



HPQ Silicon Inc.

Consolidated Financial Statements (unaudited) As at March 31, 2025

(in Canadian dollars)

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HPQ Silicon Inc.

Consolidated Statements of Financial Position (unaudited)

As at March 31, 2025 and December 31, 2024

(in Canadian dollars)

| | Notes | March 31, 2025 \$ | December 31, 2024 \$ |
|--------------------------------------------------------------------------------|-------|-------------------------|----------------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents | 6 | 696,103 | 676,955 |
| Marketable securities | 7 | 228,617 | 326,725 |
| Goods and services tax receivable | | 92,260 | 200,712 |
| Investment tax credits receivable | | 568,992 | 476,063 |
| Right-of-use assets | | 5,518 | 8,277 |
| Prepaid expenses and other | 8 | 164,215 | 188,901 |
| | | <u>1,755,705</u> | <u>1,877,633</u> |
| Non-current | | | |
| Property and equipment | 10 | 26,838 | 26,023 |
| Intangible assets | 11 | 2,744,712 | 2,784,996 |
| Investment accounted for using the equity method | 12 | 110,399 | 119,351 |
| | | <u>2,881,949</u> | <u>2,930,370</u> |
| Total assets | | <u>4,637,654</u> | <u>4,808,003</u> |
| LIABILITIES | | | |
| Current | | | |
| Payable to a subcontractor and other trade payables | 13 | 1,797,137 | 5,679,792 |
| Due to directors | 14 | 100,000 | 100,000 |
| Royalties payable to a subcontractor | 11 | 227,459 | 928,689 |
| Current portion of lease liabilities | | 5,598 | 8,064 |
| | | <u>2,130,194</u> | <u>5,679,792</u> |
| Non-current | | | |
| Due to directors, officers and a company owned by a director, without interest | 14 | 1,068,006 | 1,068,006 |
| Royalties payable to a subcontractor | 11 | 917,887 | 873,443 |
| | | <u>1,985,893</u> | <u>1,941,449</u> |
| Total liabilities | | <u>4,116,087</u> | <u>8,657,994</u> |
| EQUITY (DEFICIENCY) | | | |
| Share capital | 15 | 68,361,716 | 59,439,981 |
| Contributed surplus | | 2,894,911 | 2,299,980 |
| Accumulated other comprehensive income | | 17,412 | (448) |
| Deficit | | (71,432,591) | (66,391,863) |
| Equity attributable to owners (deficiency) | | <u>(158,552)</u> | <u>(4,652,350)</u> |
| Non-controlling interests | 23 | 680,119 | 802,359 |
| Total equity (deficiency) | | <u>521,567</u> | <u>(3,849,991)</u> |
| Total liabilities and equity | | <u>4,637,654</u> | <u>4,808,003</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 May 28, 2025.

ON BEHALF OF THE BOARD

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

HPQ Silicon Inc.

Consolidated Statements of Net Loss (unaudited)

The period ended as at March 31, 2025 and 2024
(in Canadian dollars)

| | Notes | 2025 | 2024 |
|--------------------------------------------------------|-------|--------------------|--------------------|
| | | \$ | \$ |
| Expenses | | | |
| Salaries and employee benefits expense | 16.1 | 213,098 | 137,555 |
| Other operating expenses | 18 | 300,050 | 295,466 |
| Research and development costs | | 901,332 | 304,091 |
| Amortization of intangible assets | 11 | 40,555 | 73,023 |
| Amortization of property and equipment | 10 | 4,268 | 478,986 |
| Operating loss | | <u>1,459,303</u> | <u>1,289,121</u> |
| Other income (expenses) | | | |
| Finance (loss) income | 19 | 98,336 | (3,633) |
| Finance costs | 19 | (55,714) | (56,939) |
| Share of loss from equity-accounted investment | | (7,702) | (14,224) |
| Adjustment of ownership in equity-accounted investment | | (1,250) | (2,827) |
| Allowance for credit losses | 8-9 | (9,551) | - |
| | | <u>24,119</u> | <u>(77,623)</u> |
| Net loss | | <u>(1,435,184)</u> | <u>(1,366,744)</u> |
| Net loss attributable to: | | | |
| Owners of the Company | | (1,375,059) | (1,348,078) |
| Non-controlling interests | 22 | <u>(60,125)</u> | <u>(18,666)</u> |
| | | <u>(1,435,184)</u> | <u>(1,366,744)</u> |
| Loss per share attributable to owners | | | |
| Basic and diluted loss per share | 20 | <u>(0.00)</u> | <u>(0.00)</u> |

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

HPQ Silicon Inc.

Consolidated Statements of Comprehensive Loss (unaudited)

The period ended as at March 31, 2025 and 2024

(in Canadian dollars)

| | Notes | 2025 | 2024 |
|------------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
| | | \$ | \$ |
| Net loss | | (1,435,184) | (1,366,744) |
| Other comprehensive income item that will subsequently be reclassified to net earnings: | | | |
| Exchange difference resulting from the conversion of a foreign subsidiary | | 17,860 | (3,857) |
| Comprehensive loss | | <u>(1,417,324)</u> | <u>(1,370,601)</u> |
| Comprehensive loss attributable to: | | | |
| Owners of the Company | | (1,357,199) | (1,351,935) |
| Non-controlling interests | 22 | <u>(60,125)</u> | <u>(18,666)</u> |
| | | <u>(1,417,324)</u> | <u>(1,370,601)</u> |

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

HPQ Silicon Inc.

Consolidated Statements of Changes in Equity (unaudited)

The period ended as at March 31, 2025 and 2024

(in Canadian dollars)

| Notes | Equity attributable to owners | | | | | Non-controlling interests | Total shareholders' equity | |
|----------------------------------------------------------------------|-------------------------------|---------------------|---------------------|---------------------------------|------------------|---------------------------|----------------------------|-----------|
| | Share capital | Contributed surplus | Deficit | Accumulated Other comprehensive | Total | | | |
| | \$ | \$ | \$ | \$ | \$ | | | |
| Balance at January 1st 2024 | 56,835,710 | 2,931,580 | (58,517,741) | 5,140 | 1,254,689 | 579,493 | 1,834,182 | |
| Common share issuance for the settlement of accounts payable | 15.1 | 88,380 | 30,316 | - | - | 118,696 | - | 118,696 |
| | 56,924,090 | 2,961,896 | (58,51,741) | 5,140 | 1,373,385 | 579,493 | 1,952,878 | |
| Net income for the period | - | - | (1,348,078) | - | (1,348,078) | (18,666) | (1,366,744) | |
| Total comprehensive for the period | - | - | - | (3,857) | (3,857) | 639 | (3,218) | |
| Balance at March 31, 2024 | <u>56,924,090</u> | <u>2,96,896</u> | <u>(59,86,819)</u> | <u>1,283</u> | <u>21,450</u> | <u>561,466</u> | <u>582,916</u> | |
| Balance at January 1st 2025 | 59,439,981 | 2,299,980 | (66,391,863) | (448) | (4,652,350) | 802,359 | (3,849,991) | |
| Common share issuance for the settlement of accounts payable | 15.1 | 4,312,530 | 628,910 | - | - | 4,941,440 | - | 4,941,440 |
| Common share issuance for the patent acquisition | 15.1 | 535,600 | 908 | - | - | 536,508 | - | 536,508 |
| Common share issuance for the increase with non-controlling interest | 15.1 | 3,714,750 | - | (3,637,095) | - | 77,655 | (77,655) | - |
| Exercise of warrants | 15.2 | 34,755 | (7,755) | - | - | 27,000 | - | 27,000 |
| Exercise of options | 16.2 | 324,100 | (74,100) | - | - | 250,000 | - | 250,000 |
| Share-based payments | 16.2 | - | 74,100 | - | - | 74,100 | - | 74,100 |
| Expiration of warrants | 15.2 | - | (27,132) | 27,132 | - | - | - | - |
| Issuance cost | - | - | (55,706) | - | - | (55,706) | - | (55,706) |
| | 68,361,716 | 2,894,911 | (70,057,532) | (448) | 1,120,992 | 802,359 | 1,923,351 | |
| Net income for the period | - | - | (1,375,059) | - | (1,375,059) | (58,595) | (1,435,184) | |
| Total comprehensive for the period | - | - | - | 17,860 | 17,860 | 15,540 | 33,400 | |
| Balance at March 31, 2025 | <u>68,361,716</u> | <u>2,894,911</u> | <u>(71,432,591)</u> | <u>17,412</u> | <u>(158,552)</u> | <u>759,304</u> | <u>521,567</u> | |

The accompanying notes are integral part of the consolidated financial statements

HPQ Silicon Inc.

