

# **Dundee Sustainable Technologies Inc.**

## **Condensed Interim Consolidated Financial Statements (Unaudited)**

**As at and for the nine months ended September 30, 2020**  
(Expressed in Canadian dollars)

The attached financial statements have been prepared by management of Dundee Sustainable Technologies and have not been reviewed by an external auditor.

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# Dundee Sustainable Technologies Inc.

## Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	Note	As at September 30, 2020 \$	As at December 31, 2019 \$ (audited)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,188,815	116,261
Accounts receivable	4	641,514	367,350
Research and development tax credit receivable		71,574	-
Sales tax receivable		18,132	37,153
Other assets		137,998	73,395
Prepaid expenses		35,954	45,212
		<b>2,093,987</b>	<b>639,371</b>
<b>Non-current assets</b>			
Investment in a related company		-	59,250
Property, plant and equipment	5	1,026,412	1,340,398
Intangible assets	6	3,691,050	4,037,086
		<b>4,717,462</b>	<b>5,436,734</b>
<b>Total assets</b>		<b>6,811,449</b>	<b>6,076,105</b>
<b>Liabilities and Deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,363,960	1,391,127
Contract liabilities		792,517	222,135
Current portion of lease liability	5	104,955	99,156
Promissory notes from a related party	8	-	5,731,100
Short-term loans from a related party	8	-	13,814,573
Short-term portion of long-term debt	9	85,071	47,262
Convertible debenture	9	-	5,156,632
		<b>2,346,503</b>	<b>26,461,985</b>
<b>Non-current liabilities</b>			
Lease liability	5	1,028,577	1,310,744
Promissory note from a related party	8	416,109	-
Long-term loan from a related party	8	7,925,844	-
Convertible debenture	9	3,698,618	-
Long-term debt	9	189,469	213,579
<b>Total liabilities</b>		<b>15,605,120</b>	<b>27,986,308</b>
<b>Deficiency</b>			
Share capital	10	69,881,563	55,057,673
Contributed surplus		8,743,641	8,068,668
Deficit		(87,418,875)	(85,036,544)
<b>Total deficiency</b>		<b>(8,793,671)</b>	<b>(21,910,203)</b>
<b>Total liabilities and deficiency</b>		<b>6,811,449</b>	<b>6,076,105</b>
<b>Going concern</b>	1		

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

## Dundee Sustainable Technologies Inc.

### Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
		\$	\$	\$	\$
Sale of services		861,173	455,334	2,386,757	1,039,462
<b>Expenses</b>					
Operating expenses related to services		764,533	399,889	1,800,686	893,693
Research and development	13	(73,874)	313,031	354,026	1,147,131
Professional and consulting fees		21,230	8,163	178,094	96,496
Administrative		67,757	119,736	218,397	310,271
Wages and compensation		77,398	109,411	479,625	492,797
Shareholder communication		16,786	11,493	49,293	45,830
Share-based payments	12	674,973	-	674,973	-
Depreciation of property, plant and equipment		6,859	919	26,050	919
Amortization of intangible assets	6	115,345	115,345	346,036	346,036
Total expenses		1,671,007	1,077,987	4,127,180	3,333,773
<b>Operating loss</b>		<b>(809,834)</b>	<b>(622,653)</b>	<b>(1,740,423)</b>	<b>(2,294,311)</b>
Other income		277,550	-	387,360	-
Finance income	8	739,015	-	739,015	-
Finance cost	8,9	(468,594)	(653,581)	(1,808,930)	(1,855,608)
Gain on investment		-	-	19,750	-
Gain (loss) on foreign currency exchange		(26,680)	(24,287)	20,897	(21,922)
<b>Net loss and comprehensive loss</b>		<b>(288,543)</b>	<b>(1,300,521)</b>	<b>(2,382,331)</b>	<b>(4,171,841)</b>
<b>Basic and diluted net loss per share</b>	10	<b>(0.01)</b>	<b>(0.07)</b>	<b>(0.08)</b>	<b>(0.23)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>48,031,615</b>	<b>18,247,121</b>	<b>28,247,754</b>	<b>18,247,121</b>

