



HPQ Silicon Inc.

Consolidated Financial Statements As at December 31, 2025 and 2024

(in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
HPQ SILICON INC.

Opinion

We have audited the consolidated financial statements of HPQ Silicon Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024 and the consolidated statements of profit (loss) and comprehensive profit (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred negative operating results of \$4,163,224 and negative cash flows from operating activities of \$3,108,470 for the year ended December 31, 2025. As stated in Note 2, these events or conditions, together with other matters described in that note, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon; we do not provide a separate opinion on these matters.

In addition to the matter described in the section “Material Uncertainty Related to Going Concern,” we have determined that the matters described below are key audit matters to be communicated in our report.

Impairment Test of Intellectual Property

We draw attention to Note 10 of the consolidated financial statements.

Why this matter was considered a key audit matter

The Company recognizes an intellectual property asset amounting to \$2,592,858. The assessment of whether an impairment loss exists is based on a complex impairment test involving significant management judgment, particularly with respect to:

- projected future cash flows;
- the selection of key assumptions, such as the discount rate.

Small changes in these assumptions could have a significant impact on the estimated recoverable amount. Due to the magnitude of the amounts involved and the high level of judgment required, we considered the impairment test of intellectual property assets to be a key audit matter.

How the matter was addressed in the audit

Our audit procedures included, among others:

- Understanding and evaluating the process implemented by management to identify indicators of impairment and perform impairment tests in accordance with IFRS.
- Assessing the method used by management to determine the recoverable amount.
- Testing the mathematical accuracy of the impairment models used.
- Assessing the reasonableness of key assumptions, including:
 - the consistency of projected cash flows with budgets approved by management and historical performance;
 - the alignment of growth assumptions with observable economic and industry conditions;
 - the appropriateness of the discount rate used, considering the risks specific to the related assets.
- Involving our valuation specialists to support our assessment of the methods, assumptions, and data used.

Assessment of Control over Novacium S.A.S.

We draw attention to Notes 4.2 and 11 of the consolidated financial statements.

Why this matter was considered a key audit matter

The Company signed an amendment to the shareholders' agreement of Novacium S.A.S., after which management concluded that it no longer exercised control over this entity under IFRS 10 and therefore ceased consolidating it.

This conclusion is based on significant judgment requiring an assessment of power over relevant activities, exposure to variable returns, and the ability to use power to influence those returns. It also requires evaluating whether certain rights held by the parties—such as veto or approval rights under contractual agreements and governance mechanisms—are substantive or merely protective. Given the level of judgment required, the complexity of the arrangements, and the potential impact on the consolidation scope, we considered this matter a key audit matter.

How the matter was addressed in the audit

Our audit procedures included, among others:

- Reviewing relevant contractual and legal documents with the involvement of our IFRS accounting specialists to assess the accounting treatments and conclusions reached by management.
- Evaluating management's analysis against the requirements of IFRS 10.
- Assessing the substantive nature of the rights held by the parties, including their conditions of exercise and their ability to influence relevant activities.
- Evaluating the adequacy of disclosures in the notes relating to management's significant judgments.

Measurement of the Company's Retained Interest in Novacium S.A.S. and the Company's Option to Acquire the Remaining Interest

We draw attention to Notes 4.2, 6, and 11 of the consolidated financial statements.

Why this matter was considered a key audit matter

The Company disposed of a controlling interest in Novacium S.A.S., resulting in the loss of control over this entity (see above). In accordance with IFRS, the Company measured the retained interest at fair value at the date control was lost and recognized the resulting gain of \$13,799,409 in net income.

In addition, the Company retained a call option over the shares held by the controlling shareholders of Novacium S.A.S. This option was initially recognized at fair value at the date of the amendment for an amount of \$25,327,950 and will be remeasured at each reporting date.

The determination of the fair value of the retained interest and the call option involves significant judgment and a high degree of estimation uncertainty, particularly regarding the selection of appropriate valuation methods and the determination of key assumptions, as detailed below.

How the matter was addressed in the audit

Our audit procedures included, among others:

- Assessing the accounting treatment applied by management following the loss of control, including the measurement of the retained interest and the call option in accordance with applicable accounting standards.
- Evaluating the appropriateness of the valuation methods used by management to determine the fair value of the retained interest and the call option, considering the characteristics of the investment.
- Testing the mathematical accuracy of the valuation models used.
- Assessing the reasonableness of key assumptions used in valuing the retained interest and the call option, including:
 - management's financial projections, including revenue growth, expected operating margins, working capital requirements, and future capital investments;
 - the anticipated timing of option exercise;
 - contractual amounts;
 - the probabilities of achieving various acquisition tranches;
 - assumptions regarding the Company's future financial conditions.
- Involving our valuation specialists to support our assessment of the methods, assumptions, and data used.
- Performing sensitivity analyses to evaluate the impact of reasonably possible changes in key assumptions on the estimated fair value.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole are, free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieve fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Martin Cloutier.

Forvis Mazars LLP¹

Montréal, May 1, 2026

¹ Par FCPA auditeur, permis de comptabilité publique No. A117854

HPQ Silicon Inc.

Consolidated Statements of Financial Position

As at December 31, 2025 and 2024
(in Canadian dollars)

	Notes	December, 31	
		2025	2024
		\$	\$
ASSETS			
Current			
Cash and cash equivalents	5	555,740	676,955
Financial assets at FVTPL	6	621,253	326,725
Goods and services tax receivable		60,023	200,712
Investment tax credits receivable		-	476,063
Prepaid expenses and other	7	45,990	188,901
		<u>1,283,006</u>	<u>1,869,356</u>
Non-current			
Property and equipment	9	-	26,023
Intangible assets	10	2,592,858	2,784,996
Investments accounted for using the equity method	11	14,023,111	119,351
Financial assets at FVTPL	6	25,327,950	-
Right-of-use assets		30,371	8,277
		<u>41,974,290</u>	<u>2,938,647</u>
Total assets		<u>43,257,296</u>	<u>4,808,003</u>
LIABILITIES			
Current			
Payable to a subcontractor and other trade payables	12	1,794,048	5,679,792
Due to directors	14	100,000	100,000
Royalties payable to a subcontractor	10	250,000	928,689
Portion of lease liabilities		10,952	8,064
		<u>2,155,000</u>	<u>6,716,545</u>
Non-current			
Due to directors, officers and a company owned by a director, without interest	14	1,166,506	1,068,006
Portion of lease liabilities		19,440	-
Royalties payable to a subcontractor	10	-	873,443
		<u>1,185,946</u>	<u>1,941,449</u>
Total liabilities		<u>3,340,946</u>	<u>8,657,994</u>
EQUITY (DEFICIT)			
Share capital	15	70,697,727	59,439,981
Contributed surplus		4,896,664	2,299,980
Accumulated other comprehensive income		-	(448)
Deficit		(35,678,041)	(66,391,863)
Equity attributable to owners (deficit)		<u>39,916,350</u>	<u>(4,652,350)</u>
Non-controlling interests	23	-	802,359
Total equity (deficit)		<u>39,916,350</u>	<u>(3,849,991)</u>
Total liabilities and equity		<u>43,257,296</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 1, 2026.

ON BEHALF OF THE BOARD OF DIRECTORS

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

HPQ Silicon Inc.

Consolidated Statements of Net Income

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

	Notes	Year ended as at December 31	
		2025	2024
		\$	\$
Expenses			
Salaries and employee benefits expense	16.1	774,491	753,496
Other operating expenses	18	1,309,342	1,038,421
Research and development costs ⁽¹⁾		1,895,084	1,337,691
Amortization of intangible assets	10	159,199	290,489
Amortization of property and equipment	9	-	1,917,421
Write-off of intangible assets	10	25,108	1,484,644
		4,163,224	6,822,162
Operating loss			
Other income (expenses)			
Finance income	19	209,392	830,821
Finance costs	19	(225,969)	(230,303)
Share of loss from equity-accounted investment	11	(20,333)	(30,855)
Adjustment of ownership in investments accounted for using the equity method	11	(193,907)	2,996
Reassertion of rights in Novacium partnership agreement	14.1	-	(1,483,100)
Reversal of Part XII.6 tax		-	25,452
Reversal of allowance for credit losses	7, 8	284,097	(284,097)
Gain on cancellation of royalties receivable	8	21,364	-
Loss on settlement of debt	15.1	(749,302)	-
Gain on retained interest in a formerly controlled subsidiary	11	39,315,442	-
Gain on cancellation of royalties to a subcontractor	10	1,065,601	-
		39,706,385	(1,169,086)
Income before income taxes		35,543,161	(7,991,248)
Income taxes	21	-	-
Net income (loss)		35,543,161	(7,991,248)
Net income (loss) attributable to:			
Owners of the Company		35,361,147	(8,203,215)
Non-controlling interests	23	182,014	211,967
		35,543,161	(7,991,248)
Loss per share attributable to owners			
Basic net earnings (loss) per share	20	0.085	(0.02)
Diluted net earnings (loss) per share	20	0.085	(0.02)

⁽¹⁾ Including share-based payments of \$62,170 in 2025.