Consolidated Statements of Cash Flows (unaudited)

The period ended as at March 31, 2025 and 2024
(in Canadian dollars)

| | Notes | 2025 | 2024 |
|--------------------------------------------------------|-------|-------------|-------------|
| | | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Net loss | | (1,435,184) | (1,366,744) |
| Non-cash items | | | |
| Share-based payments | | 74,100 | - |
| Amortization of intangible assets | | 40,555 | 73,023 |
| Amortization of property and equipment | | 2,268 | 478,986 |
| Depreciation of right-of-use assets | | 3,432 | 2,993 |
| Net change in fair value of marketable securities | | (75,742) | 20,762 |
| Share of loss from equity-accounted investment | | 7,702 | 14,224 |
| Adjustment of ownership in equity-accounted investment | | 1,250 | 2,827 |
| Accretion revenues – royalties' receivable | | (9,551) | (7,989) |
| Accretion expenses – royalties payable | | 55,714 | 56,939 |
| Salaries and employee benefits expense | | - | 8,750 |
| Interest income on royalty's receivable | | (6,250) | (6,250) |
| Allowance for credit losses | | (9,551) | - |
| | | (1,330,155) | (922,479) |
| Changes in working capital items | 21 | 928,344 | 443,367 |
| Cash flows used for operating activities | | (401,811) | (278,112) |
| INVESTING ACTIVITIES | | | |
| Additions to property and equipment | | (4,233) | - |
| Disposal of investments | | 173,850 | 217,213 |
| Cash flows provided by investing activities | | 169,617 | 217,213 |
| FINANCING ACTIVITIES | | | |
| Proceeds from exercise of warrants | | 27,000 | - |
| Proceeds from exercise of options | | 250,000 | - |
| Repayment of dues to directors | | - | (15,385) |
| Repayment of lease liabilities | | (3,139) | (2,990) |
| Issuance cost of units | | (55,706) | - |
| Cash flows provided by financing activities | | 218,155 | (18,375) |
| Net change in cash | | (14,039) | (80,274) |
| Effect of exchange difference on cash | | 33,187 | (3,193) |
| Cash, beginning of the period | | 676,955 | 597,404 |
| Cash, end of the period | | 696,103 | 513,937 |

For additional cash flows information refer to Note 21.

Cash operations

| | | |
|----------------------------------------------|-------|-------|
| Interests received from operating activities | 6,792 | 9,140 |
|----------------------------------------------|-------|-------|

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

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

1. NATURE OF OPERATIONS

HPQ Silicon Inc. (“HPQ” or the “Company”) specializes in the development of technologies related to the transformation of quartz into silicon materials and its derivatives.

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 for the period ended March 31, 2025 and December 31, 2024. As at March 31, 2025, the Company has an accumulated deficit of \$71,432,591 (\$66,391,863 as at December 31, 2024). The company has negative working capital of \$374,489 as at March 31, 2025 (\$4,838,912 as of December 31, 2024). Management has determined that the Company has adequate resources to continue operations normally for at least the next 12 months from the date of the statement of financial position. 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. 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.

There is a significant business relationship and economic dependence with the subcontractor, PyroGenesis Canada Inc. (“PyroGenesis” or “subcontractor”), which is a shareholder of HPQ. HPQ does business with PyroGenesis for its research and development activities involving the plasma-based process, the latter is a company that develops plasma reactors in a closed-loop furnace. Under agreements with the Company or its subsidiaries, PyroGenesis provides engineering services and assembles the equipment and the Company pays the costs upon presentation of invoices for the work performed. The QRR PUREVAP™ equipment is located on the premises of PyroGenesis. The assets acquired with the subcontractor, PyroGenesis, as well as the related royalties’ payable are described in Note 10 and 11. The expenses recorded in 2024 relating to expenses generated with PyroGenesis are \$284,021 in research and development costs.

During the period of 2025, the Company settled a total amount of liabilities due to PyroGenesis of \$4,941,440 by the issuance of 17,968,873 units (Note 15.1 (d)).

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(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.

4. MATERIAL ACCOUNTING POLICIES

4.1 Overall considerations

The material 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 the subsidiaries it controls. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Where the Company's interest in a subsidiary is less than 100%, the Company recognizes non-controlling interests. All intercompany balances, transactions, income, expenses, profits, and losses, including unrealized gains and losses have been eliminated on consolidation. When the Company ceases to have control; any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset.

The following table presents detailed information on the subsidiaries and affiliated companies held by the Company at the end of the financial reporting period.

| Name | Principal activities | Country of incorporation | Percentages held by the Company | |
|---------------------------------------------|--------------------------------------------------------------------------|--------------------------|---------------------------------|-------------------|
| | | | March 31, 2025 | December 31, 2024 |
| HPQ Energies Inc. ("HPQ Energies") | Manufacture of silicon Materials for Energy Production | Canada | 100 % | 100% |
| HPQ Silica Polvere Inc. ("HPQ Polvere") | Manufacture of Fumed Silica | Canada | 100 % | 100% |
| NOVACIUM S.A.S. ("Novacium") ⁽¹⁾ | Research and development of products made of silicon and its derivatives | France | 28,4 % | 20% |

With regard to Novacium, since June 7, 2022, the Company exercises control through the holding of a preferred share granting it a right of veto over decisions that have a significant impact on the relevant activities of this affiliated company. This preferred share was created on a temporary basis, until the Company increases its ownership interest in the share capital of Novacium.

⁽¹⁾On February 26, 2025, the Company increased its interest from 20% to 28.4% through the issuance of 17,312,790 units (Note 15.1 (f)).

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

4. MATERIAL ACCOUNTING POLICIES (continued)

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.

4.4 Functional and presentation currency

The Company and its subsidiaries each determine their functional currency based on the currency of the primary economic environment in which they operate. Transactions denominated in a currency other than the functional currency of the entity are translated at the exchange rate in effect on the transaction date. Related exchange differences are included in each entity's net income for the period in which they arise.

4.5 Financial Instruments

Recognition and derecognition

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

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

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

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

Classification and initial valuation of financial assets

Financial assets are classified into one of the following categories:

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

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

Subsequent measurement of financial assets

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' receivables 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.5 Financial instruments (continued)

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 future credit loss model.

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

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

Classification and measurement of financial liabilities

The Company’s financial liabilities include trade payables and other payables (excluding salaries and personnel expenses), royalties payable, due to directors and officers (current and non-current liabilities), and to a corporation owned by a director (excluding salaries and personnel expenses).

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 and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.7 Investment tax credits receivable

Tax credits are recognized as a reduction of the 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 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. 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.9 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.

4.10 Impairment of 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 subject to an impairment test, with the exception of the 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.

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.

4.11 Provisions and contingent liabilities

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the consolidated statements of financial position at March 31, 2025 and December 31, 2024 other than the provision for credit loss.

4.12 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.12 Income taxes (continued)

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.