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

## Dundee Sustainable Technologies Inc.

### Consolidated Statements of Changes in Deficiency

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars, except number of shares)

		Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Note	Number	\$	Number	\$	\$	\$	\$
<b>Balance – December 31, 2019</b>	10	<b>2,500,000</b>	<b>3,963,875</b>	<b>15,747,121</b>	<b>51,093,798</b>	<b>8,068,668</b>	<b>(85,036,544)</b>	<b>(21,910,203)</b>
Issuance of shares	10	-	-	44,920,876	14,823,890	-	-	14,823,890
Share-based payments	12	-	-	-	-	674,973	-	674,973
Net and comprehensive loss for the period		-	-	-	-	-	(2,382,331)	(2,382,331)
<b>Balance – September 30, 2020</b>		<b>2,500,000</b>	<b>3,963,875</b>	<b>60,667,997</b>	<b>65,917,688</b>	<b>8,743,641</b>	<b>(87,418,875)</b>	<b>(8,793,671)</b>

		Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Note	Number	\$	Number	\$	\$	\$	\$
<b>Balance – December 31, 2018</b>	10	<b>2,500,000</b>	<b>3,963,875</b>	<b>15,747,121</b>	<b>51,093,798</b>	<b>8,068,668</b>	<b>(79,483,310)</b>	<b>(16,356,969)</b>
Net and comprehensive loss for the period		-	-	-	-	-	(4,171,841)	(4,171,841)
<b>Balance – September 30, 2019</b>		<b>2,500,000</b>	<b>3,963,875</b>	<b>15,747,121</b>	<b>51,093,798</b>	<b>8,068,668</b>	<b>(83,655,151)</b>	<b>(20,528,810)</b>

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

# Dundee Sustainable Technologies Inc.

## Consolidated Statements of Cash Flows

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

	Note	2020 \$	2019 \$
<b>Operating activities</b>			
Net loss for the period		(2,382,331)	(4,171,841)
Adjusted for:			
Share-based payment	12	674,973	-
Depreciation of property, plant and equipment	5	26,050	919
Depreciation of property, plant and equipment included in research and development	5	100,362	102,818
Amortization of intangible assets	6	346,036	346,036
Promissory note discount	8	(35,734)	-
Loan from related party discount	8	(703,281)	-
Convertible debenture discount	9	(326,558)	-
Amortization of long-term debt discount	9	23,151	20,998
Amortization of convertible debenture discount	9	36,483	132,175
Amortization of related party loan discount	8	29,610	-
Amortization of promissory note discount	8	367	-
Finance cost accrued	8, 9	1,613,271	1,581,123
		(597,601)	(1,987,772)
Changes in non-cash operating working capital items:			
Accounts receivable		(274,164)	644,983
R&D tax credit receivable		(71,574)	-
Sales tax receivable		19,021	(70,556)
Other assets		(64,603)	863
Prepaid expenses		9,258	(26,487)
Investments		59,250	-
Accounts payable and accrued liabilities		(27,167)	(234,984)
Contract liabilities		570,382	82,394
		220,403	396,213
<b>Net cash used in operating activities</b>		<b>(377,198)</b>	<b>(1,591,559)</b>
<b>Financing activities</b>			
Principal elements of lease payments	5	(88,796)	(48,624)
Long-term loan payments	9	(9,452)	-
Transaction cost on debt conversion	9	(47,000)	-
Promissory note from a related party	8	1,595,000	2,064,000
<b>Net cash provided by financing activities</b>		<b>1,449,752</b>	<b>2,015,376</b>
Net change in cash and cash equivalents during the period		1,072,554	423,817
Cash and cash equivalents – beginning of period		116,261	116,185
<b>Cash and cash equivalents – end of period</b>		<b>1,188,815</b>	<b>540,002</b>

Supplemental information

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

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Dundee Sustainable Technologies Inc. (“DST” or the “Corporation”) was incorporated under the Canada Business Corporations Act on July 22, 1997. The Corporation’s head office is located at 2000 Peel Street, Suite 860, Montréal, Quebec, Canada, H3A 2W5.

