

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



**HPQ SILICON RESOURCES INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**For the Period ended September 30, 2018**

## **INTRODUCTION**

This management discussion and analysis (“MD&A”), prepared as at November 29, 2018, contains information as at September 30, 2018 and should be read in conjunction with the unaudited Financial Statements for the periods ended September 30, 2018 of HPQ Silicon Resources Inc (“HPQ-Silicon”, the “Corporation” or “HPQ”). The Notes referred to in this MD&A refer back to the Notes in the Consolidated Financial Statements. The Consolidated Unaudited Financial Statements are presented in compliance with the IAS 34 Standards “Quarterly Financial Information” which calls for critical accounting estimates. They also demand of Management the exercise of its judgement in the application of the accounting methods used by HPQ Silicon. Note 5 of the Financial Statements outlines the particularly complex areas where such judgement is required as well as the hypotheses and estimates where such hypotheses and estimates have a major effect on the Consolidated Financial Statements. The consolidated Financial Statements were not adjusted in regard to the accounting value of Assets and Liabilities, Revenues and Expenses and to the classification used in the preparation of the Consolidated Cash Flow Statement under the hypothesis of the Corporation’s ability to continue as a going concern. These adjustments could be significant. All amounts are in Canadian dollars.

The consolidated Financial Statements of September 30, 2018, were prepared by management and are not audited.

HPQ Silicon Resources Inc. was incorporated on December 20, 1996, under the Canada Business Corporations Act. The Corporation’s shares are part of the Emerging Corporation category and are publicly traded on the TSX-Venture Exchange (“TSX-V”) under the symbol:”HPQ”. It is a reporting issuer under the securities laws of the provinces of Quebec, Alberta and British Columbia. HPQ Silicon’s Head Office is located at 3000, Omer-Lavallée Street, Suite 306, Montréal, Québec, Canada, H2Y 1R8.

The Corporation regularly presents supplementary information on its activities which are filed on (SEDAR) ([www.sedar.com](http://www.sedar.com)).

## **FORWARD LOOKING STATEMENTS**

This MD&A contains forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business, the mining industry in general and the economic environment in which it operates as of the date of the MD&A. These statements are reasonable but involve a number of risks and uncertainties, which are identified in the regular filings done by the Corporation with the Canadian Regulatory Authorities and there can be no assurance that they will prove to be accurate and the final results as well as future events could vary in a material manner and contradict the results expected under these Statements. Therefore, actual outcome and results may differ materially from those expressed in or implied by these forward-looking statements.

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

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

Many risks exist which could render these Forward Looking Statements erroneous such as the price movements in the metals markets, the fluctuations in the foreign exchange and interest rate, of under or over estimated reserves, environmental risks (ever increasing regulations), unforeseen geological situations, negative extraction conditions, changes in government regulations and policies, the inability to obtain the needed permits and government approvals, First Nations issues, or any other risk tied to exploration and development.

The Corporation`s ability to continue its operations is subject to securing additional financings needed to continue the exploration of its mineral properties and to the continuous support of suppliers and creditors. Even though the Corporation was able to secure such financings in the past there is no guarantee it will be able to do so in the future.

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

## **NATURE OF ACTIVITIES**

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The Corporation`s objectives are the exploration and discovery of mineral properties of various size possibly leading to a viable commercial exploitation in addition to becoming a vertically integrated Metallurgical Silicon Metal and Solar grade Silicon Metal (metallurgy and purification) producer. The Corporation will concentrate its efforts mainly on the integration of the transformation of quartz from its properties while generating a positive cash flow.

To date HPQ Silicon hasn`t determined if the mineral assets it`s currently exploring for contain mineral reserves which could be extracted profitably, to be able to secure the needed financings to continue exploration and the development of the assets, of transformation technologies and to start commercial production, or the realization of profits from the disposal of such assets.

## **OVERALL PERFORMANCE DURING THE THIRD QUARTER OF 2018**

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- In September, 2018, the TSX-Venture gave its conditional approval for the listing of the Corporation`s subsidiary “Beauce Gold Fields Inc.”.
- During the quarter, the Corporation raised \$215,950 through the exercise of 3,085,000 warrants.
- During the quarter, the Corporation made a \$731,600 payment on its pilot plant equipment.

## **OVERALL PERFORMANCE DURING THE THIRD QUARTER OF 2018 (continued)**

- On August 20, 2018, the Corporation concluded a total financing of \$5,250,000, in the following fashion:
  - A 5 year unsecured convertible debenture in an amount of \$1,800,000;
  - The issuance of 16,250,000 private placement equity units for a total of \$1,950,000. Each unit consisting in one (1) common share at \$0.12 and one (10) warrant giving the holder the right to acquire an additional common share at a price of \$0.17 for three (3) years;
  - A \$1,500,000 line of credit (subject to certain conditions) set-up to meet any cost overruns.
- On August 10, 2018, the shareholders approved the plan of arrangement as presented at the Annual General Meeting.
- During the quarter, the Corporation settled a debt to a supplier in the amount of \$14,125 through the issuance of 176,562 common shares.
- As part of the warrant exercise incentive program 4,152,000 warrants were exercised for a total of \$290,640. The Corporation issued the same number of warrants with an exercise price of \$0.17 good for 18 months from their date of issue. This incentive came to an end in July 2018.

## **HIGHLIGHTS PRECEDING THE THIRD QUARTER**

- On April 19, 2018, the Corporation presented an update on its PUREVAP tm GEN2 reactor development. A total mass of 101.45 grams was obtained which is 11.5 times larger than the best PUREVAP tm GEN1 results of 8.8 grams (test #323) and 3.6 times higher than the 28.1 grams obtained in PUREVAP tm GEN2 test #007. The production yield reached 34.3% which is 2.5 times higher than the maximum mass attained to date of 13.4%.
- During the first half, the Corporation proceeded to settle supplier payables of \$28,250 through the issuance of 166,716 common shares which were to have been issued on December 31, 2017.
- During the first half, the Corporation raised \$434,053 through the exercise of 6,200,750 warrants.