4.13 Research and development expenses

Research costs are charges to the consolidated statement of (loss) earning in the period they are incurred and are included under "operating expenses, net amount". Development expenses which are directly attributable expenses, either internal or external, are charged to the consolidated statement of (loss) earning, except if the Company can demonstrate all of the following (in that case capitalised as an intangible asset - development costs):

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and to use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself, or, to be used internally, the usefulness of intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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, warrants or brokers' warrants previously recorded as contributed surplus.

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.

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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.15 Equity-settled share-based payments (continued)

All equity-settled share-based payments (except brokers' warrants, brokers' units and brokers' options) are ultimately recognized as an expense in profit or loss, 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.

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 the transformation of quartz into silicon materials and derivative products.

4.17 New accounting standards adopted

IAS 1 Presentation of Financial Statements

The amendments relate to the classification of liabilities as current or non-current and include clarifications on classification (current or non-current).

IFRS 16 Leases – lease liability in case of sale and leaseback

The amendments introduce a new accounting model that affects how a seller-turned-tenant accounts for variable lease payments resulting from a lease-back transaction.

IAS 7 Statement of cash flows & IFRS 7 Financial instruments: Disclosure – Supplier finance arrangements

The amendments introduce new communication objectives for a company to provide information on its supplier financing agreements that would enable investors to assess the impact of these agreements on liabilities, cash flows and exposure to the company's liquidity risk. The new disclosure should also include the type and effect of non-cash changes in the book value of financial liabilities that are part of a funding agreement with a supplier.

The adoption of these new accounting standards did not have a material impact on the Company's financial statements.

4.18 New accounting standards not yet adopted

As at the date of authorization of these consolidated financial statements, new standards, amendments to existing standards, and new interpretations had been issued but were not yet effective, and the Company has not early adopted them.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first financial year beginning after the effective date of each 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 significant impact on the Company's consolidated financial statements.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

4. MATERIAL ACCOUNTING POLICIES (continued)

4.18 New accounting standards not yet adopted (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations.

It also requires disclosure of newly defined management-defined performance measures in a single note, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified "roles" of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from "profit or loss" to "operating profit or loss" and removing the optionality around classification of cash flows from dividends and interest.

IFRS 18 and the amendments to the other standards are effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 will apply retrospectively with specific transition provisions.

Amendments to the Classification and Measurement of Financial Instruments

Amendments to the classification and measurement of financial instruments were issued in May 2024 in response to feedback received during the post-implementation review of the classification and measurement requirements in IFRS 9 *Financial Instruments and related disclosure requirements* in IFRS 7 *Financial Instruments: Disclosures*.

These amendments are effective for annual periods beginning on or after January 1, 2026.

The amendments clarify:

- when a financial liability settled via an electronic payment system may be considered settled prior to the actual settlement date;
- how to assess the contractual cash flow characteristics of financial assets with contingent features, where the nature of the contingent event is not directly linked to changes in basic lending risks and costs; and

new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income, and to financial instruments with contingent features not directly related to the basic lending risks and costs.

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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

5.1 Significant management judgments (continued)

Determination of control, joint control or significant influence over a business

The Company is required to exercise judgment when assessing the level of control or influence it has over its investees, taking into account, in particular, how decisions about the relevant activities of the investee are made, whether the rights held by other parties are protective or substantive in nature, and the Company's ability to influence the returns of the investee. The Company must also apply judgment in identifying related parties.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual scientific research and experimental development, 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.

Impairment indicators

The Company performs an evaluation of facts and circumstances from internal and external sources demonstrating the existence of potential indicators of impairment. Significant judgments are required in evaluating impairment indicators.

Identification of Cash-Generating Units ("CGU")

The Company exercises judgment in identifying and grouping its assets at the lowest levels that generate largely independent cash flows.

Conversion of royalties payable

As described in notes 2 and 11, there is a significant business relationship and significant economic dependence with the subcontractor, PyroGenesis, which holds shares in the Company. In addition, certain subsidiaries of the Company have the obligation to pay perpetual royalties of 10 % of future sales of product or fixed minimum annual amounts related to intellectual property purchased from PyroGenesis. On May 29, 2024, PyroGenesis notified the company of its intention to convert its royalties into a number equal to the number of shares held by HPQ in the HPQ Polvere subsidiary. The conversion right in the HPQ Energies Inc. subsidiary ceased on March 24, 2024, upon handover of the underlying NRSi intellectual property to PyroGenesis. The Company has assessed that PyroGenesis has neither de-facto control over the Company, given the fact that it does not have the ability to direct the relevant activities of the Company unilaterally, nor does it exercise significant influence over the Company. The Company considered the substance of the arrangement and agreements with PyroGenesis, the latter's percentage shareholding of the Company, combined with the Company's obligation to pay royalties on future sales, the timing of such sales and the probability of conversion of such royalties into 50 % of the shares held by HPQ in a subsidiary of the Company.

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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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(in Canadian dollars)

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

5.2 Assumptions and estimation uncertainty (continued)

Investment tax credits receivable

The calculation of the Company's 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 for scientific research and experimental development, property and equipment and income tax expense in future periods. See Note 4.7 for more information.

Impairment of assets

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. Estimates and assumptions may change if new information becomes available. If, 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.

Impairment of property and equipment and intangible assets

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.

During the year ended December 31, 2024, the Company recorded a net write-off of \$1,484,644 on intangible assets.

6. CASH AND CASH EQUIVALENTS

As at March 31, 2025 and December 31, 2024, cash and cash equivalents include a non-interest bearing bank account and an interest bearing term deposit which is detailed as follows:

| | March 31, 2025 | | December 31, 2024 | |
|--------------------------|----------------|---------------|-------------------|---------------|
| | \$ | Interest rate | \$ | Interest rate |
| Account without interest | 74,503 | - | 77,715 | - |
| Demand deposit | 621,600 | 3.38% – 3,62% | 599,240 | 3.13% – 3,62% |
| Total | <u>696,103</u> | | <u>676,955</u> | |

Term deposits are for 6 months, automatically renewable for the same period for a total term of 18 months is Company's withdrawal. An early repayment is subject to a notice period of 32 calendar days from the date the bank receives the request.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

7. MARKETABLE SECURITIES

The Company holds shares and warrants in various public companies. During the period ended March 31, 2025, these shares and warrants were valued at fair market value, resulting in a gain of \$75,742 (gain of \$783,931 as at December 31, 2024).

As at March 31, 2025, the Company holds 1,500,000 warrants of Québec Innovative Materials Corp. ("QIMC") (1,500,000 warrants as at December 31, 2024) exercisable at a price of \$0.15/share. The fair value of the share purchase warrants was valued at \$178,618 as at March 31, 2025 (\$96,000 as at December 31, 2024). The Company held 600,000 common shares as at December 31, 2024 and the quoted price of QIMC share was \$0.11.

As at December 31, 2024, the Company held 725,000 warrants of PyroGenesis exercisable at an average price of \$0.75/share. The fair value of the share purchase warrants was valued at \$7,975 as at December 31, 2024. The Company holds 100,000 common shares as at March 31, 2025 (December 31, 2024: 275,000) and the quoted price of PyroGenesis share was \$0.50 (\$0.57 as at December 31, 2024).

The following table summarizes the information on marketable securities for the periods presented:

| | March 31, 2025 | December 31, 2024 |
|------------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Balance at January 1 st | 326,725 | 676,493 |
| Acquisition (a) | - | 281,250 |
| Disposed (b) | (173,850) | (1,387,524) |
| Change in fair market value (c) | 75,742 | 756,506 |
| | <u>228,617</u> | <u>326,725</u> |

- (a) During the month of March 2023, the Company acquired 900,000 units consisting of one common share and one warrant of PyroGenesis for a total value of \$900,000. Each warrant is exercisable at a price of \$0.75 as at December 31, 2024) over a period of 2 years expiring on March 7, 2025.