The Corporation is commercializing two primary metallurgical processes for the treatment of complex and refractory material from mining operations. DST’s processes are applied for the extraction of precious metals and for the removal and stabilization of contaminants, such as arsenic, antimony, and cadmium from ores and concentrates. The Corporation provides environmentally friendly, viable and efficient processes capable of handling ores which may not be processed with conventional approaches due to metallurgical issues or environmental considerations. The precious metal recovery process now called the CLEVR Process™ uses sodium hypochlorite with a catalytic amount of sodium hypobromite in acidic conditions to put the gold into solution. The efficiency of the process, coupled with its closed-loop operating conditions, plant size and construction material allow for competitive operating and capital costs. When dealing with arsenic-bearing ores often associated with copper, gold, silver or polymetallic deposits, the Corporation has developed new processes to remove and incorporate arsenic into a highly stable glass matrix. The Corporation refers to this technology as the GlassLock Process™. The costs of sequestering the arsenic using DST’s GlassLock Process™ are lower than those of conventional approaches, such as the formation of scorodite, and produces a stable, insoluble glass residue meeting environmental requirements.

While these technologies are currently being commercialized, they are subject to all the risks inherent in their ongoing development and adoption. They may require significant additional development, testing and investment prior to any final acceptance by the market. There can be no assurance that such technologies will be successfully developed, or that output from any use of the Corporation’s technologies could be produced at a commercial level at a reasonable cost or be successfully marketed. To date, the Corporation has not earned significant revenues from its patented technologies. However, since the Corporation is in advanced discussions with several gold companies about including the CLEVR Process™ as part of new projects, the intangible assets have been amortized since October 1, 2018. At September 30, 2020, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the nine months ended September 30, 2020, the Corporation incurred a loss of \$2,382,331 (\$4,171,841 for the nine months ended September 30, 2019) and has negative working capital of \$252,516 (2019 – \$25,822,614). The deficit as at September 30, 2020 amounted to \$87,418,875 (2019 – \$85,036,544) and cash flows used in operating activities for the nine months ended September 30, 2020 amounted to \$377,198 (\$1,591,559 used in operating activities for the nine months ended September 30, 2019).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to September 30, 2021. The Corporation will therefore periodically have to raise additional funds to continue operations. The Corporation is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. The Corporation entered into two debt settlement agreements with respect to the settlement of a portion of various debts by the issuance of subordinated voting shares in the capital of the Corporation (see Notes 8 and 9). Although there is no assurance that the Corporation will be successful in these actions, management believes that the Corporation will be able to secure the necessary financing through the issuance of debt or new equity in public or privately negotiated equity offerings. While it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

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The year 2020 has been marked by the severity of the Coronavirus global outbreak. The extent and duration of impacts that the Coronavirus may have on the Corporation's operations including suppliers, contractors, service providers, employees and on global financial markets is not known at this time but could be material. The Thetford site was temporarily closed as a result of the measures taken by the Quebec provincial government on March 23, 2020. Operations have resumed in May with employees and contractors following the control and practices that have been established on site. The Corporation is monitoring developments and has taken appropriate actions in order to mitigate the risk, including safety procedures and contingency plans to continue operations at its plant in Thetford Mines.

Although these condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, the above-noted facts and circumstances cast significant doubt on the Corporation's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

On November 10, 2020, these consolidated financial statements were approved by the Board of Directors

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are described below.

### **Basis of presentation**

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These condensed interim Consolidated Financial Statements should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2019 which were prepared in accordance with IFRS as applicable for annual financial statements.

The condensed interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the audited consolidated financial statements as at and for the year ended December 31, 2019.

## 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements for the nine months ended September 30, 2020 are made in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, and items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

Such estimates are based on various assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of these condensed interim consolidated financial statements from those judgments, estimates and assumptions disclosed in note 3 to the audited consolidated financial statements as at and for the year ended December 31, 2019.

### 4. ACCOUNTS RECEIVABLE

The accounts receivable includes revenues from technical services, unbilled services and other receivables. Technical services receivables are generated from customers to evaluate processing alternatives using the Corporation's processing facility. Other receivables are the reimbursements of project expenses generated under the collaboration agreement with a related party.

