss)	(1,658,030)	(744,701)	506,319	(268,462)
Results per share (basic and diluted)	0.00	(0.00)	0.00	(0.00)
Current Assets	4,694,228	4,942,189	5,017,697	2,252,826
Total Assets	20,335,290	21,814,780	19,794,947	10,901,529
Current Liabilities	4,524,567	627,399	535,990	935,449
Non-current Liabilities	2,734,415	2,884,277	4,793,584	3,689,545
Shareholders' Equity	13,076,308	18,303,104	14,465,373	6,276,535

GENERAL DISCUSSION OF FINANCIAL INFORMATION FOR THE FIRST QUARTER AND PERIOD OF 2023

Analysis of comprehensive income

Compared to the corresponding periods of 2022, the Company saw an increase the Net loss of \$913,329 (123%) (\$1,658,030 versus \$744,701) which corresponds to the increase in operating costs of \$1,433,555 (233%) (\$2,048,020 vs. \$614,465) and the increase in other income and expenses of \$520,226 (\$389,990 vs. -\$130,236).

Analysis of the operating costs

The following table presents the major changes in certain components of comprehensive income compared to the 2022 period for the operating costs of the first quarter and period ending March 31, 2023 .

	QUARTER/PERIOD		Increase /(Decrease)
	2023	2022	
Other operating expenses			
Professional Fees and Consultant			
- Legal fees	25,824	43,945	(18,121)
- Accounting professional fees	39,691	29,960	9,731
- Business development consultant	100,159	75,206	24,953
Office expenses	30,375	11,381	18,994
Information to shareholders and registration fees	17,954	25,091	(7,137)
Amortization of property and equipment	488,950	156,000	332,950
Amortization of intangible assets	161,080	137,489	23,591
Research and development costs	1,044,989	-	1,044,989

Amortization of property assets and intangible assets

The company amortized tangible and intangible assets since the beginning of the 2022 financial year.

Research and development costs

For the first quarter and period of 2023, there are research and development expenses of \$1,044,989 which is distributed for \$693,000 for tests on the Purevap RRQ, \$8,105 salary on the Purevap NSiR project and \$343,884 for other projects under development by our subsidiary Novacium.

Other operating expenses

Professional Fees

For the first quarter and period of 2023 compared to 2022, there is a decrease in legal fees of \$18,121 which is related to the file of the change of activity in 2022, an increase in accounting and audit fees of \$9,731 and also fees for business development consultants of \$24,953. This increase is linked to our subsidiary Novacium.

Office expenses

The increase in office expenses of \$18,994 for the period of 2023 compared to 2022 is mainly related to insurance costs on our test equipment of approximately \$12,000 as well as the costs of our subsidiary Novacium for approximately \$7,000.

Information to shareholders and registration fees

The decrease of \$7,137 is related to fees on the TSX Venture Exchange as well as the decrease in our press releases for the period.

Analysis of Other Income (Expenses)

The following tables represent the major changes in certain components of other income/(expenses) compared to 2022 for the quarter and the period ending March 31, 2023.

	QUARTER/PERIOD		Increase /(Decrease)
	2023	2022	
	515,217	(29,034)	544,251
Financial income (loss)			

Finance income

Financial income fluctuates mainly due to the fair value adjustment of our marketable securities.

FINANCIAL SITUATION

Financial Position

As at March 31, 2023, the Company had a working capital of \$169,661 (\$1,116,524 as of December 31, 2022). Total Current assets are \$4,694,228 (\$5,551,793 as of December 31, 2022) and current liabilities are \$4,524,567 (\$4,435,269 as of December 31, 2022).

Current assets

Current assets consist of the following:

- Cash of \$1,256,526 (\$1,143,902 as at December 31, 2022).
- Marketable securities of \$2,086,541 (\$710,403 as at December 31, 2022). It represents the fair market value of the shares of PyroGenesis as well as those of Québec Innovative Materials Corp. (formerly Québec Silica Inc).
- Goods and services taxes receivable of \$281,235 (\$1,047,106 as of December 31, 2022). This amount represents our last two quarter.
- A \$165,412 investment tax credit receivable (\$207,101 as at December 31, 2022).
- The contract deposit of \$593,000 (\$1,286,000 as of December 31, 2022) will be applied to future test invoices during the second quarter of 2023.
- Prepaid expenses and other of \$311,514 (\$267,281 as of December 31, 2022). This amount represents directors' and officers' insurance and equipment, annual fees for OTC Markets, the TSX Venture Exchange and \$100,000 for testing during the next quarter.