The Company exercised 375,000 PyroGenesis warrants for a total amount of \$281,250, as detailed below:

On August 13, 2024, 100,000 warrants were exercised for a total amount of \$75,000.

On August 22, 2024, 100,000 warrants were exercised for a total amount of \$75,000.

On August 29, 2024, 100,000 warrants were exercised for a total amount of \$75,000.

On September 23, 2024, 100,000 warrants were exercised for a total amount of \$56,250.

- (b) The Company disposed of 175,000 shares of PyroGenesis (1,400,000 shares as at December 31, 2024) and 600,000 shares of QIMC (2,400,000 shares as at December 31, 2024) for a total amount of \$173,850 (\$1,387,524 as at December 31, 2024), realizing a loss of \$32,764 (loss of \$177,360 as at December 31, 2024).

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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7. MARKETABLE SECURITIES (continued)

(c) The Company's shares in public companies are classified at FVTPL and are recorded at fair value using quoted market prices as at March 31, 2025 and are therefore classified as Level 1 within the fair value hierarchy.

The warrants in various public companies are classified at FVTPL and are recorded at fair value using a Black-Scholes pricing model with observable market inputs and are therefore classified as Level 2 within the fair value hierarchy.

For the change in the fair value of QIMC's warrants, the following assumptions were used: share price \$0.20, risk-free interest rate of 2.47%, expected life of warrants of 0.42 years, volatility rate of 221% and a dividend rate of 0% (As at December 31, 2024, a share price of \$0.11, risk-free interest rate of 2.92%, expected life of warrant of 0.67 years, volatility rate of 221% and dividend rate of 0%).

For the change in the fair value of PyroGenesis warrants as at December 31, 2024, the following assumptions were used: share price \$0.57, risk-free interest rate of 2.92%, expected life of warrants of 0.18 years, volatility rate of 58% and a dividend rate of 0%.

8. PREPAID EXPENSES AND OTHER

As of March 31, 2025 and December 31, 2024, prepaid and other expenses are detailed as follows:

| | March 31, 2025 | December 31, 2024 |
|-------------------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Prepaid expenses | 107,739 | 113,911 |
| Interest receivable and other receivables | 131,476 | 149,990 |
| Balance, end | 239,215 | 263,901 |
| Allowance for credit loss | (75,000) | (75,000) |
| Net Balance at End | <u>164,215</u> | <u>188,901</u> |

As at December 31, 2024, an allowance for credit loss was recorded for the full amount of interest receivable of \$75,000 in relation to royalties receivable (Note 9).

9. ROYALTIES RECEIVABLE

During the 2021 fiscal year, the Company received 166,667 common shares of Beauce Gold Fields Inc. ("BGF") in settlement of a royalty receivable from COB in the form of an NSR valued at \$50,000. Following the debt settlement, the Company recognized an increase of \$9,770 in its investment and a loss of \$40,230 in net income.

On June 23, 2022, an addendum was signed to modify the initial terms of the agreement signed in 2017 with BGF. The NSR payments for each of the subsequent years have been replaced by a 10% annual interest, the \$250,000 royalty is non-transferable and the due date is December 31, 2025 including unpaid interests. As at March 31, 2025, the balance of interest receivable is \$81,250 (\$75,000 as at December 31, 2024).

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

9. ROYALTIES RECEIVABLE (continued)

| | March 31, 2025 | December 31, 2024 |
|-----------------------------|-------------------|----------------------|
| | \$ | \$ |
| Balance, beginning | - | 174,886 |
| Accretion charge | 9,551 | 34,211 |
| Balance, end | 9,551 | 209,097 |
| Allowance for credit losses | (9,551) | (209,097) |
| Net Balance at End | - | - |

The fair value of the royalties' receivable was estimated as at June 23, 2022, using a present value technique, immediately prior to the modification date. The revalued fair value of \$133,772 was estimated based on the probability of cash outflows over a 3.5 years at 18%, which is the interest rate for similar financial instruments. Undiscounted cash inflows are \$250,000 and reflect management's estimate of the timing of royalty repayment.

As at March 31, 2025, a provision for credit risk was recognized for the full amount receivable of \$9,551, (\$209,097 as at December 31, 2024) due to significant uncertainties regarding the recoverability of the respective amount.

10. PROPERTY AND EQUIPMENT

Property and equipment of the Company are composed of leasehold improvements and equipment. The \$5,022,500 equipment and rental improvements of \$344,000 pertain to the QRR PUREVAP™ process pilot plant located at the subcontractor's facilities.

The carrying value is set out as follows:

| | Leasehold improvements | Equipment | Total |
|-----------------------------------------|---------------------------|-------------|-------------|
| | \$ | \$ | \$ |
| Gross carrying value | | | |
| Balance at January 1, 2025 | 344,000 | 5,083,735 | 5,427,735 |
| Acquisition | - | 4,233 | 4,233 |
| Write-off | (344,000) | (5,022,500) | (5,366,500) |
| Effect of foreign exchange | - | 2,284 | 2,284 |
| Balance at March 31, 2025 | - | 67,752 | 67,752 |
| Accumulated depreciation | | | |
| Balance at January 1, 2025 | 344,000 | 5,057,712 | 5,401,712 |
| Depreciation | - | 4,268 | 4,268 |
| Write-off | (344,000) | (5,022,500) | (5,366,500) |
| Effect of foreign exchange | - | 1,434 | 1,434 |
| Balance at March 31, 2025 | - | 40,914 | 40,914 |
| Carrying value at March 31, 2025 | - | 26,838 | 26,838 |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

10. PROPERTY AND EQUIPMENT (continued)

| | Leasehold improvements | Equipment | Total |
|--------------------------------------------|---------------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Gross carrying value | | | |
| Balance at January 1, 2024 | 344,000 | 5,072,587 | 5,416,587 |
| Acquisition | - | 9,759 | 9,759 |
| Effect of foreign exchange | - | 1,389 | 1,389 |
| Balance at December 31, 2024 | <u>344,000</u> | <u>5,083,735</u> | <u>5,427,735</u> |
| Accumulated depreciation | | | |
| Balance at January 1, 2024 | 229,333 | 3,254,334 | 3,483,667 |
| Depreciation | 114,667 | 1,802,754 | 1,917,421 |
| Effect of foreign exchange | - | 624 | 624 |
| Balance at December 31, 2024 | <u>344,000</u> | <u>5,057,712</u> | <u>5,401,712</u> |
| Carrying value at December 31, 2024 | <u>-</u> | <u>26,023</u> | <u>26,023</u> |

11. 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 an annual royalty equal to 10% of net revenues, excluding the samples and testing products (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum amounts per the agreement not exceeding total sales. 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. No royalties to be paid are recorded for this process as of March 31, 2025 and December 31, 2024.

Under this agreement, the minimum annual royalty amounts not exceeding total sales owed when there is income are as follows:

| | |
|----------------|----------------|
| | \$ |
| 2025 | <u>150,000</u> |
| 2026 and after | 200,000 |

PUREVAP™ QRR

On July 29, 2016, the Company acquired PUREVAP™ QRR technology from PyroGenesis 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 are as follows:

| | |
|----------------|----------------|
| | \$ |
| 2025 and after | <u>250,000</u> |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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(in Canadian dollars)

11. INTANGIBLE ASSETS (continued)

PUREVAP™ QRR (continued)

The intellectual property and its related liability in relation to 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.

Management uses its judgment to estimate the amount of royalties payable under the QRR PUREVAP™ technology acquisition agreement. Estimation uncertainty is related to net revenue assumptions and the determination of a suitable discount rate.