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

HPQ Silicon Inc.

Consolidated Statements of Comprehensive Income

The years ended as at December 31, 2025 and 2024

(in Canadian dollars)

	Notes	Year ended as at December 31	
		2025	2024
		\$	\$
Net income (loss)		35,543,161	(7,991,248)
Other comprehensive income item that will subsequently be reclassified to net earnings:			
Exchange difference resulting from the conversion of a foreign subsidiary		88,228	5,311
Comprehensive income (loss)		<u>35,631,389</u>	<u>(7,985,837)</u>
Comprehensive income (loss) attributable to:			
Owners of the Company		35,449,375	(8,197,904)
Non-controlling interests	23	<u>182,014</u>	<u>211,967</u>
		<u>35,631,389</u>	<u>(7,985,837)</u>

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

HPQ Silicon Inc.

Consolidated Statements of Changes in Equity

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

Notes	Equity attributable to owners					Non-controlling interests	Total shareholders' equity (deficit)
	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
Exercise of warrants	16.2	30,000	-	-	30,000	-	30,000
Exercise of options	16.2	1,037,282	(356,407)	-	680,875	-	680,875
Expiration of warrants	16.2	-	(340,000)	340,000	-	-	-
Recovery of rights in Novacium partnership agreement	16.1	1,448,609	34,491	-	1,483,100	-	1,483,100
Issuance cost		-	(10,907)	-	(10,907)	-	(10,907)
		2,604,271	(631,600)	329,093	-	2,301,764	2,301,764
Net income (loss) for the year		-	-	(8,203,215)	-	211,967	(7,991,248)
Total comprehensive income (loss) for the year		-	-	-	(5,588)	10,899	5,311
Balance at December 31, 2024		59,439,981	2,299,980	(66,391,863)	(448)	802,359	(3,849,991)
Private placement unit issuance	15.1	2,093,761	123,035	-	-	2,216,796	2,216,796
Common share issuance for the settlement of accounts payable	15.1	4,397,280	1,395,162	-	-	5,792,442	5,792,442
Common share issuance R&D expenses	15.1	535,600	908	-	-	536,508	536,508
Common share issuance for the increase the Company's interest in Novacium	15.1	3,722,250	1,948,958	(5,593,553)	-	(77,655)	-
Issuance of shares on convertible note payable	15.1	150,000	-	-	-	150,000	150,000
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	-	252,876	-	-	252,876	252,876
Expiration of warrants	15.2	-	(52,877)	52,877	-	-	-
Expiration of broker's warrants	15.3	-	(3,488)	3,488	-	-	-
Option expiry	16.2	-	(93,080)	93,080	-	-	-
Option cancellation	16.2	-	(935,670)	935,670	-	-	-
Issuance cost		-	42,715	(138,887)	-	(96,172)	(96,172)
		11,257,746	2,596,684	(4,647,325)	-	(77,655)	9,129,450
Net income for the year		-	-	35,361,147	-	182,014	35,543,161
Loss of control over Novacium		-	-	-	-	(994,498)	(994,498)
Total comprehensive income for the year		-	-	-	448	87,780	88,228
Balance at December 31, 2025		70,697,727	4,896,664	(35,678,041)	-	-	39,916,350

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

HPQ Silicon Inc.

Consolidated Statements of Cash Flows

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

	Notes	Year ended December 31	
		2025	2024
		\$	\$
OPERATING ACTIVITIES			
Net income (loss)		35,543,161	(7,991,248)
Non-cash items			
Share-based payments	16.2	252,876	-
Amortization of intangible assets	10	159,199	290,489
Amortization of property and equipment	10	-	1,917,421
Depreciation of right-of-use assets		12,854	11,400
Gain on settlement of royalty receivable debt	8	(21,364)	-
Loss on settlement of debt	15.1	749,302	-
Net change in fair value of marketable securities	6	(156,570)	(756,506)
Recovery of rights in Novacium partnership agreement	14.1	-	1,483,100
Write-off of intangible assets	10	25,108	1,484,644
Share of loss from investments accounted for using the equity method	11	20,333	30,855
Adjustment of ownership in investments accounted for using the equity method	11	193,907	(2,996)
Accretion revenues – royalties' receivable	8	(19,539)	(34,211)
Accretion expenses – royalties payable	10	225,969	230,303
Salaries and employee benefits expense		192,250	241,850
Interest income on royalty's receivable		-	(25,000)
Allowance for credit losses	7, 8	(284,097)	284,097
Gain on retained interest in a formerly controlled subsidiary	11	(39,315,442)	-
Gain on cancellation of royalties to a subcontractor	10	(1,065,601)	-
Loss of control over the net assets of the equity interest in Novacium	11	(1,355,919)	-
		<u>(4,843,573)</u>	<u>(2,835,802)</u>
Changes in working capital items	22	<u>1,735,103</u>	<u>1,141,776</u>
Cash flows used for operating activities		<u>(3,108,470)</u>	<u>(1,694,026)</u>
INVESTING ACTIVITIES			
Additions to property and equipment		(23,098)	(9,759)
Purchase of Financial assets at FVTPL	6	(225,000)	(281,250)
Disposal of Financial assets at FVTPL	6	640,455	1,387,524
Cash flows provided by investing activities		<u>392,357</u>	<u>1,096,515</u>
FINANCING ACTIVITIES			
Proceeds from issue of units by private placements	15.1	2,216,796	-
Proceeds from convertible note payable	15.1	150,000	-
Proceeds from exercise of warrants	15.1	27,000	30,000
Proceeds from exercise of options	16.2	250,000	680,875
Repayment of dues to directors		-	(15,385)
Repayment of lease liabilities		(12,620)	(11,774)
Issuance cost of units		(96,172)	(10,907)
Cash flows provided by financing activities		<u>2,535,004</u>	<u>672,809</u>
Net change in cash		(181,109)	75,298
Effect of exchange difference on cash		59,894	4,253
Cash, beginning of the period		<u>676,955</u>	<u>597,404</u>
Cash, end of the period		<u><u>555,740</u></u>	<u><u>676,955</u></u>

Cash operations

Interests received from operating activities	33,283	15,104
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For additional cash flows information refer to Note 22.

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

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

1. NATURE OF OPERATIONS

HPQ Silicium Inc. (“HPQ” or the “Company”) specializes in technological development in silicon-based materials and their derivatives.

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.

2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including the going concern assumption, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Unless otherwise indicated, all amounts presented in the consolidated financial statements are expressed in Canadian dollars.

Comparative information has been reclassified, where necessary, to conform to the presentation adopted for the current year. These reclassifications relate solely to presentation changes and have no impact on the results of operations or financial position previously reported.

The Company has not generated any revenue to date and has incurred operating losses and negative cash flows from operating activities for the years ended December 31, 2025 and December 31, 2024. As at December 31, 2025, the Company has accumulated deficit of \$35,678,041 (\$66,391,863 as at December 31, 2024). The Company has a negative working capital of \$871,994 as at December 31, 2025 (\$4,847,189 as at December 31, 2024). Management has determined that the Company has adequate resources to continue its operations in the normal course of business for at least the next 12 months from the date of the statement of financial position.

As the Company is still in the development stage and will focus on innovation in silicon-based solutions and related technologies, it will continue to incur operating losses until it obtains additional financing to fund its future operations and expansion plans related to these technologies and the commencement of their commercialization. The Company expects to generate revenue from product sales once it has successfully completed the commercialization stages of its silicon solutions, which may take a number of years. Until it is able to generate significant revenue from product sales, the Company expects to finance its operations through a combination of public or private placements, debt financing, or other sources. The Company has successfully secured financing in the past, during the year ended December 31, 2025 (Note 15.1) and subsequently in 2026 (Note 28), and has obtained government funding tied to future investments during the current year. Raising additional funds depends on a number of factors beyond the Company’s control and, as such, there can be no assurance that it will be able to do so in the future. The Company’s ability to meet its obligations and discharge its liabilities depends on the successful commercialization of its licensed technologies, its ability to raise additional funds to finance its activities, and the continued financial support of shareholders and lenders. The conditions described above indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS (continued)

There is a significant business relationship and economic dependence on the subcontractor PyroGenesis Inc. (“PyroGenesis” or the “subcontractor”). HPQ engages PyroGenesis for its research and development activities involving plasma-based processes. PyroGenesis develops plasma reactors operating in a closed-loop furnace system. Under agreements entered into by the Company or its subsidiaries, PyroGenesis provides engineering services and carries out the assembly of equipment, with the Company bearing the costs upon receipt of invoices for work performed. The assets acquired with the subcontractor PyroGenesis and the related royalties payable are described in Notes 10 and 11. Expenses recognized in 2025 related to work performed by PyroGenesis amounted to \$215,280 (\$284,021 as at December 31, 2024) and are included in research and development expenses.

During the year 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)).

There is a significant business relationship with Novacium, resulting in a certain degree of economic interdependence. The Company collaborates with Novacium in research and development activities relating to silicon-based materials for lithium-ion battery anodes and hydrogen production technologies. Under the agreements in place, Novacium and the Company jointly contribute to these activities (Notes 6 and 11).