Non-current assets

During the period ending March 31, 2023, the Corporation acquired patents for \$232,816 (\$11,613 for Purevap[™] NSiR and \$221,203 for Purevap[™] QRR).

Current liabilities

Consist of the following:

- Trade and other payable of \$4,047,207 (\$3,969,320 as of December 31, 2022) which includes an amount of \$3,727,613 to a subcontractor.
- Due to Directors of \$100,000 (\$100,000 as at December 31, 2022).
- Royalties payable of \$365,933 (\$354,578 as of December 31, 2022)

Non-current liabilities

Non-current liabilities totalling \$2,734,415 (\$2,658,300 as of December 31, 2022) representing due to directors, officers and a corporation owned by a director for \$812,436 (\$812,436 par value) (\$827,052 as of December 31, 2022 with a par value of \$835,391), a lease liabilities of \$13,463 (\$16,997 as at December 31, 2022) and royalties payable of \$1,908,516 (\$1,814,252 as of December 31, 2022).

Equity

During the period ending March 31, 2023, the Company issued 1,500,000 shares. This corresponds the exercise of 1,500,000 warrants for an amount of \$150,000.

Working capital

As at March 31, 2023, the Company had a cash flow of \$1,256,526 (\$3,457,622 for 2022).

Operating activities

Cash flow from operating activities of \$895,801 consists of a Net Loss of \$1,658,030 and non-cash items that have no cash flow impact of the cash flow of \$289,057. The sources the cash flows from working capital operating activities represents an amount of \$2,264,774 which comes from the decrease in HST receivable of \$765,871, an increase in prepaid expenses and others of \$37 983, a decrease of \$693,000 in deposit on contract, a decrease of \$installments to a subcontractor of \$890,000 as well as an increase in trade and other payables of \$46,114.

Investment activity

The use of cash used in investing activities of \$910,060, consists of additions an intangible asset of \$51,749, acquisition of investments in a subcontractor of \$900,000 and a tax credit received of \$41,689.

Financing activity

Cash flow from financing activity in the amount of \$123,152 includes the exercise of warrants for \$150,000, the repayment of amounts due to directors of \$23,077 and repayment of lease liabilities of \$3,771. The Company increased its cash flow by \$108,893 during the period.

The Company's average cash requirements for future intermediaries are expected to be between \$300,000 and \$350,000 excluding research and development expenses and additions for property, plant and equipment and intangible assets.

As the Company is still in its development phase and focused on innovating 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 funding to fund future operations and expansion plans. The Company does not expect to generate revenue from product sales until it successfully completes the development of its silicon solutions, which may take a number of years and is subject to significant uncertainty. Until it can generate significant revenues from product sales, if ever, the Company expects to finance its operations through a combination of public or private capital or debt 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.

FINANCIAL COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

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 was 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 reductions forms related to the amount of \$293,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2017. As at March 31, 2023, an amount of \$17,321 pertaining to part XII.6 taxes is included in trade accounts payable.

On September 28, 2015, the Corporation concluded a Development and Exclusivity Agreement with PyroGenesis. In return for the Exclusive Right to use the PyroGenesis-developed technology, it must make the following payments:

- 2023 and after, the highest between 10% of Si sales or \$250,000.

On August 18, 2020, the Company acquired with PyroGenesis the PUREVAP™ NSiR technology for the fabrication of nano silicon materials. Pursuant to the purchase agreement, the Company is committed to paying 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.

- 2023, 10% of nano silicon materials sales or \$150,000.
- 2022 and after, 10% of nano silicon materials sales or \$200,000.

On June 30, 2021, the Company acquired technology for the production of fumed silica materials. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of net revenues, excluding the samples (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum amounts per the agreement. Also, the seller is being granted the right to convert, at any time and at its sole discretion, its royalties into a 50% equity stake of HPQ Polvere.