The following table shows the distribution of royalty payments to be paid according to PUREVAP™ technology as at March 31, 2025:

| | QRR | NSiR | Total |
|-----------------------------------|------------------|-----------|------------------|
| | \$ | \$ | \$ |
| Balance at January 1, 2025 | 1,589,632 | 212,500 | 1,802,132 |
| Accretion expenses | 55,714 | - | 55,714 |
| Payment | (500,000) | (212,500) | (712,500) |
| Balance at March 31, 2025 | <u>1,145,346</u> | <u>-</u> | <u>1,145,346</u> |
| Current | 227,459 | - | 227,459 |
| Non-current | 917,887 | - | 917,887 |
| | <u>1,145,346</u> | <u>-</u> | <u>1,145,346</u> |

On January 15, 2025, the Company completed a debt settlement with PyroGenesis, which included the payment of \$500,000 in royalties payable related to QRR and \$212,500 related to NSiR (Note 15.1 (d)).

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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10. INTANGIBLE ASSETS (continued)

PUREVAP™ QRR (continued)

The following table shows the distribution of royalty payments to be paid according to PUREVAP™ technology as at December 31, 2024:

| | QRR | NSiR | Total |
|-------------------------------------|------------------|----------------|------------------|
| | \$ | \$ | \$ |
| Balance at January 1, 2024 | 1,359,329 | 212,500 | 1,571,829 |
| Accretion expenses | 230,303 | - | 230,303 |
| Payment | | | |
| Balance at December 31, 2024 | <u>1,589,632</u> | <u>212,500</u> | <u>1,802,132</u> |
| Current | 716,189 | 212,500 | 928,689 |
| Non-current | 873,443 | - | 873,443 |
| | <u>1,589,632</u> | <u>212,500</u> | <u>1,802,132</u> |

During the year of 2024, and after reviewing market conditions, the Company concluded that there are significant indicators of impairment for the PUREVAP™ technology. Furthermore, HPQ has changed its strategic plan and will focus its financing and development activities on fumed Silica technology. The Company wrote off the total carrying value of the intellectual property of \$1,865,427 with the corresponding amortization of \$548,655 and the carrying value of the related patents of \$233,820 with the corresponding amortization of \$65,948 for a total net expense of \$1,484,644.

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

| | Patents | Intellectual property | Total |
|-----------------------------------------|---------------|--------------------------|------------------|
| | \$ | \$ | \$ |
| Gross carrying value | | | |
| Balance at January 1, 2025 | 61,192 | 3,300,001 | 3,361,193 |
| Effect of foreign exchange | 1,055 | - | 1,055 |
| Balance as at March 31, 2025 | <u>62,247</u> | <u>3,300,001</u> | <u>3,362,248</u> |
| Accumulated depreciation | | | |
| Balance at January 1, 2025 | 26,198 | 549,999 | 576,197 |
| Depreciation | 1,269 | 39,286 | 40,555 |
| Effect of foreign exchange | 784 | - | 784 |
| Balance as at March 31, 2025 | <u>28,251</u> | <u>589,285</u> | <u>617,536</u> |
| Carrying value at March 31, 2025 | <u>33,996</u> | <u>2,710,716</u> | <u>2,744,712</u> |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

11. INTANGIBLE ASSETS (continued)

PUREVAP™ QRR (continued)

| | Patents | Intellectual property | Total |
|--------------------------------------------|---------------|--------------------------|------------------|
| | \$ | \$ | \$ |
| Gross carrying value | | | |
| Balance at January 1, 2024 | 294,330 | 5,165,428 | 5,459,758 |
| Write-off | (233,820) | (1,865,427) | (2,099,247) |
| Effect of foreign exchange | 682 | - | 682 |
| Balance as at December 31, 2024 | <u>61,192</u> | <u>3,300,001</u> | <u>3,361,193</u> |
| Accumulated depreciation | | | |
| Balance at January 1, 2024 | 68,141 | 831,781 | 899,922 |
| Depreciation | 23,616 | 266,873 | 290,489 |
| Write-off | (65,948) | (548,655) | (614,603) |
| Effect of foreign exchange | 389 | - | 389 |
| Balance as at December 31, 2024 | <u>26,198</u> | <u>549,999</u> | <u>576,197</u> |
| Carrying value at December 31, 2024 | <u>34,994</u> | <u>2,750,002</u> | <u>2,784,996</u> |

An amount of \$40,555 (\$290,489 as at December 31, 2024) is presented in Amortization of intangible assets.

12. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

On March 31, 2025, the Company holds the 3.09% (3.35% as at December 31, 2024) voting and equity interest in BGF. The investment is accounted for using the equity method since December 2018. Although the Company holds less than 20% of the voting rights, it has concluded that it exercises significant influence over it, in particular because of the representation it has on the Board of Directors. As at March 31, 2025, the fair value of the investment amounts to \$121,472 (\$91,104 as at December 31, 2024).

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

| | January 31, 2025 | October 31, 2024 |
|--------------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Current assets | 203,957 | 152,204 |
| Non-current assets | 4,522,724 | 4,472,164 |
| Current liabilities | 701,097 | 610,169 |
| Non-current liabilities | 212,394 | 203,068 |
| Net and total loss of comprehensive income | 238,707 | 834,248 |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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12. 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:

| | January 31, 2025 | October 31, 2024 |
|-----------------------------------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Total net assets | 3,813,190 | 3,811,131 |
| Contributed surplus not attached to ordinary shareholders | (245,898) | (248,898) |
| | 3,567,292 | 3,565,233 |
| Portion of the interest held by the Company | 3.09% | 3.35% |
| | 110,399 | 119,351 |

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

During the year of March 31, 2025, BGF issued shares for the closing of a private placement and exercise of warrants. Those issuances decreased the Company's ownership from 3.35% to 3.09%.

13. TRADE AND OTHER PAYABLES

| | March 31, 2025 | December 31, 2024 |
|----------------------------|-------------------|----------------------|
| | \$ | \$ |
| Trade accounts | 511,265 | 336,446 |
| Payable to a subcontractor | 423,081 | 4,598,766 |
| Salaries payable | 117,500 | 103,750 |
| Other | 745,291 | 640,830 |
| | 1,797,137 | 5,679,792 |

On January 15, 2025, the Company completed a debt settlement with PyroGenesis, including an amount of \$798,940 related to debt owed to a subcontractor (Note 15.1 (d)).

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

The Company owes to directors, officers and a company owned by a director some salaries and remuneration for a nominal value of \$1,168,006 (2024: \$1,168,006). The Company has obtained confirmation for said nominal value of \$1,068,006 in debts (2024: \$1,068,006), that they will not request payment thereof prior to 12 months plus one day following March 31, 2025. These amounts are classified as non-current liabilities. The remaining amount of \$100,000 (2024: \$100,000) has been classified as current liabilities and presented as due to the directors.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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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.

| | March 31, 2025 | December 31, 2024 |
|-------------------------------------------------------------------------------------------------|---------------------|----------------------|
| | Number of shares | Number of shares |
| Shares issued at the beginning | 377,615,828 | 367,296,688 |
| Issuance for the payment of accounts payable (a) (b) (d) | 17,968,873 | 396,000 |
| Issuance for patent acquisition (e) (g) | 2,337,878 | - |
| Issuance related to the increase in ownership interest in a non-controlling interest entity (f) | 17,312,790 | - |
| Reassertion of rights in Novacium partnership agreement (c) | - | 6,898,140 |
| Exercise of options (h) | 1,000,000 | 2,925,000 |
| Exercise of warrants (i) | 100,000 | 100,000 |
| Total shares issued and fully paid at the end | <u>416,335,369</u> | <u>377,615,828</u> |

(a) On January 14, 2024, the Company settled a trade account payable of \$49,680 by the issuance of 216,000 units. Each unit consists of one common share and one warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.27 per share for 24 months following the closing date of the transaction.

(b) On January 26, 2024, the Company settled a trade account payable of \$38,700 by the issuance of 180,000 units. Each unit consists of one common share and one warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.32 per share for 24 months following the closing date of the transaction.