3. MATERIAL ACCOUNTING POLICIES

3.1 Overall considerations

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

3.2 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024

(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.2 Principle of consolidation (continued)

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	
			December 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%

⁽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)).

Regarding Novacium, since June 7, 2022, the Company exercised control through the holding of a preferred share granting it veto rights over decisions that had a significant impact on Novacium’s relevant activities. This preferred share was created on a temporary basis, until such time as the Company would increase its equity participation in Novacium through a cash investment. The Company lost control of the subsidiary on December 11, 2025, following the conversion of its preferred share into a common share, as set out in Novacium’s updated articles of incorporation and approved by Novacium’s extraordinary general meeting held on the same date. Following these changes, the Company retains a 28.4% interest in Novacium and continues to participate in strategic and operational discussions through its Chairman (who also serves as Chief Executive Officer of the Company). The Company exercises significant influence over Novacium since December 11, 2025.

Loss of Control of a Subsidiary

For accounting purposes, a loss of control of a subsidiary generally occurs when the Company disposes of or otherwise transfers a portion of its interest in a subsidiary, whether through a single transaction or multiple transactions. Upon the loss of control of a subsidiary, the Company:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- derecognizes the non-controlling interest, including any components of other comprehensive income attributable to it;
- recognizes the fair value of the consideration received, if any, as well as any shares distributed as dividends as part of the transaction resulting in the loss of control;
- recognizes at fair value any investment retained in the former subsidiary;
- reclassifies to profit or loss, when required by other IFRS Accounting Standards, or transfers directly to retained earnings, amounts previously recognized in other comprehensive income;
- recognizes in profit or loss, attributable to the owners of the parent, any gain or loss resulting from the loss of control.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.3 Investment in associate

Investments in associates represent entities over which the Group has significant influence, but not control, which is generally the case when the ownership interest held is between 20% and 50% of the voting rights. Investments in associates are included in the consolidated financial statements using the equity method.

Under the equity method, investments are initially recognized at cost and subsequently adjusted to recognize the Group's share of the profit or loss of the associate after acquisition in profit or loss, as well as the Group's share of changes in the associate's other comprehensive income in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses of an investment accounted for using the equity method equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group discontinues recognizing its share of further losses unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of investments accounted for using the equity method is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use.

3.4 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.

3.5 Financial Instruments

Recognition and derecognition

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

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

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

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

Classification and initial valuation of financial assets

Financial assets are classified into one of the following categories:

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

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

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

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.

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).

3.6 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024

(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.7 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.

3.8 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.

3.9 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.

3.10 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.11 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 December 31, 2025 and December 31, 2024 other than the provision for credit loss.

3.12 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.

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.

3.13 Research and development expenses

Research costs are charges to the consolidated statement of net (loss) income 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 net (loss) income, 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.

3.14 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.14 Equity (continued)

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.

3.15 Equity-settled share-based payments

The Company operates an equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan does not feature any option for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services rendered by reference to the fair value of the equity instruments granted.

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

3.16 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.

3.17 New accounting standards adopted

The amendment below is applicable to annual periods beginning on or after January 1, 2025.

Lack of Exchangeability – Amendment to IAS 21

The amendment clarifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate in the absence of exchangeability. A currency is considered exchangeable into another currency when an entity is able to obtain the other currency within a timeframe that allows for a normal administrative delay and through a market or exchange mechanism in which a foreign exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. The objective of the entity in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendment specifies that an entity may use an observable exchange rate without adjustment or apply another estimation technique.

This new accounting standard did not have a significant impact on the Company's consolidated financial statements.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.18 New accounting standards not yet adopted

At the date of authorization of these consolidated financial statements, new standards and interpretations of existing standards, as well as new amendments, have been issued but are not yet effective, and the Company has not early adopted them.

Management expects that all pronouncements will be adopted in the Company's accounting policies during the first period beginning after their respective effective dates

Information on new standards and interpretations and amendments that may be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

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 in the statement of profit or loss, including specified totals and subtotals. Entities are also required to classify all income and expenses into five categories: operating, investing, financing, income taxes, and discontinued operations.

It also introduces new requirements for management-defined performance measures in a single note, subtotals of income and expenses, and new requirements for aggregation and disaggregation of financial information based on the "roles" of the primary financial statements and notes.

In addition, limited amendments were made to IAS 7 Statement of Cash Flows, including changing the starting point for determining cash flows under the indirect method from "profit or loss" to "operating profit," and removing the option for classification of interest and dividend cash flows.

IFRS 18 and related amendments are effective for annual periods beginning on or after January 1, 2027, with earlier application permitted. The standard will be applied retrospectively with specific transition provisions.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 was issued in May 2024. It allows certain subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply IFRS recognition, measurement, and presentation requirements, except for disclosure requirements, which are replaced by those in IFRS 19.

The standard is effective for annual periods beginning on or after January 1, 2027.

Amendments to classification and measurement of financial instruments (IFRS 9 / IFRS 7)

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

The amendments clarify:

- when a financial liability settled through an electronic payment system may be considered discharged before the settlement date;
- how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event is not directly related to changes in the 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 financial instruments with contingent features that are not directly related to the basic lending risks and costs.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

3. MATERIAL ACCOUNTING POLICIES (continued)

3.18 New accounting standards not yet adopted (continued)

IFRS 7 Financial Instruments: Disclosure – Gain or Loss on Derecognition

The amendment addresses potential confusion in paragraph B38 of IFRS 7 arising from an outdated reference to a paragraph that was removed upon the issuance of IFRS 13 Fair Value Measurement. It relates to the application guidance of IFRS 7 Financial Instruments: Disclosures—specifically the introduction, disclosures on the deferred difference between fair value and transaction price, and disclosures on credit risk.

The amendment also corrects an inconsistency between paragraph 28 of IFRS 7 and its application guidance, resulting from a consequential amendment made to paragraph 28 when IFRS 13 was issued, which was not reflected in the corresponding paragraph of the application guidance. In addition, the amendment clarifies in paragraph IG1 that the guidance does not necessarily illustrate all the requirements of the referenced paragraphs of IFRS 7 and simplifies certain explanations to reduce the risk of confusion.

IFRS 10 Consolidated Financial Statements – Determination of a “de facto agent”

The amendment addresses potential confusion arising from an inconsistency between paragraphs B73 and B74 of IFRS 10 regarding the determination by an investor of whether another party is acting on its behalf. The amendment aligns the wording of the two paragraphs to ensure a consistent interpretation.

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

4. 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.

4.1 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.

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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.1 Significant management judgments (continued)

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 10, 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.

4.2 Assumptions and estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual results may be substantially different.

Investment tax credits receivable

The calculation of the Company’s refundable tax credit 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 3.7 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.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
(in Canadian dollars)

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

4.2 Assumptions and estimation uncertainty (continued)

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, 2025, the Company recognized an impairment of \$25,108 (\$1,484,644 in 2024) on intangible assets in net income.

Level 3 of the fair value hierarchy

Estimation of the fair value of the retained interest in a formerly controlled subsidiary

The fair value of the retained interest in the subsidiary Novacium, previously controlled by the Company, was estimated as at December 11, 2025 and was primarily based on the discounted expected future cash flows combined with an analysis of comparable transactions and market multiples. This method relies on unobservable market inputs, including management's financial projections, revenue growth assumptions, expected operating margins, working capital requirements, and future capital expenditures. The fair value of €30,756,939 was determined based on probability-weighted cash flow scenarios over an 11-year period and a terminal EBITDA multiple of 2.3x, discounted at a rate of 43%, corresponding to the required return for financial instruments with a similar risk profile and reflecting management's best estimate at that date. Given the uncertainties surrounding the achievement of forecasts and the significant unobservable assumptions used, any variation in these elements could have a material impact on the estimated fair value.

Estimation of the fair value of a derivative instrument classified as a financial asset at FVTPL

The fair value of the option related to future acquisitions of Novacium shares was estimated as at December 18, 2025, following the amendment to the shareholders' agreement, by discounting the expected future gains derived from the fair value of Novacium shares. This method relies on unobservable market inputs, including the expected timing of option exercise, contractual amounts, probabilities associated with the achievement of different acquisition tranches, and assumptions regarding the Company's future financial conditions. The fair value, estimated at \$25,881,363, was determined based on the probability of expected future gains over an average period of four years using the Black-Scholes valuation model, consistent with financial instruments with a similar level of risk. Future contractual payments represent a nominal value of €7,500,000 and reflect management's best estimate regarding the likely timing of settlement, the fulfillment of conditions set out in the shareholders' agreement, and the Company's financial outlook at the measurement date. The prospective value of Novacium shares to be obtained from these future contractual payments is derived from the fair value of Novacium shares as at December 11, 2025. Due to the use of significant unobservable assumptions based on the fair value of Novacium shares, any change in these assumptions could result in a material change in the estimated fair value of the option.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024

(in Canadian dollars)

5. CASH AND CASH EQUIVALENTS

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

	December 31, 2025		December 31, 2024	
	\$	Interest rate	\$	Interest rate
Account without interest	555,740	N/A	77,715	N/A
Demand deposit	-	N/A	599,240	3.13% – 3,62%
Total	<u>555,740</u>		<u>676,955</u>	

On December 31, 2025, 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. Since the loss of control of Novacium on December 11, 2025, the Company no longer holds term deposits.