	As at September 30, 2020	As at December 31, 2019
	\$	\$
Technical services	548,238	229,892
Unbilled revenues	93,276	137,458
	<b>641,514</b>	<b>367,350</b>

As at September 30, 2020, accounts receivable from related parties amount to \$178,563 (2019 – \$161,152).

### 5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Right of use asset	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance – January 1, 2020	47,000	1,481,163	1,528,163
Deductions	-	(184,642)	(184,642)
Balance – September 30, 2020	47,000	1,296,521	1,343,521
<b>Accumulated depreciation</b>			
Balance – January 1, 2020	47,000	140,765	187,765
Depreciation	-	129,344	129,344
Balance – September 30, 2020	47,000	270,109	317,109
<b>Net carrying amount – September 30, 2020</b>	<b>-</b>	<b>1,026,412</b>	<b>1,026,412</b>
<b>Net carrying amount – December 31, 2019</b>	<b>-</b>	<b>1,340,398</b>	<b>1,340,398</b>

#### Leases

The Corporation recognized a Right of Use ("ROU") asset and its related lease liability in connection with the head office lease and the demonstration plant facilities. The ROU asset is depreciated on a straight-line basis over the term of the lease, which is expected to mature in July 2028 and September 2023, respectively. As is common for such leases, the Corporation pays to the landlord its share of common costs that are expensed as incurred. On April 2020, the Corporation negotiated a reduction of the leased space at its demonstration plant facilities. The reduction prompted a reduction of its lease liability by the amount of \$203,916.

## Dundee Sustainable Technologies Inc.

### Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

<b>Lease liability</b>	<b>Nine months ended</b>	
	<b>September 30</b>	
	2020	2019
		\$
Balance – beginning of period	1,409,900	1,370,917
Additions	-	110,246
Deductions	(203,916)	-
Principal portion of lease payments	(72,452)	(48,624)
<b>Balance – End of period</b>	<b>1,133,532</b>	<b>1,432,539</b>
Current lease liability	104,955	95,492
Non-current lease liability	1,028,577	1,337,047

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases for the nine months ended September 30, 2020:

	\$	
Depreciation of ROU asset	26,050	919
Depreciation of ROU asset included in research and development	100,362	102,818
Interest expense included in finance cost	104,270	119,601

## 6. INTANGIBLE ASSETS

<b>Intangible assets</b>	<b>Nine months ended</b>	
	<b>September 30,</b>	
	2020	2019
<b>Gross carrying amount</b>		
Balance – January 1 and September 30:	\$	\$
Intellectual properties – Oxide	605,000	605,000
Patent application fees – Oxide	129,474	129,474
Development cost – Oxide	5,809,233	5,809,233
Less: SR&ED tax credit	(1,929,894)	(1,929,894)
	4,613,813	4,613,813
<b>Accumulated amortization</b>		
Balance – January 1	576,727	115,345
Amortization	346,036	346,037
Balance – September 30	922,763	461,382
<b>Net carrying amount – September 30</b>	<b>3,691,050</b>	<b>4,152,431</b>

## 7. GOVERNMENT AND OTHER ASSISTANCE

In January 2018, the Corporation was awarded funding by the Government of Canada through the Sustainable Development Technology Canada Foundation (“SDTC”) for continued development of its patented GlassLock Process™. This funding assisted the Corporation in constructing and operating a demonstration plant using the Corporation’s proprietary arsenic stabilization technology (the “GlassLock™ demo plant”) at a metal processing facility. The construction and operation of the Arsenic demo plant was completed in the last quarter of 2019. Under the terms of the agreement, the SDTC will contribute up to the lesser of 20.7% of eligible project costs or \$1.25 million. As at December 31, 2019, the Corporation has received a total of \$1,125,000 from the SDTC and it is expecting to receive the balance of \$125,000 during the third quarter of 2020. The contribution was recognized through comprehensive loss.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

### 8. PROMISSORY NOTES AND LOANS FROM A RELATED PARTY

#### 8.1 Promissory notes

The Corporation signed twelve promissory notes payable on demand to a wholly owned subsidiary of Dundee along with interest at a rate of 18% per annum. On July 31, 2020, the Corporation entered into a debt settlement agreement with respect to the promissory notes to convert the outstanding amount into subordinate voting shares. At the date of the conversion, the principal amount of the promissory notes totaled \$5,884,000 (2019 – \$4,739,000) and the finance cost accrued during the nine months ended September 30, 2020 amounted to \$589,038 (\$501,187 for the nine months ended September 30, 2019).