- 2023, 10% of Fumed Silica materials sales or \$50,000;
- 2024, 10% of Fumed Silica materials sales or \$100,000;
- 2025, 10% of Fumed Silica materials sales or \$150,000;
- 2026 and after, 10% of Fumed Silica materials sales or \$200,000.

As at March 31, 2023, the remaining total commitment for the purchase of the Pilot Plant Equipment was approximately \$877,021 broken down as follows: \$593,000 for tests on the Purevap™ QRR so all has already been paid and \$284,021 for the fumed silica project.

Subsequent to period end, 6,800,000 warrants were issued for a total amount of \$680,000 in cash.

CRITICAL ACCOUNTING POLICIES

The preparation of annual financial statements under IFRS requires that management use its judgment makes assumptions and estimates and use hypotheses that influence the application of accounting methods, as well as having an effect on the book value of assets, liabilities, revenues and expenses. The final results could differ from these estimates.

The estimates and hypotheses are regularly reviewed. Any revision of accounting estimates is indicated during the period when the estimates are revised as well as any future periods affected by said revisions.

Information on the hypotheses and estimation uncertainties that present an important risk of creating a significant adjustment during the course of the next financial period are as follows:

- Internally generated intangible assets;
- Evaluation of Income Tax Credits receivable;
- Present value of royalties payable.

Management believes that the majority of the changes will be adopted in the Company accounting methods during the first period starting after the effective date of each new change. The information on the new standards and interpretations as well as the new amendments, which are susceptible to be pertinent to the Corporation's consolidated financial statements, are supplied below.

FUTURE ACCOUNTING POLICIES

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

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

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 temporary deductible

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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

As the Corporation is an emerging issuer, management does not need to attest to the establishment and maintenance of Disclosure Controls and Procedures and internal controls relating to financial information as defined under Regulation 52-109.

The Signing Officers of the Issuer are responsible for ensuring that there are processes in place allowing them to gather sufficient information for the statements made in the Certificates.

FINANCIAL INSTRUMENTS

Financial Assets used by the Corporation consist of: cash, note receivable, royalties' receivable and the deposit on contract are part of the loans and receivables category.

The financial liabilities of the Corporation include trade and other payables (excluding salaries and personnel-related expenses), the amounts Due to Directors, the amounts due to Directors, Officers and to a corporation held by a director (excluding salaries and Personnel expenses) and royalties payable.

The fair value of royalties' receivables; of due to Directors, Officers and corporations controlled by a director or Officer and the Royalties payable are estimated using an analysis of the discounted cash flows using an interest rate for similar instruments. The fair value of royalties' payable approximates the carrying amount at the end of the period, while the fair value of the due to directors, officers and a corporation held by a director is \$812,436.

The fair value of the marketable securities of a quoted company was estimated based on the market price at the balance sheet date. Marketable securities of a quoted company measured at fair value in the consolidated statements of cash flows as at March 31, 2023.

INFORMATION ON SHARE CAPITAL

Information on financings

On March 31, 2023, the Corporation had 353,678,770 shares issued and outstanding (351,998,770 on December 31, 2022), 22,174,600 warrants (23,494,600 as at December 31, 2022) and 16,485,000 Options (16,485,000 as at December 31, 2022). The number of shares on a diluted basis is 392,338,370.

Information on outstanding shares

As at May 30, 2023, the Corporation had 360,478,770 shares issued and outstanding, 15,374,600 warrants and 16,485,000 options. The number of fully diluted shares is 392,338,370. The Corporation's share capital consists of an unlimited number of common shares with No Par Value.

RELATED PARTY TRANSACTIONS

For the period ending on March 31, 2023, the sum of \$93,750 (\$324,125 on December 31, 2022) was accounted for as management fees under a contract between the Corporation and a corporation controlled by the Chairman of the Board as part of a consulting agreement with the Corporation.

These activities are part of the normal course of business for the Corporation and are established based on their exchange value as agreed to by the parties.

Accounts payable and other payables include Nil due to officers and a corporation held by a director (\$52,716 as at December 31, 2022).