## **SUMMARY OF CURRENT ASSETS AND EXPLORATION WORK**

- As at September 30, 2018, the Corporation held cash in an amount of \$837,076, \$301,000 in marketable securities in a quoted company, \$211,610 in Goods and Services tax receivables, \$1,950,000 in a deposit on a contract granted, \$69,959 in prepaid expenses, \$126,053 in installments on due to a corporation, and \$380,775 in installments on due to Directors, Officers and to corporations controlled by a Director or Officer.
- For the period ending on September 30, 2018, HPQ completed exploration work on its properties for a total of \$11,975 on the Roncevaux property of which \$590 was done in the quarter.

## EXPLORATION ACTIVITIES AND PROJECTS

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### QUARTZ/SILICON

#### PROJECT: RONCEVAUX

- The Roncevaux property is made-up of 36 map designated cells (“CDCs”) covering a total of 2,068 ha in 2 blocks. The main block covers some 33 CDCs for a total area 1,895.76 hectares and is host to the Roncevaux quartz vein occurrence. The second block consists of 3 CDCs covering 172.40 hectares some 2.2 km north of the main block. The property is located in the Matapedia region of Gaspé about 75 km south of Causapscal.
- The Roncevaux Project lies within the southern domain in the central portion of the Connecticut Valley-Gaspé synclinorium. It is bound to the north by the Shickshock-South fault and to the south by the Restigouche fault. This basin is filled with fine to very coarse grained siliciclastic rocks, various types of limestones, felsic to mafic volcanic and intrusive rocks. The rocks of the Roncevaux vein area belong to the Fortin Group and the few outcrops visited by the INRS-ETE technical team in September 2015 were made-up of sandstones and siltstones with lesser units of shales and mudstones. The rocks are folded faulted and fractured. Bedding (So) appears sub-vertical (85o) with an average strike of N231o.
- During for the period of 2018, the Corporation completed exploration and development work for a value of \$11,975. This consisted mainly in assays and metallurgical testing for a value of \$10,177 and rental fees of \$1,798.
- During the last quarter of the year of 2017, the Corporation completed a 2,000 meters diamond drilling program. This program consisted in 32 holes, each to a depth of 50 m, along the known 400 meter Quartz outcrop. Assays and characterization tests will be undertaken on the drill cores.
- The Corporation plans to sell to its wholly-owned subsidiary Beauce Gold Fields Inc. the Roncevaux Specific Mining and exploration rights except for Quartz in exchange for 100,000 shares at a deemed price of \$0.10 each and a 5% NSR. Up to 4% of this royalty can be bought back by paying \$100,000 for each 0.10% NSR up to a maximum of \$4 million.

#### PROJECT: MARTINVILLE

- The Martinville Property (the “Property”) is located in the Eastern Townships 180 km east of Montreal and 30 km south of Sherbrooke. Private forests and small farms mostly cover the region. The property consists of 8 claims of which an area of 2.42 km<sup>2</sup> is available for exploration. The initial 2 Claims cover the area where the exploration work has been carried out and they host quartz veins that were historically worked on.
- The quartz is made up of Schist encased hydrothermal quartz veins. A 1995 geophysical survey shows an exploration potential of more than 1,000,000 tonnes SiO<sub>2</sub> using a surface length quartz vein of 200 m, averaging 2 to 23 meters in width while assuming a depth of up to 30 m (GM53696 : Pierre Vincent, “géosciences de l’établissement”. 1995.). While pertinent this data is non-NI 43-101 compliant. To validate these estimates the Corporation plans on undertaking an exploration program that will be Ni-43-101 compliant.
- During 2018, the Corporation did not perform any exploration work on the property.

## PROJECT: MONTPETIT QUARRY

- The Montpetit Silica Quarry property is composed of 4 Claims covering an area of 243 hectares, located in the Montérégie region of Québec, some 40 km south of Montreal and 7 km south of Saint-Clotilde-de-Chateaugay, close to Hemmingford.
- The formation is composed of consolidated silica sand that was purified by segregation, sorting and leaching. Diagenesis has transformed this sand into a SiO<sub>2</sub> quartzite deposit.
- During 2018, the Corporation did not perform any exploration work on the property.

## PROJECT: DRUCOURT

- The Drucourt Property is composed eight claims located in the North Shore Region of Quebec, some 700 km northeast of Montreal. The property covers 442 hectares mostly within crown land and a few private tracts. It is approximately 100 km west of Natashquan, QC.
- A HPQ exploration team selected the Q-12 showing for sampling due to its size, the historical work already done on it and its location 850 metres from highway 138. The field crew localized the Q12 quartzite occurrence with a length of over 125 metres and over 45 m in width. From this site they successfully extracted samples. Visually, the quartzite showed very high purity quartz with some impurities, mostly fine iron oxides due to surface weathering and in veinlets. The other quartz occurrences in the original claims and the additional CDCs were not explored at this time.

(Pronovost, Jean-Marie. 2002. Évaluation des quartzites de la propriété Drucourt. Rapport des travaux présenté à André Liboiron et au fonds d'exploration minière de la Côte nord (F.R.E.M.) SAMEXOR Enr. GM59751. 33 pages. 3 plans)

- During 2018, the Corporation did not perform any exploration work on the property.

## PROJECT: MALVINA

- The Malvina Property (the "Property") composed of 2 claims covering 121 hectares and is located in the Eastern Township, some 200 km east of Montreal, 50 km southeast of Sherbrooke and 5 km from the Quebec-Vermont border. The region is mostly covered by private forests and small scale farms.
- An exploration campaign revealed that the mineralization appears to be located in a lens that is 15m by 16m. The mineralization seems to be linked with a post-orogenic event that created several shear zone filled with hydrothermal quartz.
- During 2018, the Corporation did not perform any exploration work on the property.