6. FINANCIAL ASSETS AS FVTPL

The Company holds shares and warrants in publicly traded companies and a private company. During the year ended December 31, 2025, these shares were valued at fair market value, resulting in a gain of \$156,570 (gain of \$756,506 as at December 31, 2024).

As at December 31, 2025, the Company no longer holds warrants of Québec Innovative Materials Corp. ("QIMC"). As at December 31, 2024, the Company held 1,500,000 QIMC warrants exercisable at a price of \$0.15 per share. The fair value of the share purchase warrants was \$96,000 as at December 31, 2024.

As at December 31, 2025, the Company holds 128,000 common shares (600,000 shares as at December 31, 2024), and the quoted market price of QIMC's shares was \$0.53 (\$0.11 as at December 31, 2024).

As at December 31, 2024, the Company held 725,000 PyroGenesis warrants exercisable at an average price of \$0.75 per share. The fair value of the share purchase warrants was estimated at \$7,975 as at December 31, 2024. The Company also held 275,000 common shares as at December 31, 2024, and the quoted market price of the shares was \$0.57.

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

	The year ended December 31,	
	2025	2024
	\$	\$
Balance at January 1 st	326,725	676,493
Acquisition (a)	225,000	281,250
Disposed (b)	(640,455)	(1,387,524)
Change in fair market value (c)	156,570	756,506
Amendment to the Novacium shareholders' agreement (d)	25,881,363	-
	<u>25,949,203</u>	<u>326,725</u>

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
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6. FINANCIAL ASSETS AS FVTPL (continued)

- (a) During the 2022 fiscal year, the Company held 200,000 warrants exercisable at a price of \$0.75. 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.

For the year ended of 2024, 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, 75,000 warrants were exercised for a total amount of \$56,250.

For the year ended of December 31, 2025, the Company exercised 1,500,000 Québec Innovative Materials Corp. ("QIMC") warrants for a total amount of \$225,000, as detailed below:

On August 11, 2025, 500,000 warrants were exercised for a total amount of \$75,000.

On August 25, 2025, 500,000 warrants were exercised for a total amount of \$75,000.

On August 27, 2025, 500,000 warrants were exercised for a total amount of \$75,000.

- (b) The Company disposed of 275,000 shares of PyroGenesis (1,400,000 shares as at December 31, 2024) and 1,972,000 shares of QIMC (2,400,000 shares as at December 31, 2024) for a total amount of \$640,455 (\$1,387,524 as at December 31, 2024), (Note 19).

- (c) The Company's shares in public companies are classified at FVTPL and are recorded at fair value using quoted market prices as at December 31, 2025 and 2024, 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.

During the year ended December 31, 2025, the Company exercised all of its 1,500,000 warrants in QIMC. The 725,000 warrants in PyroGenesis were not exercised by the Company prior to their expiry on March 7, 2025.

For the change in fair value of QIMC warrants for the year ended December 31, 2024, the following assumptions were used: share price of \$0.11, risk-free interest rate of 2.92%, expected life of the warrants of 0.67 years, volatility of 221%, and a dividend yield of 0%. During the year ended December 31, 2025, all QIMC warrants were exercised.

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

HPQ Silicon Inc.

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The years ended as at December 31, 2025 and 2024

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6. FINANCIAL ASSETS AS FVTPL (continued)

- (d) On December 18, 2025, the Company entered into an amendment to the Novacium shareholders' agreement. Under this amendment, the Company is granted an option allowing it to acquire, on a staged basis over time, part or all of the shares held by the founding shareholders of Novacium, under the following terms:

<u>Tranches</u>	<u>NB of shares</u>	<u>Value in shares</u>	<u>Cash value</u>
Between January 1 and January 10, 2026 DRS issued before February 28, 2026	84	2,500,000 €	1,250,000 €
Between January 1 and January 10, 2027 DRS issued before February 28, 2027	64	2,000,000 €	1,000,000 €
Between January 1 and January 10, 2028 DRS issued before February 28, 2028	64	2,000,000 €	1,000,000 €
Between January 1 and January 10, 2029 DRS issued before February 28, 2029	504	1,000,000 €	500,000 €

The fair value of the option, estimated by management at \$25,881,363 as at December 18, 2025, was maintained as at December 31, 2025. The key assumptions used by management in estimating the fair value of the option are as follows:

	<u>Tranche February 28, 2026</u>	<u>Tranche February 28, 2027</u>	<u>Tranche February 28, 2028</u>	<u>Tranche February 28, 2029</u>
Underling share price of Novacium	4,054,428	3,089,088	3,089,088	24,326,568
Exercise price	4,022,250	3,217,800	3,217,800	1,608,900
Risk-free rate	2.29%	2.29%	2.29%	2.29%
Estimated term (years)	0.17	1.17	2.17	3.17
Volatility	81%	81%	81%	81%
Fair value of the price	553,413	1,030,886	1,394,848	22,902,216

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7. PREPAID EXPENSES AND OTHER

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

	December 31, 2025	December 31, 2024
	\$	\$
Prepaid expenses	42,188	113,911
Interest receivable and other receivables	3,802	149,990
Balance, end	45,990	263,901
Allowance for credit loss	-	(75,000)
Net Balance at End	45,990	188,901

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 8).

8. ROYALTIES RECEIVABLE

During the 2021 fiscal year, the Company received 166,667 common shares of Beauce Gold Fields Inc. ("COB") 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 COB. 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.

	December 31, 2025	December 31, 2024
	\$	\$
Balance, beginning	-	174,886
Accretion charge	19,539	34,211
Balance, end	19,539	209,097
Allowance for credit losses	(19,539)	(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 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.

During the year ended December 31, 2025, a provision for credit risk was recognized for the full amount of the unwinding of discount of \$19,539 (\$34,211 for the year ended December 31, 2024) (Note 19). As at December 31, 2024, a provision for credit risk had been recognized for the full amount receivable of \$209,097 due to significant uncertainty regarding its recoverability.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

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8. ROYALTIES RECEIVABLE (continued)

The Company recognized a net reversal of \$284,097 of the 2024 provision for credit risk, which included interest receivable of \$75,000 (Note 7) in net income. The remaining balance of \$228,636 as at July 23, 2025 was settled by COB through the issuance of 3,225,000 common shares to the Company, with a market value of \$322,500 (Note 11). As a result, the Company recognized a gain on the settlement of royalties receivable of \$21,364, which was recorded in the statement of net income.

9. 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 and that the Company lost access to. During the year, the Company derecognized property, plant and equipment with a net carrying amount of \$67,863 following the loss of control over the Novacium that is holding these assets (gross amount of \$105,892 and accumulated depreciation of \$38,029).

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	-	39,573	39,573
Write-off	(344,000)	(5,022,500)	(5,366,500)
Effect of foreign exchange	-	5,084	5,084
Derecognition	-	(105,892)	(105,892)
Balance at December 31, 2025	-	-	-
Accumulated depreciation			
Balance at January 1, 2025	344,000	5,057,712	5,401,712
Write-off	(344,000)	(5,022,500)	(5,366,500)
Effect of foreign exchange	-	2,817	2,817
Derecognition	-	(38,029)	(38,029)
Balance at December 31, 2025	-	-	-
Carrying value at December 31, 2025	-	-	-

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

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9. 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>

10. INTANGIBLE ASSETS

Fumed Silica

On June 30, 2021, the Company acquired intellectual property for the production of fumed silica materials. Pursuant to the purchase agreement, the Company is committed to pay to the seller 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 December 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:

	\$
2026 and after	<u>200,000</u>

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:

As part of its strategic review for the 2025 fiscal year, HPQ concluded that the Quartz Reduction Reactor (“QRR”) program for the production of silicon metal was no longer sufficiently aligned with the Company’s short- and medium-term commercialization objectives. HPQ has informed its technology provider that it no longer intends to pursue activities related to the development of this technology. The related intellectual property will be formally transferred to PyroGenesis during the 2026 fiscal year. The royalties payable to PyroGenesis associated with this technology were derecognized as at December 31, 2025, and a gain on the extinguishment of royalties payable of \$1,065,601 was recognized in the statement of net income.

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Notes to Consolidated Financial Statements

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10. 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.

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

	QRR	NSiR	Total
	\$	\$	\$
Balance at January 1, 2025	1,589,632	212,500	1,802,132
Accretion expenses	225,969	-	225,969
Payment	(500,000)	(212,500)	(712,500)
Derecognition of QRR	(1,065,601)		(1,065,601)
Balance at December 31, 2025	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Current	<u>250,000</u>	<u>-</u>	<u>250,000</u>
	<u>250,000</u>	<u>-</u>	<u>250,000</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)).

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
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>

HPQ Silicon Inc.