The Corporation owes to Directors and Officers salaries and remuneration with a nominal value of \$912,314. The Corporation has obtained confirmation that payment of an amount of \$812,314, under certain conditions, will not be demanded for a minimum of 12 months and one day after March 31, 2023.

RISK FACTORS

Uncertainties about process technology on a commercial basis

The Company's *PUREVAP™ QRR* silicon manufacturing process, the Purevap NSiR silicon nanomaterial transformation process and the Company's fumed silica manufacturing process have not been used commercially by the Company and there can be no assurance that the results obtained in small-scale tests can be replicated in commercial quantities, which could have a material adverse impact on the Corporation's projects. The Company will be required to supply silicon that meets certain specifications. In addition, the Corporation expects the *PUREVAP™ QRR* pilot plant to be commissioned by the end of Q1 2022. The Company's inability to fully commission and produce silicon that meets industry specifications could have a material adverse effect on the Company.

The Company's development of its silicon manufacturing, silicon nanomaterial manufacturing and fumed silica manufacturing processes can be complicated by intellectual property rights held by third parties (also known as freedom-to-operate issues), due to the nature of patents authorized by national patent offices. The Company may be forced to adapt its technology in order to ensure that it does not conflict with intellectual property rights held by third parties. In addition, the Company's ability to successfully challenge the patent rights of third parties depends on national laws and courts, and there can be no assurance that the Company would be able to successfully challenge the patent rights of third parties. In addition, the Company may face increasing competition from technology similar to its own in the future. Such similar technology may pose a threat to the Company and could prevent it from conducting business operations on an economically viable basis.

Increased production costs

Changes in the Company's cost of production could have a material impact on its financial condition and results of operations. Changes in the costs of the Company's manufacturing operations could occur as a result of unforeseen events, including international and local economic and political events, changes in commodity prices, increased costs and labour shortages could result in changes in profitability. Many of these factors may be beyond the Company's control. The Corporation prepares estimates of cash and future capital costs for its operations and projects. There can be no assurance that actual costs will not exceed such estimates. Exceeding cost estimates could adversely affect the Company's results of operations or future financial condition.

Dependence on technology

HPQ will leverage continuous improvement of technology to meet customer demands for performance and cost and to explore other business opportunities. There can be no assurance that the Corporation will succeed in its efforts in this regard or that it will have the resources to meet this demand. Although management anticipates that research and development will enable the Company to explore other business opportunities, there can be no assurance that such business opportunities will be present or realized. The Company's business advantage will depend to a large extent on HPQ's proprietary intellectual property and technology and the Company's ability to prevent others from copying such proprietary technologies.

HPQ currently relies on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyrights, trade secrets, confidential procedures, contractual provisions, licenses and patents, to protect its proprietary technology. HPQ may need to engage in litigation to protect its patents or other intellectual property rights, or to determine the validity or scope of others' proprietary rights. This type of litigation can be costly and time-consuming, whether the Company is successful or not. HPQ may apply for patents or other similar protections with respect to a particular technology. However, there can be no assurance that any future patent application will actually result in the grant of patents or that, even if patents are granted, they will be of sufficient scope or strength to provide significant protection or commercial advantage to the Company.

In addition, the process of seeking patent protection itself can be lengthy and costly. In the meantime, competitors may develop technologies similar to or superior to HPQ's technology or design from patents held by the Company, thereby negatively affecting the Company's competitive advantage in one or more of its business areas. Despite the Company's efforts, its intellectual property rights may be invalidated, circumvented, challenged, infringed or licensed to third parties. There can be no assurance that the measures the Company may take to protect its intellectual property rights and other rights in these proprietary technologies that are at the heart of the Company's operations will prevent the misappropriation or infringement of its technology.

Infrastructure, supply and inflation

As the company needs to procure the raw materials required for the proper functioning of the RRQ Purevap silicon manufacturing operations, the NSiR Purevap silicon nanomaterial transformation process and the fumed silica manufacturing process, their prices and the price of goods and services will fluctuate depending on the level of investment in the sector. As a result, it is reasonable to expect that increased demand could affect the Corporation's economic projections and future competitiveness, which may result in a significant increase in the cost of various products and services. Improved economic conditions across the technology sector will typically increase the costs of both planned exploration and development activities, which must also be integrated into the economic models used for projections of future development and potential activities. Increased demand for and costs of goods or services could result in delays if they cannot be obtained in a timely manner due to insufficient supply and could cause difficulties with schedule and timelines due to the need to coordinate their availability, which could have a significant impact on research and development and/or construction costs of production plants. These factors could have a material adverse impact on the Company's profitability and operations.