## PROJECT: SILICON - OTHERS

- The Quartz/Silicon - Others project is made up of four (4) claim blocks:
  - One consists in four (4) claims, called the Saint-Gédéon covering 240 hectares in the Beauce region close to the US Border;
  - The second one is called Saint-Ludger composed of four (4) claims covering 221 hectares in the Lac Mégantic area;
  - One claim called Beaudoin project; and
  - The last one called Bourque project, both in the Eastern Townships south of Sherbrooke.
- During 2018, the Corporation did not perform any exploration work on the properties.

## HIGH PURITY QUARTZ/SILICON

- On July 19, 2018, HPQ Silicon Resources Inc.'s partner PyroGenesis Canada Inc. announced that it had completed a scheduled audit of the GEN2 Purevap™ equipment for wear and tear following the first 14 tests of the joint venture's commercial scalability proof-of-concept testing program. The audit helped identify critical operational parameters for the GEN3 Purevap™ pilot equipment and allowed the evaluation of additional design modifications that could be implemented for further tests using the GEN2 Purevap™.
- The ENn2 Purevap™ equipment having been refurbished, reassembled and incorporating the latest design modifications, is now ready to start a new series of at least eight additional tests focused on:
  - Increasing the yield and the production yield of the GEN2 Purevap™ above test No. 14 results;
  - Testing the purity of the silicon produced using inductively coupled plasma-optical emission spectrometry from both the company's low-purity feed stock (98.84 per cent silicon dioxide (SiO<sub>2</sub>)) and specifically sourced ultrahigh-purity feed stock (greater than 99.9 per cent SiO<sub>2</sub>); and
  - Finding the optimum operation conditions for the GEN2 Purevap™ and gaining information about future Gen3 Purevap™ operation.
- On April 19, 2018, the Corporation issued an update on the scale-up development work being done on the GEN2 PUREVAP™ reactor. The total mass of silicon produced yielded 101.45 grams which is 11.5 times greater than the GEN1 best results which were 8.8 grams (test # 323) and 3.6 times greater than 28.1 grams of GEN2 test # 007. At the same time production yield reached 34.3 % which is 2.5 times greater than the previous record: GEN2 test #007 which yielded 13.4%.
- In February 2018, the Corporation issued a release announcing that Test #007 of PUREVAP™ QRR GEN2 produced 28.1 grams of silicon metal, which is 20 times the quantity obtained from Test #63 GEN1 of 1.4 gram, and 1.4 times higher than the 19.9 grams produced during test #003 PUREVAP™ QRR GEN2.

## HIGH PURITY QUARTZ/SILICON (continued)

- In addition, Test #007 PUREVAP™ QRR GEN2 reached a conversion efficiency of Quartz into Silicon metal (production yield) of 13.4%, which is the highest efficiency to date, ten times higher than the reference Test #63 PUREVAP™ QRR GEN1 with a production yield of 1.3% and 1.8 times higher than test #003GEN2 with a production yield of 7.4%.
- The PUREVAP™ QRR GEN1 tests confirmed the relationship between the production yield and the purity (Nov. 1, 2017, release) and starting with these results and tests currently being completed by PyroGenesis, the following conclusions were reached:
  - In a semi-continuous PUREVAP™ QRR process, postulating a production yield standard of 90%, it would be possible to transform quartz (SiO<sub>2</sub>) into Silicon Metal (Si) with acceptable purity levels for the solar industry (4N+ or 99.998% Si) (1);
  - The positive correlation between production yield, purity and PUREVAP™ QRR reactor size would be optimized with a 50 TPY reactor; and
  - The size of the PUREVAP™ GEN2 Reactor limits the reachable production yield at 15% (+/- 3%).

(1) PYROGENESIS Canada Inc. technical note: TM-2017-830-REC 00.-Final Report-Silicon MetalPurityEnhancement

- The variations in the final purity results of Silicon metal using different operational parameters using the PUREVAP™ QRR GEN1 were rigorously analyzed; The results validated the concept and the extrapolation of the results suggest that in a semi-continuous PUREVAP™ QRR process, HPQ can transform quartz (SiO<sub>2</sub>) into Silicon Metal (Si) reaching purity levels acceptable to the solar industry (4N plus or +99.99% Si).
- The recently initiated metallurgical test program PUREVAP™ QRR GEN2 aims to confirm that hypothesis and to allow the tapping of samples during testing. PyroGenesis is completing the plans and the preparation for the assembly of the pilot plant equipment.
- The PUREVAP™ QRR Intellectual Property belongs to HPQ. The Corporation is continuing its technical development with PYROGENESIS which is completing the conception and manufacturing of the Pilot Plant Equipment.
- The PUREVAP™ QRR GEN1 technology delivered test results of 99.97% (3N). The purity of the quartz used for these tests was between 98.14% and 99.99%.
- The prime objective in the development of the PUREVAP™ QRR technology is to produce a solar grade Silicon Metal (SoG Si) with a substantial cost reduction compared to existing industry processes, through a CAPEX (Capital costs) reduction of at least 95% compared to current costs and a OPEX (operational expenses) reduction of 80%.
- The PUREVAP™ QRR should allow for a 75% carbon footprint reduction for the production of SoG Si. This represents the generation of 14.1 Kg of Co<sub>2</sub> compared to 54 Kg of Co<sub>2</sub> produced by current methods.
- HPQ believes that the PUREVAP™ QRR process is the only one-step Quartz to SoG Si transformation method available.