(c) On June 21, 2024, the Company has completed an issuance of 6,898,140 units for a value of \$1,483,100 (the equivalent of 1,000,000 euros) to pay the reassertion of the Novacium agreement. Each unit is composed of one common share and one-half of a warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.30 per share for 48 months following the closing date of the transaction on June 4, 2024. An amount of \$34,491 related to warrants was recorded in increase to contributed surplus.

(d) On January 15, 2025, the Company settled a total amount of liabilities due to PyroGenesis of \$4,941,440 by the issuance of 17,968,873 units. Each unit consists of one common share and one warrant. Each warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.285 per share for 24 months following the closing date of the transaction. An amount of \$628,910 related to warrants was recorded in increase to contributed surplus.

(e) On January 29, 2025, the Company issued 1,083,333 units for a value of \$260,908 for the acquisition of a patent. Each unit consists of one common share and one-half of a warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.315 per share for 48 months following the closing date of the transaction. An amount of \$980 related to warrants was recorded in increase to contributed surplus.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

15. EQUITY (continued)

15.1 Share capital (continued)

(f) On February 26, 2025, the Company issued 17,312,790 units \$3,714,750 (the equivalent of 2,500,000 euros) for the acquisition of 84 shares of Novacium. Each unit consists of one common share and one warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.25 per share for 48 months following the closing date of the transaction. An amount of \$77,655 was recorded as a reduction in non-controlling interest and \$3,637,095 as a reduction in retained earnings.

(g) On March 18, 2025, the Company issued 1,245,545 units for a value of \$275,600 for the acquisition of a patent. Each unit consists of one common share and one-half of a warrant. Each warrant entitles its holder to acquire one common share of the Company at a price of \$0.285 per share for 48 months following the closing date of the transaction

(h) During the period ended March 31, 2025, 1,000,000 common shares were issued following the exercise of options (2,925,000 as at December 31, 2024). The weighted average share price at the exercise was \$0.25 per share (\$0.23 per share as at December 31, 2024).

(i) During the period ended March 31, 2025, 100,000 common shares were issued following the exercise of warrants (100,000 as at December 31, 2024). The weighted average share price at the date of exercise was \$0.27 per share (\$0.30 per share as at December 31, 2023).

15.2 Warrants

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

| | March 31, 2025 | | December 31, 2024 | |
|--------------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| | | \$ | | \$ |
| Balance, beginning of reporting year | 6,348,388 | 0.30 | 9,403,318 | 0.52 |
| Granted | 36,450,602 | 0.27 | 3,845,070 | 0.30 |
| Exercised | (100,000) | 0.27 | (100,000) | 0.30 |
| Expired | (360,000) | 0.32 | (6,800,000) | 0.275 |
| Balance, end of reporting period | <u>42,338,990</u> | <u>0.27</u> | <u>6,348,388</u> | <u>0.30</u> |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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(in Canadian dollars)

15. EQUITY (continued)

15.2 Warrants (continued)

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

| Expiration date | March 31, 2025 | | December 31, 2024 | |
|-----------------|-------------------|----------------|-------------------|----------------|
| | Number | Exercise price | Number | Exercise price |
| | | \$ | | \$ |
| February 2025 | - | - | 360,000 | 0.32 |
| June 2025 | 332,000 | 0.27 | 432,000 | 0.27 |
| November 2025 | 2,107,318 | 0.30 | 2,107,318 | 0.30 |
| January 2027 | 17,968,873 | 0.285 | - | - |
| June 2028 | 3,449,070 | 0.30 | 3,449,070 | 0.30 |
| January 2029 | 541,667 | 0.315 | - | - |
| February 2029 | 17,312,790 | 0.25 | - | - |
| March 2029 | 627,272 | 0.285 | - | - |
| | <u>42,338,990</u> | <u>0.27</u> | <u>6,348,388</u> | <u>0.30</u> |

15.3 Brokers' warrants

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

| | March 31, 2025 | | December 31, 2024 | |
|--------------------|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | Number of broker's warrants | Weighted average exercise price | Number of broker's warrants | Weighted average exercise price |
| | | \$ | | \$ |
| Balance, beginning | 50,454 | 0.30 | 50,454 | 0.30 |
| Granted | - | - | - | - |
| Balance, end | <u>50,454</u> | <u>0.30</u> | <u>50,454</u> | <u>0.30</u> |

Outlined below are the outstanding broker's warrants which can be exercised for an equivalent number of common shares:

| Expiration date | March 31, 2025 | | December 31, 2024 | |
|-----------------|----------------|---------------------------------|-------------------|---------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| | | \$ | | \$ |
| November 2025 | 50,454 | 0.30 | 50,454 | 0.30 |
| | <u>50,454</u> | <u>0.30</u> | <u>50,454</u> | <u>0.30</u> |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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16. EMPLOYEE REMUNERATION

16.1 Salaries and employee benefits expense

Salaries and employee benefits expense are analyzed below:

| | As at March 31, | |
|---------------------------------|-----------------|----------------|
| | 2025 | 2024 |
| | \$ | \$ |
| Salaries and benefits | 45,248 | 46,652 |
| Management fees | 93,750 | 93,750 |
| Share-based payments | 74,100 | - |
| Salaries and benefits recovered | - | (2,847) |
| | <u>213,098</u> | <u>137,555</u> |

16.2 Share-based payments

Under this option plan, the Directors may grant options to its Directors, Employees and Consultants or of those of its subsidiaries. The maximum number of shares to be granted under the Plan is 22,000,000 (22,000,000 as at December 31, 2024). As at March 31, 2025, 14,810,000 options remained exercisable (14,810,000 options as at December 31, 2024).

The Directors fix the exercise price of an option granted under the plan which cannot be lesser than the last closing price of the Corporation's shares as quoted by the TSX Venture Exchange at the end of the day preceding the one on which an option is granted, less the applicable discount as defined by the TSX Venture Exchange. The options can be exercisable for a maximum of ten years. Options are non-assignable and non-transferable except by will or the laws of succession. Upon the death of an option holder, the option may be exercised by the legal heirs or personal representatives of the option holder for a period not exceeding one year from the option holder's death provided that nothing in the foregoing shall have the effect of extending the Term of an option beyond its original expiry date. Options granted to an option holder who is a Director, Employee, Consultant or Management Company Employee shall expire at no later than a period of 12 months after the option holder ceases to be part of at least one of those categories, by reason other than the option holder's death.

No more than 5% of the shares issued by the Company may be granted to any individual in any 12-month period (unless the Company has obtained disinterested shareholder approval). No more than 2% of the shares issued by the Company may be granted to any one Consultant, in any 12-month period. No more than an aggregate of 2% of the shares issued by the Company may be granted to Persons providing Investor Relations Activities, during a 12-month period, calculated at the date the option was granted. Options granted to Consultants providing Investor Relations activities must vest gradually over 12 months with no more than ¼ of the options vesting in any three-month period. No accelerated acquisition of such options granted to those consultants shall be permitted if not approved by the Exchange. Options granted to an option holder who is providing Investor Relations activities shall terminate on expiry of a period not in excess of 30 days following the date that the option holder ceases to be provide such services. The number of Options granted to insiders, within a 12-month period may not exceed 10% of the issued Shares of the resulting issuer. The number of shares reserved for issuance under the Plan granted to insiders may not exceed 10% of the issued shares of the Company.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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16. EMPLOYEE REMUNERATION (continued)

16.2 Share-based payments (continued)

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

| | March 31, 2025 | | December 31, 2024 | |
|------------------------------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Number | Weighted average exercise price \$ | Number | Weighted average exercise price \$ |
| Outstanding, beginning of reporting year | 14,810,000 | 0.51 | 17,735,000 | 0.46 |
| Granted | 1,000,000 | 0.25 | - | - |
| Exercised | (1,000,000) | 0.25 | (2,925,000) | 0.23 |
| Outstanding and exercisable, end of reporting period | <u>14,810,000</u> | <u>0.51</u> | <u>14,810,000</u> | <u>0.51</u> |