Risks associated with the future sale of products.

The Company is dependent on its future sales of products. Even though the Company has made efforts to date to enter into sales agreements, including offtake agreements, for future sales, there can be no assurance that the Company will be able to sell products on terms and conditions that are sufficiently favourable or necessary to ensure the continuity of its operations.

No warranty can be given that the Company will be able to enter into sales agreements, including offtake agreements, with respect to future sales, and, if applicable, no warranty can be given with respect to the amounts of purchase orders or commitments, the quantity of Silicon represented by such purchase orders and the commitments or the time of their receipt. Factors that may affect orders and commitments include the Company's ability to reliably and consistently produce silicon products in accordance with customer requirements and customer confidence in such capacity, market conditions, demand for products that require Silicon general market conditions and the strength of the economy.

If, for any reason, the Company is unable to produce the Products in accordance with the terms and specifications set forth in any Sales Agreement, such failure or breach of the Agreements, which would effectively result in the termination of the Agreements or the payment of damages, could adversely affect the Company's operations and financial condition. Even if the Company was able to comply with the requirements set out in each of the sales agreements, there can be no assurance that the third parties to the agreements would accept or be able to purchase the production at the prices and quantities set out in the relevant offtake agreement with the Corporation.

Uncertainty in future production estimates

The Company prepares internal estimates and projections for the future production of materials produced with the *PUREVAP™ QRR* Silicon manufacturing process, the Purevap NSiR Silicon Nanomaterials transformation process and the fumed silica manufacturing process. This information is forward-looking and no assurance can be given that any such estimates will be realized. These estimates are based on existing plans and other assumptions that change from time to time, including: mineral reserve and mineral resource estimates; the availability, accessibility, sufficiency and quality of Silicon; the Company's production costs; the Company's ability to maintain and increase production levels; the adequacy of the Corporation's infrastructure; the performance of the Corporation's workforce and equipment; the Corporation's ability to maintain and obtain mineral interests and permits and the Company's compliance with existing and future laws and regulations. The Company's actual production may differ from estimates for a variety of reasons, including: raw material purchase prices; natural phenomena, such as adverse weather conditions, water availability, flooding and seismic activity; and unexpected labour shortages, strikes, opposition or blockades from local communities where manufacturing units could be located. Failure to meet the estimated guidance could adversely affect the Company's cash flows, revenues, results of operations and future financial position.

No income and loss history

Since the Corporation does not generate revenue, it is dependent on future financing to continue its operations or even remain in business. The Company has not generated any revenue since its incorporation. The development of the *PUREVAP™ QRR* silicon manufacturing process, the *PUREVAP™ NSiR* silicon nanomaterial transformation process and the fumed silica manufacturing process are among the Company's business objectives. There is no guarantee that these projects will be commercially viable.

In addition, the Company has no history of profitable operations and there can be no assurance that the Company will ever be profitable. Exceeding cost estimates could adversely affect the Company's results of operations or future financial condition. It incurred net losses in the fiscal years ended December 31, 2020, 2021 and 2022. The Company's management does not anticipate any revenue for future fiscal years and believes that the Company may incur ongoing losses in the near future. There is no guarantee that it will reach a stage of profitability in the short term or at all.

The Corporation's future success will depend in large part on its ability to meet its contractual commitments, which are operationally and financially significant. In general, the Company's revenues will also be influenced by economic conditions and its ability to begin production and to manage its growth.