## HIGH PURITY QUARTZ/SILICON (continued)

- The technology uses a Submerged Arc Vacuum Plasma. This is done at very low pressure and using a high temperature arc plasma, thus the contaminants are vaporized before the Silicon.
- During 2016, HPQ concluded an agreement with PyroGenesis in an amount of \$8,260,000 for the procurement of Silicon Metal pilot plant equipment.
- As per the scheduling established for the design, manufacturing, assembly, cold start-up and the start of operations, HPQ has one payments to make: a payment in an amount of \$241,600 was made in November 2018.. The follow-up stages will consist of the hot start-up of the equipment for \$520,000, and the 10 months start-up and breaking-in phase for a value of \$2,310,000. The total investment was \$4,998,400 as of September 30, 2018 of which \$1,000,000 for the acquisition of the intellectual property. During August 2018, the Corporation made a \$1,950,000 deposit to be used as payment for the star-up of the equipment.

## **ASSETS HELD FOR DISTRIBUTION TO THE SHAREHOLDERS**

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### BEAUCE PLACER

- During 2016, the Corporation's created a HPQ-wholly-owned subsidiary which will operate under the name "Beauce Gold Fields Inc.", which has initiated a listing application on the TSX-Venture Exchange.
- At the Annual General Meeting, the Shareholders adopted the resolution allowing the sale of the Corporation's gold assets to BGFI. These acquisitions should be paid for through the issuance of common shares of BGFI at a price of \$ 0.10 each. Once all the points in the plan of arrangement will have been realized, the Final Order will be presented in Court for fianl approval. The Corporation will then be able to distribute to its shareholders 80% of the BGFI shares it will receive.
- In September 2018, the TSX-Venture gave its conditional approval for the listing of the Corporation's subsidiary "Beauce Gold Fields Inc."
- During November 2018, BGFI raised the minimum financing requirement of \$550,000 for its listing. If all the conditions of the approval are met, BGFI should be listed.
- HPQ has also agreed to grant to BGFI the Specific Mining Rights to the Roncevaux property except for Quartz. As a consideration for these Rights BGFI will issue to HPQ 100,000 common shares, at a deemed price of \$0.10, as well as grant it a 5% NSR on all metal and mineral production. BGFI can acquire up to 4% of this NSR against payments of \$100,000 for each 0.10% NSR interest to a maximum of \$4 million.
- The Beauce-Placer Project is made up of 152 (one hundred and fifty-two) mostly contiguous claims covering a total area of 4,808.95 hectares. Through ongoing staking the Corporation has expanded its claim portfolio. The claims are located in the Beauce region of Quebec, some 70 km south-east of Quebec City. Historically, this region was the site of the first commercial gold production in Canada and is also one of the largest placer gold areas in Eastern North America.

## BEAUCE PLACER (continued)

- During 2017, HPQ completed \$179,948 of exploration work on the Beauce claims. The Corporation initiated an exploration program to identify the sulphide mineralization in the Beauce Placer project. This exploration program was performed by a renowned international multi-disciplinary team of geophysicists. The targets of the survey were the study and identification of the gold sources that were at the origins of the Beauce Placer site and to determine the property's potential.
- This program systematically collected magnetic and gravimetric data along various sections that are perpendicular to the St-Simon-les-Mines region. Afterward, an electromagnetic survey with a depth of 2,000 meters was completed to document the geoelectric characteristics of the Bellechasse gold belt. The electric resistivity survey, done by INRS and the Corporation, revealed the presence of strong anomalies in the rock substratum located under the Quaternary units of the Placer.
- On May 11, 2017, the Corporation announced the identification of a major fault located under the site of the former placer operations of the Beauce-Placer project. The geophysical survey conducted over a length of 5.6 kilometres along the St-Gustave Road revealed this fault which had not been identified to date. The survey consisted of audiomagnetotelluric ("AMT"), magnetometric and electromagnetic surveys.
- The surveys show the fault nearing surface along the site of the 1960's placer operations. The MAG data shows a contrast between the North and South block of the fault. This data could explain the presence of till and saprolitic gold in the St-Simon-Les-Mines region. The surface projection of the fault corresponds to a high electric chargeability domain (Richer-Laflèche, 2014) which could suggest the presence of disseminated sulphides in the volcanoclastic rock. This zone corresponds to the northern limit of the St-Simon-Les-Mines placers.
- The AMT data could also suggest the presence of a large conductor (IV) 50 metres in width and with a vertical extension of 400 metres.
- The Corporation has initiated an exploration program with the goal of finding the limits of the geological fault that surfaces under the historical placer deposit. This program consists in two AMT ("Audio-magneto-telluric") survey lines, two Electric Resistivity Tomographic ("ERT") survey lines and many gravimetric surveys. The work is under the supervision of Professor Marc Richer-Lafleche, PhD, P. Geo, of the INRS.
- On August 3, 2018, the Corporation filed an updated NI 43-101-compliant geological report on the Beauce Placer project.
- BGFII will continue the efforts undertaken by HPQ to locate the source of the Beauce Placer deposit. The area where the Beauce-Placer project is located hosts a non-consolidated sedimentary unit 6 kilometer in length (a Saprolite unit underlays a brown diamictite unit on surface). This formation is the location of this historically important deposit. The work done to date by the Corporation revealed the presence of delicate gold in the Saprolite which is an indicator that the gold originates from nearby. This discovery allows the Corporation to hope that it could discover an important gold potential on its Claims.

## EXPLORATION AND EVALUATION EXPENSES

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The deferred exploration expenses (before exploration credits and mining rights) for the quarter ending on September 30, 2018 totalled \$590 compared to \$199,021 for the same period last year.

The Corporation's objectives for the fiscal year of 2018 and 2019 are to continue the exploration program seeking to finalize the calculation of the mineral resources for the Roncevaux property. Also, the Corporation continues to perform metallurgical tests on the Roncevaux quartz as well as on the quartz from its other properties. The results of this work will allow the elaboration of various scenarios such as more in-depth exploration, or the sale or abandonment of the claims.

Here is a detailed exploration and evaluation comparative analysis of costs and expenses for the period ending on September 30, 2018 and 2017.