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The years ended as at December 31, 2025 and 2024
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10. INTANGIBLE ASSETS (continued)

PUREVAP™ QRR (continued)

During the year ended December 31, 2025, the Company derecognized the total carrying amount of intangible assets of \$8,459 following the loss of control of the associate Novacium, which held these assets, being \$30,548 with related accumulated amortization of \$22,089. The Company also wrote off the total net carrying amount of related patents and intellectual property of \$32,907, with corresponding accumulated amortization of \$7,799, for a total net expense of \$25,108.

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	2,263	(1)	2,262
Derecognition	(30,548)	-	(30,548)
Write-off	(32,907)	-	(32,907)
Balance as at December 31, 2025	<u>-</u>	<u>3,300,000</u>	<u>3,300,000</u>
Accumulated depreciation			
Balance at January 1, 2025	26,198	549,999	576,197
Depreciation	2,056	157,143	159,199
Effect of foreign exchange	1,634	-	1,634
Derecognition	(22,089)	-	(22,089)
Write-off	(7,799)	-	(7,799)
Balance as at December 31, 2025	<u>-</u>	<u>707,142</u>	<u>707,142</u>
Carrying value at December 31, 2025	<u>-</u>	<u>2,592,858</u>	<u>2,592,858</u>

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

The years ended as at December 31, 2025 and 2024
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10. INTANGIBLE ASSETS (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 \$159,199 (\$290,489 as at December 31, 2024) is presented in Amortization of intangible assets.

11. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

The following table presents detailed information on the Company's significant associates as at December 31, 2025 and 2024 (Note 3.3).

Investments in associates represent entities over which the Company has significant influence, but not control, which is generally the case when the ownership interest represents between 28.4% and 4.52% of the voting rights.

The following table presents detailed information on significant associates of the Company.

Name	Principal activities	Country of incorporation	Percentages held by the Company	
			December 31, 2025	December 31, 2024
Champs d'or de la Beauce Inc. ("COB")	Mining exploration	Canada	4,52 %	3,35%
NOVACIUM S.A.S. ("Novacium") ⁽¹⁾	Research and development of products made of silicon and its derivatives	France	28,4 %	20%

(1) The Company no longer consolidates Novacium, as it lost control of Novacium as of December 11, 2025 (Note 3.2).

HPQ Silicon Inc.

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

The summarized financial information presented below represents amounts reported in the financial statements of the entities, which have been prepared in accordance with IFRS and adjusted to reflect fair value adjustments at the time of acquisition.

Summary of Income Statements and Comprehensive Income Statements

	The year ended December 31, 2025		
	Novacium ⁽¹⁾	COB ⁽¹⁾	Total
Income	83,505	-	83,505
Expenses	69,742	554,050	623,792
	13,763	(554,050)	(540,287)
Depreciation	-	1,207	1,207
Net income (loss)	13,763	(555,257)	(541,494)
Total comprehensive income	13,763	(555,257)	(541,494)
Average ownership interest held by the Company	28.4%	4.4%	
Owners of the HPQ	3,909	(24,242)	(20,333)
Total comprehensive income (loss) attributable to HPQ	3,909	(24,242)	(20,333)

⁽¹⁾ Year ended October 31, 2025 for COB and 20-day period for Novacium.

	Year ended December 31, 2024		
	Novacium ⁽¹⁾	COB ⁽¹⁾	Total
Income	n/a	-	-
Expenses	n/a	829,420	829,420
	n/a	829,420	829,420
Depreciation	n/a	4,828	4,828
Net loss	n/a	(834,248)	(834,248)
Total comprehensive loss	n/a	(834,248)	(834,248)
Owners of the HPQ	n/a	(30,855)	(30,855)
Total comprehensive income attributable to HPQ	n/a	(30,855)	(30,855)

⁽¹⁾ Year ended October 31, 2024 for COB and not applicable for Novacium, as it was a subsidiary controlled by the Company as at December 31, 2024.

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

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

Summary Statement of Financial Position

	Year ended December 31, 2025	
	Novacium	COB ⁽¹⁾
Cash and cash equivalents	1,041,842	751,659
Other current Assets	410,736	367,535
Current Assets	1,452,578	1,191,194
Non-currents assets	83,586	4,843,283
	1,536,164	5,962,477
Payable and other trade payables	217,478	297,891
Other current liabilities	-	-
Current liabilities	217,478	297,891
Non- current liabilities	-	464,199
Equity	1,318,686	5,200,387
	1,536,164	5,962,477

⁽¹⁾ Year ended October 31, 2025.

	Year ended December 31, 2024	
	Novacium	COB ⁽¹⁾
Cash and cash equivalents	n/a	128,772
Other current Assets	n/a	23,432
Current Assets	n/a	152,204
Non-currents assets	n/a	4,472,164
	n/a	4,624,368
Payable and other trade payables	n/a	609,625
Other current liabilities	n/a	544
Current liabilities	n/a	610,169
Non- current liabilities	n/a	203,068
Equity	n/a	3,811,131
	n/a	4,624,368

⁽¹⁾ Year ended October 31, 2024 for COB and not applicable for Novacium, as it was a subsidiary controlled by the Company as at December 31, 2024.

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

Reconciliation of summarized financial information to the carrying amount of investments in associates.

	Year ended December 31, 2025		
	Novacium	COB	Total
Balance as at January 1, 2025	-	119,351	119,351
Acquisition		322,500	322,500
Remeasurement of the retained interest at fair market value ⁽¹⁾	13,795,500	-	13,795,500
Change in ownership interest	-	(193,907)	(193,907)
Share of profit (loss)	3,909	(24,242)	(20,333)
Balance as at December 31, 2025	<u>13,799,409</u>	<u>223,702</u>	<u>14,023,111</u>

	Year ended December 31, 2024		
	Novacium	COB	Total
Balance as at January 1, 2024	n/a	147,210	147,210
Change in ownership interest	n/a	2,996	2,996
Share of loss	n/a	(30,855)	(30,855)
Balance as at December 31, 2024	<u>n/a</u>	<u>119,351</u>	<u>119,351</u>

⁽¹⁾ The retained interest was initially recognized at its fair value on December 11, 2025, which was determined using a valuation approach appropriate for Novacium's stage of development.

Novacium

The determination of fair value is based on the expertise of an external valuator and takes into account several assumptions, including:

- Expected cash flows arising from technological development and licensing agreements;
- A royalty-based valuation approach;
- Discount rates reflecting the risks associated with technologies in the development phase;
- Consideration of research programs funded by government grants;
- Market-based comparable companies for similar research and development entities in Europe.

The fair market value was estimated using a valuation model based on potential future revenues, combined with an analysis of comparable transactions and market-observed multiples following the loss of control of Novacium on December 11, 2025.

HPQ Silicon Inc.

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

This approach is based on the discounting of estimated future cash flows generated by the underlying asset or business, taking into account assumptions considered reasonable and supportable by management at the valuation date. The results obtained were also corroborated using relevant market comparables in order to ensure the consistency of the value determined.

The fair value was therefore estimated at €30,756,939, based on the probabilities assigned to projected cash inflow scenarios and a discount rate of 43%, corresponding to the required return for financial instruments or investments with a similar level of risk. This rate reflects, among other factors:

- the stage of development of the business;
- the uncertainty surrounding the realization of future cash flows;
- the operational and financial risks inherent in the activities;
- general market conditions at the valuation date; and
- investor return expectations for a comparable investment.

The key assumptions used in this valuation include, among others:

- projected revenue growth: approximately 50% to 150% during ramp-up phases, followed by stabilization at maturity;
- expected profit margin: approximately 40% to 45% (EBITDA margin);
- projection horizon: 11 years;
- discount rate: 43%;
- probability weighting of selected scenarios: 25% / 50% / 25%;
- terminal value or exit multiple: 2.33x EBITDA; and
- liquidity or specific risk adjustment, if applicable: no additional adjustment, as such risks are already incorporated into the discount rate and conservative assumptions.

Management believes that these assumptions represent its best estimate of the economic and operating conditions existing at the modification date. However, changes in these assumptions could result in significant variations in the estimated value.

Management concluded that the fair value determined was reasonable in the context of IFRS 13 – Fair Value Measurement.

The gain on remeasurement of the retained interest at fair market value on December 11, 2025 was determined as follows:

As at December 11, 2025	Notes	\$
Fair value of the retained interest		13,795,500
Fair value of the option	6	25,881,363
Carrying amount of the non-controlling interest	23	994,498
Less net carrying amount of the net assets of the former subsidiary Novacium, previously controlled	23	(1,355,919)
Gain on retained investment in a formerly controlled subsidiary		39,315,442

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

On December 11, 2025, the Company elected to convert its Class P share into a common share. With the objective of better aligning shared interests and facilitating Novacium's access to certain sources of financing, Novacium's articles were amended to adopt a simple majority decision-making mechanism.

As Novacium's activities are focused on energy-related sectors—particularly high-performance silicon-based battery anodes and hydrogen technologies—industries considered strategic by France, the presence of the Class P share (preferred share), which had been established at the outset of the collaboration to grant the Company veto rights over certain specific actions within Novacium, could have complicated Novacium's access to certain funding programs reserved for companies under European control, particularly in the strategic sectors of energy and defense.