The table below summarizes the information related to outstanding share options as at March 31, 2025:

| Outstanding options | | |
|---------------------|---------------------------------------|--------------------------------------------------------|
| Number of options | Weighted average exercise price \$ | Weighted average remaining contractual life (years) |
| 7,675,000 | 0.215 | 3.74 |
| 200,000 | 0.23 | 0.26 |
| 900,000 | 0.28 | 0.52 |
| 700,000 | 0.35 | 2.11 |
| 5,335,000 | 1.00 | 1.72 |
| <u>14,810,000</u> | <u>0.51</u> | <u>2.69</u> |

The table below summarizes the information related to outstanding share options as at December 31, 2024:

| Outstanding options | | |
|---------------------|---------------------------------------|--------------------------------------------------------|
| Number of options | Weighted average exercise price \$ | Weighted average remaining contractual life (years) |
| 7,675,000 | 0.215 | 3.99 |
| 200,000 | 0.23 | 0.51 |
| 900,000 | 0.28 | 0.77 |
| 700,000 | 0.35 | 2.36 |
| 5,335,000 | 1.00 | 1.97 |
| <u>14,810,000</u> | <u>0.51</u> | <u>2.94</u> |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

16. EMPLOYEE REMUNERATION (continued)

16.2 Share-based payments (continued)

The weighted fair value of the granted options of \$0.074 as at March 31, 2025 was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

| | <u>2025</u> |
|-----------------------------------------|-------------|
| Average share price at date of grant | \$0.22 |
| Expected dividend yield | 0% |
| Expected weighted volatility | 66.0% |
| Average risk-free interest rate | 2.86% |
| Expected average life | 2.0 years |
| Average exercise price at date of grant | \$0.25 |

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.

In total, an amount of \$74,100 as at March 31, 2025 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) were included in profit or loss as salaries and employee benefit expenses and credited to contributed surplus.

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 March 31, 2025 and December 31, 2024 are classified as Level 1 and warrants are classified as Level 2.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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17. FAIR VALUE MEASUREMENT (continued)

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 due to directors, officers and a company owned by a director and royalties payable in the non-current term is \$1,068,006 and \$917,887 respectively (\$1,068,006 and \$873,443 respectively as at December 31, 2024). See Notes 14 and 11 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:

| | March 31, | |
|---------------------------------------------------|----------------|----------------|
| | 2025 | 2024 |
| | \$ | \$ |
| Professional and consultation fees | 200,718 | 217,526 |
| Travelling expenses | 48,508 | 16,612 |
| Office expenses | 35,327 | 40,333 |
| Information to shareholders and registration fees | 15,967 | 14,293 |
| Bank charges | 1,772 | 1,940 |
| Loss (gain) on exchange rate | - | 6,502 |
| Administrative expenses recovered | (2,242) | (1,740) |
| | <u>300,050</u> | <u>295,466</u> |

19. FINANCE INCOME AND FINANCE COSTS

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

| | March 31, | |
|--------------------------------------------------------------------|---------------|----------------|
| | 2025 | 2024 |
| | \$ | \$ |
| Change in fair value of marketable securities in a quoted company* | 75,742 | (20,762) |
| Amortization of discount rate on royalties receivable | 9,551 | 7,989 |
| Interest income | 13,043 | 9,140 |
| | <u>98,336</u> | <u>(3,633)</u> |

* The amount of the change in fair value includes a realized loss of \$32,764 (loss of \$210,650 as at March 31, 2024 (Note 7)).

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

19. FINANCE INCOME AND FINANCE COSTS (continued)

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

| | March 31, | |
|---------------------------------------|-----------------|-----------------|
| | 2025 | 2024 |
| | \$ | \$ |
| Accretion expenses- royalties payable | (55,714) | (56,939) |
| | <u>(55,714)</u> | <u>(56,939)</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, 15.3 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 2025 and 2024.

| | March 31, | |
|-----------------------------------------------|---------------|---------------|
| | 2025 | 2024 |
| Net loss | \$(1,435,184) | \$(1,366,744) |
| Weighted average number of outstanding shares | 400,776,900 | 367,672,229 |
| Basic and diluted loss per share | \$(0.00) | \$(0.00) |

21. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

| | As at March 31, | |
|-----------------------------------|-----------------|----------------|
| | 2025 | 2024 |
| | \$ | \$ |
| Goods and services tax receivable | 108,452 | (36,183) |
| Prepaid expenses and other | 30,936 | 38,099 |
| Investment tax credits receivable | (92,929) | 143,062 |
| Trade and other payables | 881,885 | 298,359 |
| Income tax payable | - | 30 |
| | <u>928,344</u> | <u>443,367</u> |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

21. ADDITIONAL INFORMATION – CASH FLOWS (continued)

Non-cash balance sheet transactions are detailed as follows:

| | As at March 31, | |
|--------------------------------------------------------------------------------------------|-----------------|-----------|
| | 2025 | 2024 |
| | \$ | \$ |
| Trade and other payables included in intangible assets | - | 3,582,487 |
| Issuance of shares for payment of accounts payables included in intangible assets | - | 88,380 |
| Issuance of equity instruments for payment of accounts payable | | 30,316 |
| Issuance of shares for reassertion of rights in Novacium partnership agreement | 1,448,609 | - |
| Issuance of equity instruments for reassertion of rights in Novacium partnership agreement | 34,491 | - |
| Issuance of equity for the increase in ownership interest with non-controlling interest | 3 714 750 | - |

22. NON-WHOLLY-OWNED PARTNER COMPANY

| | March 31, 2025 | December 31, 2024 |
|------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| Proportion of ownership interests and voting rights held by non-controlling interests ⁽¹⁾ | 71.4% | 80% |
| Net earnings allocated to non-controlling interests for the period | (58,595) | 211,967 |
| Non-controlling interests | 759 304 | 802,359 |

Summarized financial information of the subsidiary that has non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

| | March 31, 2025 | December 31, 2024 |
|--------------------------------------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Summary Statements of Net Loss and Comprehensive Loss | | |
| Income | 376,888 | 1,481,483 |
| Expenses | 454,959 | 1,181,432 |
| Comprehensive income | (78,071) | 300,051 |
| Comprehensive income attributable to: | | |
| Owners of the Company | (19,476) | 60,010 |
| Non-controlling interests | (58,595) | 240,041 |
| | (78,071) | 300,051 |

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

22. NON-WHOLLY-OWNED PARTNER COMPANY (continued)

Summary Statements of Cash Flows

| | | |
|-----------------------------------------|-----------------|----------------|
| Cash flows from operating activities | (17,302) | 331,634 |
| Cash flows used in investing activities | (4,233) | (9,759) |
| Cash flows from financing activities | - | - |
| Net change in cash and cash equivalents | <u>(21,535)</u> | <u>321,875</u> |

Summary Statement of Financial Position

| | | |
|-----------------------------------------|------------------|------------------|
| Current assets | 1,232,819 | 1,134,726 |
| Non-current assets | <u>34,185</u> | <u>33,855</u> |
| | <u>1,267,004</u> | <u>1,168,581</u> |
| Current liabilities | 301,468 | 166,338 |
| Non-current liabilities | - | - |
| Net asset | 965,536 | 1,002,243 |
| Equity attributable to owners | 248,876 | 197,285 |
| Non-controlling interests | 689,886 | 800,070 |
| Foreign currency translation adjustment | <u>26,774</u> | <u>4,888</u> |
| | <u>1,267,004</u> | <u>1,168,581</u> |

⁽¹⁾ On February 26, 2025, the Company issued 17,312,790 units for the acquisition of 84 shares of Novacium. As a result of the issuance of HPQ shares, the non-controlling interest's share of net income decreased from 80% to 71.6% as of that date.