	For the quarter ending on September 30		For the nine months ending on September 30	
	2018 \$	2017 \$	2018 \$	2017 \$
Beginning balance	1,273,109	550,534	1,261,724	541,622
Add:				
Geology	-	8,500	-	23,381
Analysis	-	185,871	10,177	231,471
Location	590	780	1,798	1,281
Divers		3,870		3,870
	<u>590</u>	<u>199,021</u>	<u>11,975</u>	<u>260,003</u>
Balance before credits	<u>1,273,699</u>	<u>749,555</u>	<u>1,273,699</u>	<u>801,625</u>
Less : Write-offs	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,070</u>
Ending balance	<u><u>1,273,699</u></u>	<u><u>749,555</u></u>	<u><u>1,273,699</u></u>	<u><u>749,555</u></u>

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## SELECTED FINANCIAL INFORMATION FOR THE QUARTER

The following table presents Selected Financial Information for the last eight quarters.

Quarter finishing on:	FISCAL 2018			FISCAL 2017				FISCAL 2016
	09/30	06/30	03/31	12/31	09/30	06/30	03/31	12/31
	\$	\$	\$	\$	\$	\$	\$	\$
Operating	350,920	396,682	294,794	1,648,382	305,400	659,235	292,437	1,421,465
Net Loss	470,294	592,373	189,458	1,438,370	679,765	377,392	120,716	1,476,982
Loss per share (basic and diluted)	(0.00)	(.00)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	(0.02)
Current Assets	5,381,473	2,655,484	2,805,441	2,843,366	3,299,943	4,047,091	4,131,361	3,497,544
Total Assets	13,217,610	9,664,041	9,693,622	9,602,391	9,538,683	9,786,113	9,583,357	7,840,995
Current Liabilities	995,091	758,490	512,003	480,468	1,215,267	888,072	447,376	735,418
Non-Current Liabilities	3,004,678	2,395,256	2,342,814	2,289,959	2,221,656	2,171,034	2,120,441	2,069,876
Shareholders' Equity	9,217,841	6,510,295	6,838,805	6,831,964	3,436,923	3,059,106	2,567,817	2,805,294

## DISCUSSION ON THE FINANCIAL INFORMATION OF THE SELECTED QUARTER

- TOTAL PERFORMANCE**

For the third quarter of 2018, the Company saw a decrease in its Net Loss of \$209,471 (31%) (\$470,294 vs \$679,765), while operational costs decreased by \$35,214 (9%) (\$350,920 vs \$386,134) while during the last seven quarters the respective averages were \$696,437 and \$674,056.

- NET LOSS ANALYSIS**

The decrease in Net loss of \$209,471 (31 %) (\$470,294 vs \$679,765), in comparison to the same period in 2017 corresponds mainly to the decrease in the value of financial instruments.

- **NET LOSS ANALYSIS (continued)**

There was a decrease in Other Operational Charges of \$17,370 (9%) (\$179,837 vs \$197,207). The main reasons for the decrease are directly related to a decrease in Investor Relations fees of \$21,750, Traveling expenses decreased by \$9,742 (or 35%) (\$18,059 vs \$27,801). Professional fees decreased by \$6,394 (or 5%) (\$114,660 vs \$121,054) as well as shareholder costs and listing and regulatory fees increased by \$15,481 (or 150%) (\$25,795 vs \$10,314).

During the quarter, the Corporation accounted for restructuring costs of \$63,192 compared to \$80,734 for the same period in 2017. These costs are related to the preparation for the Plan of Arrangement under which its gold assets are to be sold to its subsidiary.

Other revenues and expenses increased by \$219,990 (-\$43,577 vs -\$263,567). This increase is due to the reduction in fair value of marketable securities in a quoted company in the amount of \$220,525 compared to the same quarter in 2017.

## **SELECTED FINANCIAL INFORMATION FOR THE 2018 PERIOD**

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The following table presents Selected Financial Information for fiscal 2018, 2017, 2016 and 2015.

	<b>FISCAL 2018</b>	<b>FISCAL 2017</b>	<b>FISCAL 2016</b>	<b>FISCAL 2015</b>
	<b>30/09/18</b>	<b>30/09/17</b>	<b>30/09/16</b>	<b>30/09/15</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating expenses	1,042,396	1,257,072	1,080,755	843,487
Net loss	1,252,125	1,177,873	1,112,700	878,572
Results per share (basic and diluted)	(0.00)	(0.00)	(0.01)	(0.01)
Current Assets	5,381,473	3,299,943	1,282,390	938,992
Total Assets	13,217,610	9,538,683	5,783,307	3,008,521
Current Liabilities	995,091	1,215,267	500,854	359,661
Non-current Liabilities	3,004,678	2,221,656	1,402,623	926,831
Shareholders' Equity	9,217,841	6,101,760	3,879,830	1,722,029

## **GENERAL DISCUSSION ON FINANCIAL INFORMATION FOR THE 2018 PERIOD**

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- **OVERALL PERFORMANCE**

In 2018, in comparison to 2017, the Corporation has seen an increase in its Net Loss of \$74,252 (6%) (\$1,253,125 vs \$1,177,873), while costs of operations went down by \$295,410 (22%) (\$1,042,396 vs \$1,337,806) while during the last three previous periods these costs averaged respectively \$1,056,382 and \$1,060,438.

- **DISCUSSION ON NET RESULTS**

The increase in Net Loss of \$74,252 (6%) (\$1,253,125 vs \$1,177,873), compared to 2017 results mainly from the reduction in the fair value of financial instruments which are included in other revenues and expenses.

The operational costs decreased by \$102,676 (16%) (\$539,112 vs \$641,788). The decrease is mainly due to a reduction in Investor Relations fees of \$81,604. Professional and consultant fees decreased by \$36,518 (or 9%) (\$377,263 vs \$413,781) which are attributable to various commercialisation and marketing work done during the 2017 period. Traveling expenses increased by \$11,410 (or 29%) (\$51,068 vs \$39,658). This increase is due to added travel to help finalize the new financial structure. The shareholder information and listing fees increase of \$5,945 (or 11%) (\$59,933 vs \$53,988).

