

HPQ Silicon Inc. (Formerly HPQ Silicon Resources Inc.)

Notes to Consolidated Financial Statements (unaudited)

As at September 30, 2022
(in Canadian dollars)

11. INTANGIBLE ASSETS

Fumed Silica

On June 30, 2021, the Company acquired intellectual property for the production of fumed silica materials. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of net revenues, excluding the samples (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum amounts per the agreement. Also, the seller is being granted the right to convert, at any time and at its sole discretion, its royalties into a 50% equity stake of HPQ Polvere. An amount of \$ 3,300,000 paid in cash was recorded as the cost of intellectual property.

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

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

PUREVAP™ NSiR

On August 18, 2020, the Company acquired the PUREVAP™ NSiR technology for the fabrication of nano silicon materials. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of net revenues (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum amounts per the agreement. Also, the seller is being granted the right to convert, at any time and at its sole discretion, its royalties into a 50% equity stake of HPQ Nano.

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

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

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

PUREVAP™ QRR

On July 29, 2016, the Company acquired PUREVAP™ QRR technology for the transformation of quartz into silicon metal of high purity. Pursuant to the purchase agreement, the Company is committed to pay to the seller the greater of an annual royalty equal to 10% of net revenues (as defined in the agreement) generated from the exploitation of the acquired technology or the minimum annual amounts per the agreement. An addendum was signed on December 8, 2019 for the cancellation of the amounts payable for the years 2019 and 2020 and the modification of the minimum amounts for 2020 and 2021. A gain of \$350,000 on the modification of the initial agreement was recognized during the fiscal 2019.

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As at September 30, 2022
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11. INTANGIBLE ASSETS (continued)

PUREVAP™ QRR

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

	\$
2022 and after	250,000

The intellectual property and its related liability, royalties payable, were recognized upon acquisition for a total amount of \$815,427 and were calculated based on estimated cash flows under the agreement over a period of 20 years at a rate of 22%. The amount of \$50,000 recorded as a deposit in 2015 was reversed at the cost of the intellectual property. In 2016, an amount of \$1,000,000 paid in cash was recorded at the cost of the intellectual property.

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

	QRR	NSiR	Total
	\$	\$	\$
Current	250,000	100,000	350,000
Non-current	1,066,140	1,000,422	2,066,562
	1,316,140	1,100,422	2,416,562

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

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