Following this conversion, HPQ's interest in Novacium changed to an investment in an associate, reflecting its strategic investment, while maintaining close alignment between the two companies in the development and commercialization of their technologies.

This decision is intended to simplify Novacium's governance structure while facilitating its access to European funding programs reserved for companies under European control, particularly in the strategic sectors of energy and defense.

COB

On December 31, 2025, the Company holds the 4.52% (3.35% as at December 31, 2024) voting and equity interest in COB. 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 December 31, 2025, the fair value of the investment amounts to \$281,781 (\$91,104 as at December 31, 2024).

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

On July 23, 2025, the Company received 3,225,000 common shares as settlement of the royalty receivable as well as the interest receivable, for a total amount of \$322,500.

During the year 2025, COB issued shares through private placements and debt settlements. These issuances increased the Company's ownership interest from 3.35% to 4.52%.

12. TRADE AND OTHER PAYABLES

	December 31, 2025	December 31, 2024
	\$	\$
Trade accounts	59,340	336,446
Payable to a subcontractor	431,860	4,598,766
Salaries payable	160,000	103,750
Other	1,142,848	640,830
	<u>1,794,048</u>	<u>5,679,792</u>

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)).

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(in Canadian dollars)

13. CONVERTIBLE PROMISSORY NOTE

On August 20, 2025, the Company entered into a loan agreement with a related party in the amount of \$150,000. The loan has a 90-day term, is unsecured, bears no interest, and is not linked to any of the Company's assets. At the time of repayment, the lender may elect to convert the loan into units at a price of \$0.18 per unit. Each unit will consist of one common share and one common share purchase warrant of the Company. Each warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$0.25 for a period of 48 months from the date of issuance of the units.

On September 16, 2025, the Company issued 555,555 units to settle the note payable with a carrying amount of \$100,000.

On November 18, 2025, the Company issued 277,778 units to settle the note payable with a carrying amount of \$50,000.

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 \$1,266,506 (2024: \$1,168,006). The Company has obtained confirmation for said nominal value of \$1,166,506 in debts (2024: \$1,068,006), that they will not request payment thereof prior to 12 months plus one day following December 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.

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.

	December 31, 2025	December 31, 2024
	Number of shares	Number of shares
Shares issued at the beginning	377,615,828	367,296,688
Private placements (i) (j) (m) (n)	13,098,588	-
Issuance for the payment of accounts payable (a) (b) (d) (h)	18,533,873	396,000
Issuance for R&D expenses (e) (g)	2,337,878	-
Issuance related to the increase in ownership interest in a non-controlling interest entity (f)	17,312,790	-
Issuance for convertible promissory note (k) (l)	833,333	-
Recovery of rights in Novacium partnership agreement (c)	-	6,898,140
Exercise of options (o)	1,000,000	2,925,000
Exercise of warrants (p)	100,000	100,000
Total shares issued and fully paid at the end	<u>430,832,290</u>	<u>377,615,828</u>

HPQ Silicon Inc.

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15. EQUITY (continued)

15.1 Share capital (continued)

(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 \$1,395,162 related to warrants was recorded as an increase in contributed surplus, and an amount of \$749,302 was recorded in net income as a loss on settlement of debt.

(e) On January 29, 2025, the Company issued 1,083,333 units for a value of \$260,908 for the R&D expenses. 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.

(f) On February 26, 2025, the Company issued 17,312,790 units \$5,671,208 (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, an amount of \$1,948,958 related to warrants was recorded in increase to contributed surplus and \$5,593,553 as a reduction in retained earnings.

(g) On March 18, 2025, the Company issued 1,254,545 units for a value of \$275,600 for the R&D expenses. 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) On June 16, 2025, the Company settled a trade account payable of \$101,700 by the issuance of 565,000 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 \$0.25 per share for 48 months following the closing date of the transaction. An amount of \$16,950 was attributable to the warrants and no gain or loss was recorded on this transaction.

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15. EQUITY (continued)

15.1 Share capital (continued)

(i) On June 17, 2025, the Company completed a private financing for an amount of \$568,440. The Company issued 3,158,000 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.25 per share during a period of 48 months following the closing of the financing. An amount of \$94,740 was attributable to the warrants was recorded in increase to contributed surplus.

In addition, the Company paid an amount of \$11,772 in commission fees and issued 65,400 warrants to an agent (for a value of \$4,268). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.25 per share for a period of 48 months from the date of closing of the financing.

(j) On July 10, 2025, the Company completed a private financing for an amount of \$339,540. The Company issued 1,886,331 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.25 per share during a period of 48 months following the closing of the financing.

In addition, the Company paid an amount of \$5,220 in commission fees and issued 29,000 warrants to an agent (for a value of \$2,088). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.25 per share for a period of 48 months from the date of closing of the financing.

(k) On September 16, 2025, the Company issued 555,555 units consisting of one common share and one warrant to settle the note payable with a carrying amount of \$100,000. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.25 per share during a period of 48 months following the closing of the financing.

(l) On November 18, 2025, the Company issued 277,778 units consisting of one common share and one warrant to settle the note payable with a carrying amount of \$50,000. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.25 per share during a period of 48 months following the closing of the financing.

(m) On November 21, 2025, the Company completed a private financing for an amount of \$306,120. The Company issued 1,883,815 common shares.

(n) On December 12, 2025, the Company completed a private financing for an amount of \$1,002,697. The Company issued 6,170,442 common shares.

In addition, the Company paid in commission fees and issued 333,303 warrants to an agent (for a value of \$36,359). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.18 per share for a period of 48 months from the date of closing of the financing.

(o) During the period ended December 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).

(p) During the period ended December 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, 2024).

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15. EQUITY (continued)

15.2 Warrants

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

	December 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	42,893,266	0.27	3,845,070	0.30
Exercised	(100,000)	0.27	(100,000)	0.30
Expired	(692,000)	0.30	(6,800,000)	0.275
Balance, end of reporting period	<u>48,449,654</u>	<u>0.27</u>	<u>6,348,388</u>	<u>0.30</u>

The weighted average fair value \$0.113 of the warrants granted for the acquisition of the 84 Novacium shares was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2025
Average share price at date of grant	\$0.215
Expected Dividends yield	0 %
Expected weighted volatility	73 %
Average risk-free interest rate	2.59 %
Expected average life	4.0 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 warrants.

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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	December 31, 2025		December 31, 2024	
	Number	Exercise price	Number	Exercise price
		\$		\$
February 2025	-	-	360,000	0.32
June 2025	-	-	432,000	0.27
November 2025 ⁽¹⁾	-	-	2,107,318	0.30
January 2027	17,968,873	0.285	-	-
November 2027 ⁽¹⁾	2,107,318	0.30	-	-
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	-	-
June 2029	3,723,000	0.25	-	-
July 2029	1,886,331	0.25	-	-
September 2029	555,555	0.25	-	-
November 2029	277,778	0.25	-	-
	<u>48,449,654</u>	<u>0.27</u>	<u>6,348,388</u>	<u>0.30</u>

⁽¹⁾ On September 17, 2025, the Company extended 2,107,318 warrants that were set to expire on November 17, 2025, to a new expiry date of November 17, 2027.

15.3 Brokers' warrants

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

	December 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	427,703	0.19	-	-
Expired	(50,454)	0.30	-	-
Balance, end	<u>427,703</u>	<u>0.19</u>	<u>50,454</u>	<u>0.30</u>

The Company recorded an amount of \$42,715 in issuance costs when the brokers' warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained earnings.

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15. EQUITY (continued)

15.3 Brokers' warrants (continued)

The weighted average fair value \$0.099 of the brokers' warrants granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2025
Share price at date of grant	\$0.18
Expected dividend yield	0%
Expected volatility	73%
Risk-free interest rate	2.93%
Expected life	4.0 years
Exercise price at date of grant	\$0.20

The underlying expected volatility was determined in relation to the historical data of the Company's shares over the expected life of the brokers' warrants.

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

Expiration date	December 31, 2025		December 31, 2024	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
November 2025	-	-	50,454	0.30
June 2029	65,400	0.25	-	-
July 2029	29,000	0.25	-	-
November 2029	333,303	0.18	-	-
	<u>427,703</u>	<u>0.19</u>	<u>50,454</u>	<u>0.30</u>

16. EMPLOYEE REMUNERATION

16.1 Salaries and employee benefits expense

Salaries and employee benefits expense are analyzed below:

	As at December 31,	
	2025	2024
	\$	\$
Salaries and benefits	196,891	222,343
Management fees	375,000	375,000
Share-based payments	74,100	-
Remuneration of directors	128,500	159,000
Salaries and benefits recovered	-	(2,847)
	<u>774,491</u>	<u>753,496</u>

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16. EMPLOYEE REMUNERATION

16.2 Share-based payments (continued)

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 December 31, 2025, 10,625,000 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 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.