The restructuring costs of \$139,784 compared to \$80,734 in the corresponding period in 2017. These are related to the preparation of a Plan of Arrangement under which the Corporation's gold assets should be vended to its subsidiary.

Other Revenues and Expenses decreased by \$337,762 (\$209,729 vs -\$128,033). The decrease is due to the reduction in fair value of marketable securities in a quoted company in the amount of \$307,819 compared to the same quarter in 2017.

- **LIQUIDITIES AND CAPITAL RESOURCES**

The Corporation ended the September 30, 2018, period with a working capital of \$4,767,482 (\$2,362,898 as at December 31, 2017). The current assets totalled \$5,381,473: cash on hand \$837,076 (\$314,103 as at Dec. 31, 2017), marketable securities in a quoted company \$301,000 (\$414,855 as at Dec. 31, 2017), HST tax receivables \$211,610 (\$105,940 as at Dec. 31, 2017), a deposit on a contract of \$1,950,000 (\$0 at December 31, 2017), prepaid expenses of \$69,959 (\$6,225 as at Dec. 31, 2017), Assets held for distribution to the owners of \$1,505,000 (\$1,505,000 as at Dec. 31, 2017), an instalment on due to a company of \$126,053 (\$123,251 as at 31 December, 2017), as well as instalments on due to Directors, Officers and company controlled by a Director or Officer \$380,775 (\$373,992 as of December 31, 2017).

The marketable securities in a quoted company for a value of \$301,000 represent an investment in PyroGenesis with an adjusted cost basis of \$44,500. The HST receivable for \$211,610 comes from the payment of bills related mainly to suppliers during the last two quarters. The deposit on a contract of \$1,950,000 represents part of the start-up cost for the pilot plant equipment. The prepaid expenses of -\$69,959 represent the costs for marketing, the payment of municipal and school taxes, the pre-payment of the Directors and Officers insurance policy and as well as the costs of test on laboratory equipment. The assets held for distribution to the owners of \$1,505,500 represent the fair value of the gold assets. To eliminate the possibility of legal action, the Corporation paid part of a sum due to a supplier, this amount being classified in the Financial Statements as an instalment on a due to a company of \$126,053 (nominal value \$127,000). In the Instalments due to a directors, officers and company controlled by a Director or Officer of \$380,775 (nominal value \$383,000).

- **LIQUIDITIES AND CAPITAL RESOURCES (continued)**

During the period, the Corporation acquired \$731,600 in tangible assets representing its pilot plant equipment as well as intangible assets for a value of \$334,302..

Current liabilities totalling \$995,091 (\$480,468 as at Dec. 31, 2017) were made up of amounts owed to trade and others payables of \$235,563 (\$170,755 as at Dec.31, 2017), a Note payable of \$180,000 (\$180,000 as at Dec. 31, 2017), amounts owed to Directors and Officers of \$434,600 (none at December 31, 2017) and royalties payable \$144,928 (\$129,713 at December 31, 2017). The non-current liabilities of \$3,004,678 (\$2,289,959 as at Dec. 31, 2017) represent due to Directors, Officers and a company controlled by a Director \$997,289 (Nominal value \$997,641) (\$1,370,138 as at Dec. 31, 2017), part of the convertible debenture, including accrued interests for a value of \$938,638 (nominal value \$1,807,500) (none at December 31, 2017) as well as royalties payable of \$1,068,751 (\$919,821 as at Dec. 31, 2017).

- **WORKING CAPITAL**

As at September 30, 2018, the Corporation had a working capital of \$837,076 (\$329,517 for 2017).

The Cash Flow used for operational activities was \$3,042,575. The use of cash flow for operations is made up of the Net Loss of \$1,252,125. The other non-cash elements that have no influence on cash flow are composed of Depreciation for \$163,576, Financial costs of \$7,500, salaries and fringe benefits of \$543,500 as well as the variation in the value of the shares of a publicly traded company of \$5,069. The use of cash flow for operational working capital represents an amount of \$2,020,095 which comes from: increase in HST receivables of \$105,670, increase in Prepaid expenses of \$63,734. The increase of deposit on a contract of \$1,950,000 as well as the increase in trade and other payables of \$99,309.

The use of cash flow for investing activities of \$961,217 is made up of increase in Exploration and Evaluation assets of \$8,7735,683, an increase in the value of Tangible Assets of \$731,600, an increase in Intangible Assets of \$329,630, from the proceeds from the Disposition of negotiable investments of \$283,786 and \$175,000 on increase in Marketable securities.

The cash flow from financing activities of \$526,765 includes a private placement through the issuance of common share units for a value of \$1,950,000 as well as the exercise of warrants for \$940,643 (which includes the warrant incentive program for a value of \$290,640). The Corporation issued a convertible debenture in an amount of \$1,800,000. . There were share unit issuance costs of \$16,563 as well as convertible debenture issuance costs of \$147,315.. The Corporation increased its cash flow by \$522,973 during the period.

The Corporation average quarterly cash requirements should vary between \$225,000 and \$250,000 according to each period's activities excluding exploration and evaluation costs and the addition to property equipment and intangible assets, as well as for restructuring costs..

As long as the Corporation is in an exploration and evaluation mode it will not generate cash flow from operations. The Corporation's ability to satisfy its current obligations and continue its development is fully dependent on Management's ability to raise the needed funds from private placements and other financing programs through the issuance of share capital.

- **WORKING CAPITAL (continued)**

Management is of the opinion that as long as important negative events do not occur on the financial markets, during the next year, the Corporation should be able to complete the needed placements and financings to advance its various projects.

In conclusion, the financial statements do not reflect the needed adjustments that would need to be made in the event it could not raise the funding to continue its activities. Investors are hereby advised that if such changes are needed they could be material.