Negative operating cash flow

The Company has no history of revenues from its operating activities. The Company's cash and cash equivalents were representing approximately \$1,256,526 and \$1,143,902 respectively as of March 31, 2023 and 2022. During the period ended March 31, 2023 and December 31, 2022, the Company recorded negative cash flow from its operating activities of \$895,801 and \$4,879,224, respectively. For the period ended March 31, 2023, the Company had a current liability of \$4,436,467. For the period ended March 31, 2023, the Company had an average monthly cash expense rate of approximately \$514,000 per month, including additions to fixed assets, tangible property, facilities and equipment, intangible assets and deposits with suppliers, and any operating expenses and capitalized development costs not covered by grants. The Company expects to maintain negative cash flows from its operating activities in future periods, at least until commercial production begins and profitability is achieved through the production of materials produced with the *PUREVAP™ QRR* Silicon manufacturing process, the *PUREVAP™ NSiR* Purevap silicon nanomaterial transformation process and the fumed silica manufacturing process. To the extent that the Company has negative cash flows in future periods, the Company may need to allocate a portion of its existing working capital to fund such negative cash flows.

Capital requirements

The development of the *PUREVAP™ QRR* silicon manufacturing process, the Silicon to silicon nanomaterials *PUREVAP™ NSiR* process and the fumed silica manufacturing process will require significant additional funding. The only sources of funds available to the company are the issuance of additional share capital and borrowing. There is no assurance that such funding will be available, on favorable terms or sufficient to meet needs, which could have a negative impact on the business and its financial position. Failure to obtain sufficient funding can result in delays or even indefinite postponement of technology development work and even loss of ownership in new technologies.

Environmental regulations and requirements

The company's activities require permits from various government authorities and are governed by laws and regulations on production, exports, taxes, labour standards and occupational safety, as well as the environment and other matters.

Additional costs and delays may be caused by the need to comply with laws and regulations. If the company is unable to obtain or renew permits or approvals, it may be forced to reduce or cease its exploration or development activities.

Uninsured risks

The Company's operations are subject to certain risks and hazards, including harsh environmental conditions, industrial accidents, labour disputes, unexpected events, landslides and natural phenomena such as adverse weather conditions, floods and earthquakes. Such events could result in injury or death, environmental or other damage to the Company's or other companies' properties or production facilities, monetary loss, and possible legal liabilities.

Permanence of the company

The future of the company depends on its ability to finance its operations and develop the assets it holds. Failure to obtain sufficient funding may result in the Corporation not being able to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Loss of control

The company is subject to the loss of control of its subsidiaries, entities that have entered into agreements with PyroGenesis Canada Inc. in which they have undertaken to pay royalties to the latter and have granted it options to convert said royalties into shares of their share capital for a number of shares equivalent to the number of shares held at that time by HPQ.

Reliance on key personnel and technology partners

The Corporation's success and viability depend to some extent on its ability to attract and retain qualified key management personnel. Competition for such staff is intense and can have an impact on the ability to attract and retain such staff. The loss of any key personnel may have a material adverse effect on the Corporation, its operations and its financial condition. As well, the Company's success and viability depend in some respects on its ability to maintain a good relationship with its priority technology partner, PyroGenesis Canada Inc.

Global Financial Conditions

The Company's financial results are linked to Canadian and global economic conditions. Increased uncertainty regarding regional and global financial stability could result in lower revenues for the Company and decreased credit availability and the Company's ability to raise capital. Global financial conditions continue to be characterized as volatile. In recent years, especially since the recent outbreak of COVID-19, global markets have been negatively impacted by various credit crises. Many industries, including the technology industry, have been affected by these market conditions. Global financial conditions remain subject to sudden and rapid destabilization in response to future events, as government authorities may face limited resources to respond to future crises. A continued or worsening slowdown in financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, energy costs, consumer debt levels, lack of available credit, financial market conditions, interest rates and tax rates, may adversely affect the Company's growth and profitability. Future crises can be precipitated by a number of causes, including natural disasters, geopolitical instability, changes in energy prices or sovereign defaults. Should increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, this could have a material adverse effect on commodity prices, demand for metals, availability of credit, investor confidence and general liquidity in financial markets, which could have a negative impact on the Company's operations and the Company's stock prices.