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

	December 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	3,500,000	0.18	-	-
Exercised	(1,000,000)	0.25	(2,925,000)	0.23
Expired	(1,100,000)	0.25	-	-
Cancelled	(5,335,000)	1.00	-	-
Outstanding, end of the year	<u>10,875,000</u>	<u>0.21</u>	<u>14,810,000</u>	<u>0.51</u>
Exercisable, end of the year	<u>10,625,000</u>	<u>0.21</u>	<u>14,810,000</u>	<u>0.51</u>

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16. EMPLOYEE REMUNERATION (continued)

16.2 Share-based payments (continued)

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

Outstanding options		
Number of options	Weighted average exercise price	Weighted average remaining contractual life
	\$	(years)
2,000,000	0.16	1.56
500,000	0.18	3.75
7,675,000	0.215	2.99
700,000	0.35	1.36
<u>10,875,000</u>	<u>0.21</u>	<u>2.66</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
<u>5,335,000</u>	<u>1.00</u>	<u>1.97</u>
<u>14,810,000</u>	<u>0.51</u>	<u>2.94</u>

The weighted fair value of the granted options of \$0.072 as at December 31, 2025 was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2025
Average share price at date of grant	\$0.16
Expected dividend yield	0%
Expected weighted volatility	69.9%
Average risk-free interest rate	2.85%
Expected average life	2.4 years
Average exercise price at date of grant	\$0.18

HPQ Silicon Inc.

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16. EMPLOYEE REMUNERATION (continued)

16.2 Share-based payments (continued)

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 \$252,876 as at December 31, 2025, related to employee compensation expense (all arising from share-based payment transactions settled in equity), was included in net income and credited to contributed surplus. This amount consists of \$74,100 in salaries and employee benefits expense, \$116,606 in professional and consulting fees, and \$62,170 in research and development expense.

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

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

The fair value of amounts due to directors, officers, and a company controlled by a director, as well as royalties payable, was estimated using a discounted cash flow analysis based on interest rates applicable to similar financial instruments.

The fair value of short-term royalties payable approximates their carrying value at the end of the year.

The fair value of amounts due to directors, officers and a company controlled by a director, and of long-term royalties payable, is \$526,580 and \$599,412, respectively (\$1,068,006 and \$395,432, respectively as at December 31, 2024). See Notes 15 and 11 for the valuation methodologies used to determine fair values.

Financial instruments are classified within Level 2 of the fair value hierarchy, except for royalties receivable and royalties payable, which are classified within Level 3 of the fair value hierarchy.

HPQ Silicon Inc.

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18. OTHER OPERATING EXPENSES

Other operating expenses are detailed as follows:

	December 31,	
	2025	2024
	\$	\$
Professional and consultation fees ⁽¹⁾	833,744	661,519
Travelling expenses	171,707	104,148
Office expenses	192,716	163,411
Information to shareholders and registration fees	109,602	100,516
Bank charges	8,908	8,884
Loss (gain) on exchange rate	-	6,243
Administrative expenses recovered	(7,335)	(6,300)
	<u>1,309,342</u>	<u>1,038,421</u>

⁽¹⁾ Including share-based payments of \$116,606 in 2025.

19. FINANCE INCOME AND FINANCE COSTS

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

	December 31,	
	2025	2024
	\$	\$
Change in fair value of marketable securities in a quoted company*	156,570	756,506
Amortization of discount rate on royalties receivable	19,539	34,211
Interest income	33,283	40,104
	<u>209,392</u>	<u>830,821</u>

* The amount of the change in fair value includes a realized gain of \$144,833 (loss of \$177,360 as at December 31, 2024 (Note 6)).

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

	December 31,	
	2025	2024
	\$	\$
Accretion expenses- royalties payable	(225,969)	(230,303)
	<u>(225,969)</u>	<u>(230,303)</u>

HPQ Silicon Inc.

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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.

	December 31,	
	2025	2024
Net income	\$35,543,161	\$(7,991,248)
Weighted average number of outstanding shares	423,009,678	372,434,609
Basic net earnings (loss) per share	\$0.085	\$(0.02)
Diluted net earnings (loss) per share	\$0.085	\$(0.02)

21. INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2025	2024
	\$	\$
Origination and reversal of temporary differences	9,674,271	(2,183,026)
Change in foreign subsidiary rates	(7,505)	(7,362)
Tax exemption on income from a foreign subsidiary	(113,863)	(107,037)
Temporary differences not recorded	(9,552,903)	2,297,425
	-	-

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the consolidated statement of comprehensive loss can be reconciled as follows:

	2025	2024
	\$	\$
Expected tax expense calculated using the combined federal and provincial income tax rate in Canada of 26.5% (26.5% in 2024)	9,419,135	(2,121,784)
Adjustments for the following items:		
Fiscal impact of temporary difference not recorded	(9,552,902)	2,297,425
Non-taxable portion of the variation of fair value	7,641	(96,546)
Taxable portion of the capital loss	(19,190)	23,500
Share-based payments	67,012	-
Change in foreign subsidiary rates	(7,505)	(7,362)
Tax exemption on income from a foreign subsidiary	(113,863)	(107,037)
Non-deductible expenses and others	199,672	11,804
Deferred income tax income	-	-

HPQ Silicon Inc.

Notes to Consolidated Financial Statements

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21. INCOME TAXES (continued)

Deferred tax assets and liabilities and variation of recognized amounts during the year

The following differences between the carrying amounts and tax bases from temporary differences, unused tax losses and unused tax credits give rise to the following recognized deferred income tax assets and liabilities, and the following unrecognized temporary differences, unused tax losses and unused tax credits:

	Balance, January 1, 2025 \$	Recognized in profit or loss \$	Balance, December 31, 2025 \$
Recognized			
Investment tax credits receivable	(72,316)	-	(72,316)
Prepaid expenses and other	19,875	(19,875)	-
Non-capital losses	52,441	19,875	72,316
Recognized deferred tax assets and liabilities	-	-	-

	Balance, January 1, 2024 \$	Recognized in profit or loss \$	Balance, December 31, 2024 \$
Recognized			
Marketable securities	116,856	(116,856)	-
Intangible assets	359,993	(359,993)	-
Investment tax credits receivable	(68,844)	(5,472)	(72,316)
Royalties receivable	(46,345)	46,345	-
Prepaid expenses and other	-	19,875	19,875
Royalties payable	(328,469)	328,469	-
Non-capital losses	(35,191)	87,632	52,441
Recognized deferred tax assets and liabilities	-	-	-

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21. INCOME TAXES (continued)

Deferred tax assets and liabilities and variation of recognized amounts during the year (continued)

	December 31, 2025	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	3,800,784	3,832,351
Intangible assets	743,128	737,344
Patent and other elements	8,055,665	7,604,757
R&D costs	3,592,091	3,620,665
Issuance costs of equity instruments	95,896	95,896
Exploration and evaluation assets	1,118,857	295,808
Provisions and reserves	2,209,135	1,449,775
Marketable securities	190,386	190,386
Unused loss carry-forwards	38,542,529	43,270,785
	<u>58,348,471</u>	<u>61,097,767</u>

	December 31, 2024	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Property and equipment	3,800,784	3,832,351
Intangible assets	585,985	580,201
Patent and other elements	7,492,902	7,041,994
R&D costs	3,592,091	3,620,664
Issuance costs of equity instruments	39,724	39,724
Exploration and evaluation assets	1,457,506	1,457,506
Provisions and reserves	3,829,637	2,817,157
Marketable securities	89,880	89,880
Unused loss carry-forwards	34,044,378	38,204,419
	<u>54,932,887</u>	<u>57,683,896</u>

HPQ Silicon Inc.

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21. INCOME TAXES (continued)

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the consolidated statement of financial position that can be carried over the following years:

	Federal	Provincial
	\$	\$
2028	1,016,853	911,737
2029	614,130	610,009
2030	627,620	624,214
2031	759,417	755,536
2032	649,448	647,675
2033	803,620	798,209
2034	723,985	720,353
2035	1,082,684	1,077,205
2036	1,766,123	1,756,689
2037	1,602,371	1,593,219
2038	1,527,744	1,514,884
2039	1,100,417	1,098,582
2040	1,472,599	3,825,312
2041	2,160,558	2,929,103
2042	6,859,407	8,858,956
2043	5,750,891	5,297,042
2044	5,451,512	6,272,430
2045	4,573,150	3,979,631
	<u>38,542,529</u>	<u>43,270,786</u>

The Company has tax credits for investments which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded. These tax credits can be carried over the following years:

	Federal	Provincial
	\$	\$
2027	3,363	-
2028	70,404	-
2029	8,810	-
2030	6,540	-
2031	310	-
2032	4,501	-
2033	1,200	-
2040	11,942	-
2042	332,835	-
2043	54,968	-
	<u>494,873</u>	<u>-</u>

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22. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	As at December 31,	
	2025	2024
	\$	\$
Goods and services tax receivable	140,689	(134,167)
Prepaid expenses and other	142,911	(45,902)
Investment tax credits receivable	476,063	216,445
Trade and other payables	975,440	1,133,593
Income tax payable	-	(28,193)
	<u>1,735,103</u>	<u>1,141,776</u>

Non-cash balance sheet transactions are detailed as follows:

	As at December 31,	
	2025	2024
	\$	\$
Issuance of shares for payment of accounts payables	4,932,880	-
Issuance of shares for payment of accounts payables included in intangible assets	-	88,380
Issuance of equity instruments for payment of accounts payable	1,396,079	30,316
Issuance of shares for reassertion of rights in Novacium partnership agreement	-	1,448,609
Issuance of equity instruments for recovery of rights in Novacium partnership agreement	-	34,491
Issuance of common shares for the increase in ownership interest in Novacium	3,722,250	-
Issuance of equity instruments for the increase in ownership interest with non-controlling interest in Novacium	1,948,958	-
Issuance of equity instruments for unit issuance costs	42,715	-
Shares received upon settlement of royalties receivable	322,500	-
Issuance of shares upon conversion of the note payable	150,000	-

23. NON-WHOLLY-OWNED PARTNER COMPANY

	December 11, 2025	December 31, 2024
Proportion of ownership interests and voting rights held by non-controlling interests ⁽¹⁾	71.6%	80%
Net earnings allocated to non-controlling interests for the period	182,088	211,967
Non-controlling interests	994,498	802,359

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

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.