## **FINANCIAL COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

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The Company is subject to paying royalties on certain properties in the event of commercial production.

According to the October 8, 2014, Fancamp Agreement, the Corporation must pay to Fancamp a 3.5% royalty on commercial metal production as well as a sum of \$500,000 upon start of production. HPQ Silicon must also assume the payment of a 1.5% Net Smelter Royalty to a third party, one percent of which can be bought back for \$1,000,000. Once the Beauce-Placer transaction between BGFI and HPQ is complete BGFI should assume all obligations toward Fancamp and the other NSR holders.

On February 6, 2012, the Corporation signed a Mortgage contract on seven Beauce real estate lots, that overlay some of the Corporation's claims, to guarantee a \$180,000 loan bearing an interest of 25% per year. On October 6, 2017, the Company agreed with the Mortgagee to extend the term to July 31, 2019. Once the real estate lots are ceded to BGFI the Mortgage should become BGFI responsibility.

The Company entered into agreements with subscribers whereby the Company had to incur \$245,000 of Canadian Exploration Expenses ("CEE") before December 31, 2012. The Company had incurred \$163,875 in CEE before December 31, 2012 and an approximate balance of \$77,000 of CEE renounced to the investors was not been incurred as at December 31, 2012 and was used for other purposes than exploration expenses. The maximal contingency for the Company, in relation to non-compliance with its obligations with subscribers, is approximately \$55,000. As at February 28, 2014, the Company had produced the reductions forms related to the amount of \$77,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2012. As at December 31, 2017, an amount of \$8,131 pertaining to part XII.6 taxes is included in trade accounts.

The Company entered into agreements with subscribers whereby the Company had to incur \$1,244,000 of Canadian Exploration Expenses ("CEE") before December 31, 2017. The Company had incurred \$919,256 in CEE before December 31, 2017 and an approximate balance of \$293,000 of CEE renounced to the investors was not been incurred as at December 31, 2017 and was used for other purposes than exploration expenses. The maximal contingency for the Company, in relation to non-compliance with its obligations with subscribers, is approximately \$220,000. As at February 28, 2018, the Company had produced the reductions forms related to the amount of \$293,000 in CEE renounced to the investors and that have not been incurred as at December 31, 2017. As at December 31, 2017, an amount of \$40,482 pertaining to part XII.6 taxes is included in trade accounts.

## **FINANCIAL COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (continued)**

The July 15, 2014, AGORACOM contract was extended by one year under the original conditions. HPQ will issue shares to AGORACOM for on-line advertising and marketing services and other related activities. The extension started on July 15, 2018 and the \$50,000 fees must be paid quarterly in \$12,500 payments plus HST. The number of shares to be issued at the end of each period is determined on the date when the invoice is issued using the closing price of the shares the previous day on the TSX Venture Exchange. The most recent twelve-month agreement started on July 15, 2018 and the services totaling \$50,000 must be paid quarterly by the Corporation through payments of \$12,500 plus HST.

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

- 2018, the highest between 10% of Si sales or \$150,000;
- 2019, the highest between 10% of Si sales or \$200,000;
- 2020 and after, the highest between 10% of Si sales or \$250,000.

As at September 30, 2018, the remaining total commitment for the purchase of the Pilot Plant Equipment was approximately \$2,540,000 of which an amount of \$1,950,000 is a deposit on a contract..

The Corporation has obtained the approval of the TSX-Venture Exchange for the line of credit on equity in an amount of \$1,500,000 agreed to by PyroGenesis. This line of credit is only to be used if there are any cost overruns that could be incurred for the pilot plant equipment after the end of the test period in 2019 and until December 31, 2020.

The terms of the line of credit stipulate that for costs overrun to be paid for it must be agreed to by the two party prior to the expenses being incurred. Once the expenses approved, the Corporation will need to submit a 30 days advance notice to PyroGenesis stating that it intends on using the line of credit to pay for an overrun. Once the completion of the approved work, PyroGenesis will submit an invoice for the work done and HPQ will arrange for the payment of the invoice through the issuance of a sufficient number of common shares of its share capital to pay the invoice, the whole in compliance with the TSX-V regulations. The shares being subject to a 10% discount to the market price of the shares on the invoice date.

On November 17, 2017, the Company entered into a service agreement with Apollon Solar in the development of its Silicon SoG production project. Under this agreement, the Company undertakes to pay fees of € 188,000 over a period of 10 months from January 2018.

## **SUMMARY OF ACCOUNTING POLICIES**

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

## **SUMMARY OF ACCOUNTING POLICIES (continued)**

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

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

- Recoverability of Exploration and Evaluation Assets;
- Evaluation of Income Tax Credits to receive on resources exploration and Mining Right Credits.

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

## **FUTURE ACCOUNTING POLICIES**

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Currently there are no planned future accounting policies.

## **INFORMATION COMMUNICATION CONTROLS AND PROCEDURES**

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

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

## **FINANCIAL INSTRUMENTS**

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Financial Assets used by the Corporation consist of: cash, installments dues to a corporation and to Directors, officers and a company controlled by a Director and are part of the loan and liabilities category. The Corporation's liabilities include amounts owed to suppliers and creditors, amounts owed to Directors Officers and a company controlled by a Director (excluding salaries and personnel charges), and short term notes to pay.

The financial liabilities of the Corporation include supplier and creditor payables (excluding salaries and personnel related expenses), Notes payable, the amounts due to Directors, Officers and to a corporation held by a Director (excluding salaries and Personnel expenses) and royalties payable.

## **FINANCIAL INSTRUMENTS (continued)**

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The fair value of: installments due to Directors, Officers and corporations controlled by a Director or Officer, or corporations controlled by Directors; long term installments due to Directors, Officers and corporations controlled by a Director or Officer, or corporations controlled by Directors; of the convertible debenture; of the Royalties payable, are estimated using an analysis of the discounted cash flows using an interest rate for similar instruments, The adjusted value was very close to the book value at the end of the quarter.