Public health crisis

The global financial environment and the global economy in general have, at various times in the past and may experience extreme volatility in the future, in response to economic shocks or other events, such as the recent COVID-19 respiratory illness pandemic. Many industries are affected by market volatility in response to the widespread emergence of epidemics, pandemics or other health crises. Among the main impacts of these conditions are devaluations and high volatility in global financial, commodity and currency markets, as well as a lack of market confidence and liquidity. Financial institutions and large corporations can go bankrupt or be rescued by government authorities. Access to finance may also be negatively affected by future liquidity crises around the world. These factors may affect the Company's ability to obtain equity or debt financing and, if applicable, to obtain such financing on terms favorable to the Company. Increased levels of volatility and market turbulence could have a material adverse impact on the Company's business and anticipated growth and the trading price of its securities could be adversely affected.

The international response to the spread of COVID-19 has resulted in significant travel restrictions, temporary business closures, quarantines and an overall reduction in consumer activity. In particular, the continued global spread of COVID-19 could have a significant and adverse impact on the Company's business, including, but not limited to, employee health, workforce availability and productivity, travel restrictions, supply chain disruptions, increased insurance premiums, the availability of industry experts and personnel and other factors that depend on future developments beyond the Company's control.

While the Company is implementing business continuity measures and government recommendations to mitigate and reduce any potential impact related to COVID-19 on its operations, operations, supply chain and financial condition, the spread of COVID-19 could have a material negative impact on the Company's workforce and the development of these technology projects. Despite COVID-19, the Company continues to develop these technology projects through remote work solutions with its management team, employees, consultants and business partners, as well as government representatives. The magnitude and impacts of COVID-19 on the Company's operations cannot currently be determined as they depend on future developments that cannot be predicted, including but not limited to the duration of the pandemic, the severity of the virus and the ability to treat it, the ability to collect sufficient data to track the virus, and the collective measures taken to curb the spread of the virus.

Forward-Looking Statements

By their nature, forward-looking statements involve numerous known and unknown assumptions, risks and uncertainties, both general and specific, that could cause actual results to differ materially from those implied by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections may prove materially inaccurate.

Shareholder activism

In recent years, publicly traded companies have been the subject of increasing demands from activist shareholders for changes in corporate governance practices, such as executive compensation practices, social issues or certain corporate actions or reorganizations. There can be no assurance that activist shareholders will not publicly request the Company to make certain governance changes or engage in certain corporate actions.

Responding to activist shareholder challenges, such as proxy races, media campaigns or other activities, could be costly, time-consuming and negatively impact the Company's reputation and divert attention and resources from management and the Board of Directors, which could adversely affect the Company's business and results of operations. Even if the Company undertakes to make such corporate governance changes or corporate actions, activist shareholders may continue to promote or attempt to make other changes and may attempt to acquire control of the Company to implement such changes. If activist shareholders seeking to increase short-term shareholder value are elected to the Company's Board of Directors, this could have a negative effect on the Company's future operations and activities. In addition, shareholder activism could create uncertainty about the Company's future strategic direction, resulting in the loss of future business opportunities, which could have a negative impact on the Company's business, future operations, profitability and ability to attract and retain qualified personnel.

Disclosure and Internal Control

Internal control over financial reporting is a process designed to provide reasonable assurance as to the reliability of financial information and the preparation of financial statements for external purposes in accordance with IFRS. Disclosure controls and procedures are designed to ensure that the information required by the Corporation to disclose in reports filed with securities regulators is recorded, processed, summarized and disclosed in a timely manner, and is accumulated and reported by the Corporation's

management, as appropriate, to enable required decisions to be made in a timely manner. The Corporation has invested resources to document and analyze its system of disclosure controls and internal control over financial reporting. A system of control, no matter how well designed and operated, can only provide reasonable, not absolute, assurance as to the reliability of financial information and the preparation of financial statements. The Company's failure to meet the requirements of applicable Canadian securities laws on an ongoing and timely basis could result in a loss of investor confidence in the reliability of the Company's financial statements, which could adversely affect its operations and adversely affect the price of the Common Shares. In addition, any failure to implement or difficulties in implementing the required new or enhanced controls could adversely affect the Company's results of operations or prevent it from meeting its reporting obligations.

(s) Bernard Tourillon, President and Chief Executive Officer

(s) François Rivard, Chief Financial Officer

Montreal, May 30, 2023