23. RELATED PARTY TRANSACTIONS

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

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash with the exception of patent acquisitions and the reassertion of rights in the Novacium partnership agreement which were settled by the issuance of units during the financial years.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

23. RELATED PARTY TRANSACTIONS (continued)

23.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and officers. Key management personnel remuneration and asset acquisitions are as follows:

| | As at March 31, | |
|-------------------------------------------------------------------|-----------------|---------|
| | 2025 | 2024 |
| | \$ | \$ |
| Salaries and employee benefits expense | 23,049 | 22,744 |
| Salaries and benefits for research and development ⁽¹⁾ | 281,394 | 226,357 |
| Management fees ⁽²⁾ | 93,750 | 93,750 |
| Share-based payments | 74,100 | - |
| | <hr/> | <hr/> |
| Salaries and employee benefit expenses | 472,293 | 342,851 |
| Acquisition of patent ⁽¹⁾ | 536,508 | 118,696 |
| | <hr/> | <hr/> |
| Salaries and employee benefit expenses and other acquisition | 1,008,801 | 461,547 |

⁽¹⁾ Paid to the partners of the Novacium partnership agreement .

⁽²⁾ Paid to a company owned by a director.

Trade and other payables include an amount of \$719,708 due to a company owned by a director (\$609,646 as at December 31, 2024) and \$5,347 to the officers and shareholders of Novacium (\$5,281 as at December 31, 2023).

On March 31, 2025, due to directors, officers and a company owned by a director totalled \$1,168,006 (\$1,168,006 as at December 31, 2024).

On February 26, 2025, the Company issued 17,312,790 units for a value of \$3,714,750 (equivalent to €2,500,000) for the acquisition of 84 shares held by the co-shareholders of Novacium.

24. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase the value of the assets of the business, and to provide an adequate return to owners of the Company.

These objectives will be achieved by technological development related to the transformation of quartz into silicon materials.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements.

The Company finances its technology development activities related to the transformation of quartz into silicon materials primarily 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 Inc.

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The period ended as at March 31, 2025

(in Canadian dollars)

25. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks related to financial instruments. The main types of risks are market risk, credit risk, interest rate risk, foreign exchange risk, and liquidity risk.

To meet the cash needs of its subsidiaries, the Company advances the necessary funds to support their operations.

The Company manages these risks in close collaboration with the Board of Directors. The objectives pursued are to ensure short- and medium-term cash inflows while limiting exposure to capital markets. The Company does not actively trade financial assets for speculative purposes.

25.1 Market risk

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

Equity price risk is defined as the potential adverse impact on the Company's results of operations and on the ability to obtain equity financing, or the ability of holders of convertible securities (options and warrants) to exercise their securities, which affects proceeds to the Company on such exercises, due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements to determine the appropriate course of action to be taken by the Company.

Commodity price risk is defined as the potential adverse impact on the Company's future results in respect of the fluctuation in the price of raw materials. The Company is exposed to commodity price risk including exposure to the fluctuating market prices of quartz and graphite. 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 March 31, 2025 ($\pm 15\%$ as at December 31, 2024), an increase in their value would be \$45,071 (\$68,183 as at December 31, 2024) and a decrease of \$43,836 (\$58,763 as at December 31, 2024) in net income and shareholders' equity.

25.2 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 value of cash and royalties' receivable for an amount of \$696,103 as at March 31, 2025 (\$676,955 as at December 31, 2024).

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.

The royalties to be paid by the Company are due to a company towards which it is economically dependent. The company considers the term thereof at 10 years.

25.3 Interest rate risk

The Company is exposed to interest rate risk because of the fluctuation of interest rates. The Company's exposure to variable interest rates is limited to cash and cash equivalents.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

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(in Canadian dollars)

25. FINANCIAL INSTRUMENT RISKS (continued)

25.4 Currency risk

Currency risk is the risk of fluctuation in gains or losses that arise from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company is exposed through its subsidiary Novacium to currency risk with regards to its transactions in euros.

Based on the value of net assets denominated in foreign currency as at March 31, 2025, a $\pm 3\%$ ($\pm 3\%$ as at December 31, 2024) fluctuation in foreign exchange rates relative to the Canadian dollar would impact the loss and comprehensive income for the period by approximately \$28,000 (\$10,400 as at December 31, 2024).

25.5 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 working capital requirements and acquisitions of property and equipment and intangible assets through private placements.

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

| | March 31, 2025 | December 31, 2024 |
|-------------------------------------------|-------------------|----------------------|
| | \$ | \$ |
| Less than a year | | |
| Trade payables and other accounts payable | 1,374,056 | 1,081,026 |
| Payable to a subcontractor | 423,081 | 4,598,766 |
| Lease liabilities | 6,275 | 9,414 |
| Royalties payable QRR Purevap™ | 250,000 | 750,000 |
| Royalties payable NSiR Purevap™ | - | 212,500 |
| Total | <u>2,053,412</u> | <u>6,651,706</u> |
| Between one and 5 years | | |
| Royalties payable QRR Purevap™ | <u>1,000,000</u> | <u>1,000,000</u> |
| | <u>1,000,000</u> | <u>1,000,000</u> |
| More 5 years | | |
| Royalties payable QRR Purevap™ | <u>1,500,000</u> | <u>1,750,000</u> |
| | <u>1,500,000</u> | <u>1,750,000</u> |

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

HPQ Silicon Inc.

Notes to Consolidated Financial Statements (unaudited)

The period ended as at March 31, 2025

(in Canadian dollars)

26. CONTINGENCIES AND COMMITMENTS

Under Novacium's shareholders' agreement, the Company had the option to increase its stake in Novacium from 20% to 50% by paying in cash an amount of between €500,000 and €1,000,000 within 18 months of the start of operations of its affiliated company Novacium. Subsequently, and no later than 7 years after the start of operations, the company could acquire the remaining 50% held by Novacium's co-founders, who had irrevocably committed to sell all of their shares to the company. The company did not exercise its option in the allotted time. In doing so, it could no longer proceed with future increases in participation. After negotiation with Novacium's other shareholders, the Company entered into an agreement on June 5, 2024 to recover its present and future rights in the Partnership Agreement. This agreement provides for negotiations between the Company and the other shareholders to, among other things, develop a new structure for the increase of its shareholding. Part of the new agreement has been implemented (Note 27).

The Company has committed to pay a monthly sum of €80,000 (\$124,300) for research and development services due June 30, 2025. This amount is fully eliminated in the Company's consolidated financial statements, with 71.6% (80% as at December 31, 2024) held by non-controlling interests (Note 22). On April 30, 2025, the Company signed an amendment with the partners of Novacium increasing the monthly amount to be paid by HPQ to up to €100,000 (155,400 \$) (Note 27).

27. SUBSEQUENT EVENTS

On April 30, 2025, the Company signed an amendment with the partners of Novacium following the agreement entered into on June 5, 2024 (Note 26). The partners agreed to the following:

- The option granted to HPQ under the October 26, 2021 agreement, allowing it to increase its ownership in Novacium up to 100%, is renewed.
- HPQ shall retain this option for the next four years from the date of signature of this amendment.
- The parties acknowledge that, on February 26, 2025, HPQ increased its ownership in Novacium by 8.4%, bringing its total interest to 28.4%, in consideration for an amount of €2,500,000 paid through the issuance of HPQ common shares.
- HPQ commits to pay a monthly amount of €100,000 for research and development services starting July 1, 2025.
- The parties will continue to negotiate to amend the October 26, 2021 agreement and the shareholders' agreement to establish new terms and conditions that will replace the existing ones.