	December 11, 2025	December 31, 2024
	\$	\$
Summary Statements of Net Loss and Comprehensive Loss		
Income	1,470,061	1,481,483
Expenses	1,209,949	1,181,432
Comprehensive income	<u>260,112</u>	<u>300,051</u>
Comprehensive income attributable to:		
Owners of the Company	78,024	60,010
Non-controlling interests	182,088	240,041
	<u>260,112</u>	<u>300,051</u>
Summary Statements of Cash Flows		
Cash flows from operating activities	390,858	331,634
Cash flows used in investing activities	(23,098)	(9,759)
Cash flows from financing activities	-	-
Net change in cash and cash equivalents	<u>367,760</u>	<u>321,875</u>
Summary Statement of Financial Position		
Current assets	1,497,075	1,134,726
Non-current assets	76,321	33,855
	<u>1,573,396</u>	<u>1,168,581</u>
Current liabilities	217,477	166,338
Non-current liabilities	-	-
Net asset	1,355,919	1,002,243
Equity attributable to owners	361,917	197,285
Non-controlling interests	959,179	800,070
Foreign currency translation adjustment	34,823	4,888
	<u>1,573,396</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.

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

Novacium is subject to certain restrictive clauses under legal and contractual agreements. The approval of non-controlling interest holders is required for any transfer of significant assets and other decisions related to the Company's operations, as listed in the shareholders' agreement, including mergers, demergers, partial asset contributions, or the approval of agreements entered into between Novacium and its executives or partners. The Company no longer exercises control as of December 11, 2025, following the conversion of its preferred share into a common share.

There are also restrictions on the use of cash and cash equivalents amounting to €420,900 as at December 31, 2024, thereby limiting their availability for other entities within the HPQ Group. These restrictions could delay or limit the Group's access to these funds.

24. 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 contain special features or conditions, and no guarantees were given or received. Balances are generally settled in cash, except for the acquisition of patents and the reacquisition of rights under the Novacium shareholders' agreement, which were previously settled through the issuance of units.

24.1 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 December 31,	
	2025	2024
	\$	\$
Salaries and employee benefits expense	98,093	123,644
Salaries and benefits for research and development ⁽¹⁾	1,463,996	596,526
Management fees ⁽²⁾	375,000	375,000
Research and development expenses ⁽³⁾	83,505	-
Directors' remuneration	128,500	159,000
Share-based payments	136,270	-
Salaries and employee benefit expenses	2,285,364	1,254,170
Reassertion of rights in Novacium partnership agreement ⁽¹⁾	-	1,483,100
Salaries and employee benefit expenses and other acquisition	2,285,364	2,737,270

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

⁽²⁾ Paid to a company owned by a director

⁽³⁾ Paid to a company owned by a director

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24. RELATED PARTY TRANSACTIONS (continued)

24.1 Transactions with key management personnel (continued)

Trade and other payables include an amount of \$1,043,006 due to a company owned by a director (\$614,927 as at December 31, 2024).

On December 31, 2025, due to directors, officers and a company owned by a director totalled \$1,266,506 (\$1,168,006 as at December 31, 2024).

On January 29, 2025, the Company issued 1,083,333 units valued at \$260,908 for R&D expenses.

On February 26, 2025, the Company issued 17,312,790 units valued at \$5,671,208 (equivalent to €2,500,000) for the acquisition of 84 shares held by the co-shareholders of Novacium.

On March 18, 2025, the Company issued 1,254,545 units valued at \$275,000 for R&D expenses.

25. 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.

26. 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.

26.1 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.

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26. FINANCIAL INSTRUMENT RISKS (continued)

26.1 Market risk (continued)

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 is exposed to market price fluctuations related to its marketable securities in a publicly traded company and its derivative financial liability. The maximum exposure related to the marketable securities and the derivative financial liability is equal to their fair value.

If the quoted share price for the shares had changed by $\pm 15\%$ as at December 31, 2025 ($\pm 15\%$ as at December 31, 2024), an increase in their value would be \$10,200 (\$68,183 as at December 31, 2024) and a decrease of \$10,200 (\$58,763 as at December 31, 2024) in net income and shareholders' equity.

26.2 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 for an amount of \$555,740 as at December 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 9 years.

26.3 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.

26.4 Currency risk

Foreign exchange risk is the risk of fluctuations in profits or losses resulting from changes in exchange rates and the degree of volatility of those rates.

26. FINANCIAL INSTRUMENT RISKS (continued)

26.5 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.

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26. FINANCIAL INSTRUMENT RISKS (continued)

26.5 Liquidity risk (continued)

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

	December 31, 2025	December 31, 2024
	\$	\$
Less than a year		
Trade payables and other accounts payable	1,362,188	1,081,026
Payable to a subcontractor	431,860	4,598,766
Lease liabilities	12,873	9,414
Royalties payable QRR Purevap™	250,000	750,000
Royalties payable NSiR Purevap™	-	212,500
Total	<u>2,056,921</u>	<u>6,651,706</u>
Between one and 5 years		
Lease liabilities	16,608	-
Royalties payable QRR Purevap™	-	1,000,000
	<u>16,608</u>	<u>1,000,000</u>
More 5 years		
Royalties payable QRR Purevap™	-	1,750,000
	<u>-</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.

27. CONTINGENCIES AND COMMITMENTS

Under the Novacium shareholders' agreement, the Company had the option to increase its interest in Novacium from 20% to 50% by making a cash payment ranging between €500,000 and €1,000,000 within 18 months following the commencement of operations of its affiliate, Novacium. Thereafter, and no later than seven years after the commencement of operations, the Company could acquire the remaining 50% held by the co-founders of Novacium, who had irrevocably agreed to transfer all of their shares to the Company. The Company did not exercise its option within the prescribed timeframe. Consequently, it could no longer proceed with future increases in ownership interest. Following negotiations with the other shareholders of Novacium, the Company entered into an agreement on June 5, 2024 to reacquire its present and future rights under the shareholders' agreement. This agreement provides for negotiations between the Company and the other shareholders, among other things, to establish a new structure for increasing its ownership interest.

As part of the advanced phases of technological development, the Company paid a monthly amount of €80,000 until December 31, 2025. Effective July 1, 2025, this amount remained at €80,000. This amount is fully eliminated in the Company's consolidated financial statements, with 71.6% attributable to non-controlling interests up to December 11, 2025 following the loss of control (80% as at December 31, 2024) (Note 23).

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27. CONTINGENCIES AND COMMITMENTS (continued)

On December 11, 2025, the Company entered into a 5-year agreement, retroactive to July 1, 2025, with Novacium regarding patent licenses for North America and consulting services with Novacium. In the event of late payment by the end of the month, all licenses in Mexico will be suspended; by the end of the second month, licenses in the United States will be suspended; and by the end of the third month, licenses in Canada will be suspended. Upon expiry of this agreement on June 30, 2029, the license agreements will become permanent and royalty-free.

Under this agreement, the monthly contractual commitments are as follows:

	€
2026	90,000
2027	100,000
2028	110,000
Until June 30, 2029	120,000

On July 18, 2025, the Company received a claim a German group for payment of €29,000 payable in cash as well as an additional claim of €180,000 to be paid in Company shares. HPQ believes it has strong grounds to dispute the claims. and arguments to contest this claim, which is unfounded

28. SUBSEQUENT EVENTS

On February 20, 2026, the Company issued 20,407,916 shares valued at \$3,684,105 (equivalent to €2,500,000) and exercised its option to acquire 84 shares of Novacium (Note 6).

On March 2, 2026, the Company completed a private placement financing for gross proceeds of \$3,000,000. The Company issued 18,181,819 units, each comprised of one common share and one warrant. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.25 per share for a period of 24 months following the closing of the financing.

In addition, as commission fees, the Company paid \$180,000 in cash and issued 1,090,909 warrants to an agent. Each warrant entitles the holder to acquire one common share of the Company at a price of \$0.25 per share for a period of 24 months from the closing date of the financing.