The fair value of the marketable securities of a quoted company was estimated based on the market price at the balance sheet date. Marketable securities of a quoted company measured at fair value in the consolidated statements of cash flows as at September 30, 2018.

As at September 30, 2018, the corporation cash was held in Canadian funds in an interest-bearing account at Bank of Montreal

## **INFORMATION ON SHARE CAPITAL**

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- **Information on financings**

On September 30, 2018, the Corporation had 222,284,053 shares issued and outstanding (191,979,173 on December 31, 2017), no shares to be issued (166,176 on December 31, 2017), 80,389,120 warrants (75,233,370 as at December 31, 2017), no Broker's Options (89,172 as at December 31, 2017), 752,690 Broker's Warrants (752,690 on December 31, 2017), 175,000 Broker's Units (261,000 as at December 31, 2017) and 12,400,000 Options (13,200,000 as of December 31, 2017). The number of shares on a diluted basis is 325,000,963.

- **Information on outstanding shares**

As at November 29, 2018, the Corporation had 222,284,053 shares issued and outstanding, 89,389,120 warrants, 752,690 Broker's Warrants, 175,000 Broker's Units and 12,400,000 options. The number of fully diluted shares is 325,000,963. The Corporation's share capital consists of an unlimited number of common shares with No Par Value.

## **RELATED PARTY TRANSACTIONS**

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For the period ending on September 30, 2018, the sum of \$112,500 (\$150,000 on December 31, 2017) was accounted for as management fees under a contract between the Corporation and a corporation controlled by the Chairman of the Board as part of a consulting agreement with the Corporation. \$14,200 (\$22,600) was accounted for by a corporation managed by a member of the board of Directors as part of consulting services rendered to the Corporation.

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

## **RELATED PARTY TRANSACTIONS (continued)**

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The Corporation has paid part of the Installments due to Directors, Officers and corporations controlled by a Director or Officer with a nominal value of \$383,000. December 23, 2018 is the latest date at which the terms under which the repayment of these dues must be agreed to failing which the amounts are due immediately.

The Corporation owes to Directors and Officers salaries and remuneration with a nominal value of \$1,378,389. The Corporation has obtained confirmation that payment of an amount of \$1,378,389, under certain conditions, will not be demanded for a minimum of 12 months and one day after September 30, 2018.

## **MANAGEMENT'S REPORT ON CONTROLS AND PROCEDURES ON INFORMATION TO BE SUPPLIED**

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Under the dispensations granted in November 2007 by each of the Securities Commissions of Canada, the CEO and the CFO must produce a « Certificate of Filings-Emerging Issuer » relating to financial information presented in the annual and interim filings, including Management Discussion and Analysis.

When compared with the « Schedule 52-109A2-Certificate of Annual and Interim documents », the « Basic Certificate relating to an Emerging Issuer » includes a “Notice to reader” which declares that the CEO and CFO make no declaration regarding the establishment and maintenance of Controls and Procedures on the Communication of Information (CPCI) and the Internal Controls of the Financial Information (ICFI), as outlined in Regulation 52-109.

## **RISK FACTORS**

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- **Inherent risks in mineral exploration and evaluation**

The Corporation's activities consist in the acquisition and exploration of mining properties with the hope of discovering mining sites with economic potential. The Corporation's properties are currently at the exploration stage and do not hold any known commercial deposit. It is very unlikely that the Corporation will realize any short or mid-term benefits from these properties. Any future profitability of the Corporation's operations is conditional on the discovery of an economic ore body. In addition, if such a case would arise, nothing guarantees that such an ore body could be put into profitable commercial production.

- **Environmental regulations and commitments**

The Corporation's activities require that it obtains permits from various governmental authorities and are regulated by laws and regulations on the exploration, development, extraction, production, exports, income tax, labor regulations and workplace safety as well as environmental issues and other topics.

Additional costs and delays could be caused by the need to comply with laws and regulations. If the Corporation cannot obtain or renew its permits or approvals, it could be forced to reduce or cease its Exploration Evaluation and Development activities.

## **RISK FACTORS (continued)**

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- **First Nations relations**

The Corporation regularly initiates exploration work in areas where First Nations could make claims. These claims could slow down the work to do or could increase its costs. The effect of these factors cannot be precisely determined.

- **Financing needs**

The exploration, evaluation, development, extraction and production from the Corporation's properties will necessitate very substantial additional financial resources. The only sources of funds available are through the issuance of share capital and borrowing. There is no assurance that such financings will be available, neither would they be available at favorable conditions or will respond sufficiently to the project's needs. This could have a negative effect on the Corporation's business and financial situation. The impossibility of obtaining a sufficient financing could delay, or postpone indefinitely exploration evaluation or production activities on one or all the Corporation's properties, and even see the Corporation lose its participation in some or all of its properties.

- **Metal prices**

The Corporation's share price, its financial results as well as its exploration and evaluation, production and development activities have been affected in the past and could very well be very negatively affected in the future by a fall in the price of precious and base metals.

- **Non insured risks**

The Corporation's activities are subject to certain risks and dangers, including difficult environmental conditions, industrial accidents, labor conflicts, unusual or unexpected geological conditions, landslides, rock falls and other natural phenomenon such as unfavorable meteorological conditions, floods and earthquakes. Such events could result in bodily injuries or death, environmental damages or other damages to the properties or the production facilities or to the properties of other corporations, delays in mining production, monetary losses, and possibly legal liabilities.

- **Corporate permanence**

The Corporation's future depends on its ability to finance its activities and to develop its assets. The failure to obtain sufficient financing could create a situation where it could not continue its activities, realize its assets and settle its liabilities in the normal course of business within a foreseeable future.

(s) Patrick Levasseur, President and Chief Operating Officer

(s) François Rivard, Chief Financial Officer

Montréal, November 29, 2018