On September 16, 2020, the Corporation signed a promissory note under new terms, payable to a wholly owned subsidiary of Dundee. The new promissory note has a maturity date of July 13, 2023 along with interest at a rate of 8% per annum. As at September 30, 2020, the principal amount of the promissory note totaled \$450,000 and the finance cost accrued during the nine months ended September 30, 2020 amounted to \$1,476.

The fair value of the promissory note was estimated at \$414,266 using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar financing with a third party. The discounted amount of \$35,734 was recognized as finance income in the consolidated statement of loss.

Promissory notes	Nine months ended September 30,	
	2020	2019
	\$	\$
Balance – beginning of period	5,731,100	2,950,905
Principal amount advanced	1,145,000	2,064,000
Finance costs accrued	589,038	501,187
Debt settlement agreement	(7,465,138)	-
Principal amount advanced under new terms	450,000	-
Finance cost accrued under new terms	1,476	-
Promissory note discounted at fair value	(35,734)	-
Amortization of promissory note discount	367	-
<b>Balance – end of period</b>	<b>416,109</b>	<b>5,516,092</b>

#### 8.2 Loans from a related party

The loans, from a wholly owned subsidiary of Dundee, bear interest at the rate of 12.68% per annum and are secured by a hypothec, *pari passu* with Investissement Québec's ("IQ") convertible debenture and Canada Economic Development for Quebec Regions' (CED) contribution, over all of the Corporation's property other than its intellectual property. On July 31, 2020, the Corporation entered into a debt settlement agreement with respect to of a portion of its short-term debt. At the date of the conversion, the principal amount of the loans totaled \$8,310,000 (2019 – \$8,310,000) and the finance cost accrued during the nine months ended September 30, 2020 amounted to \$610,345 (\$788,116 for the nine months ended September 30, 2019).

As part of the debt settlement agreement, the remaining portion of the debt owed to Dundee by the Corporation, totalling an amount of \$8,484,534, has been consolidated and will bear revised repayment terms, with the reduction of the interest from 12.68% to 8% per year, as well as the extension of the maturity date to July 13, 2023.

The fair value of the loan under the new terms was estimated at \$7,781,253 using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar financing with a third party. The discounted amount of \$703,281 was recognized as finance income in the consolidated statement of loss.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

Short-term loans	Nine months ended September 30,	
	2020	2019
	\$	\$
Balance – beginning of period	13,814,573	12,760,865
Finance costs accrued	610,345	788,116
Debt settlement agreement	(5,940,384)	-
Finance cost accrued under new terms	114,981	-
Long-term loan discounted at fair value	(703,281)	-
Amortization of promissory note discount	29,610	-
<b>Balance – end of period</b>	<b>7,925,844</b>	<b>13,548,981</b>

## 9 CONVERTIBLE DEBENTURE AND LOANS

### 9.1 Convertible debenture

In May 2015, the Corporation completed a \$5,000,000 financing with IQ consisting of a private placement of subordinated voting shares of \$1,000,000 and a secured convertible loan in an amount of up to \$4,000,000 (the "IQ Loan"). IQ advanced \$1,900,000 in 2015 and \$2,100,000 in 2016.

The IQ Loan, which is evidenced by a secured convertible debenture, with a term of five years from its inception date, bears interest at a rate of 8% per annum, is payable quarterly, and can be converted after one year at the holder's option into subordinate voting shares of the Corporation at a conversion price equal to the closing market price of the shares on the day prior to conversion. The Corporation has the right to redeem the IQ Loan subject to a 10% premium. The IQ Loan is secured by a hypothec, *pari passu* with Dundee's loan and CED's contribution, over all of the Corporation's property other than its intellectual property and is guaranteed by Dundee in an amount of up to \$1,500,000. In May 2020, The Corporation reached an agreement with IQ to extend the maturity date of the loan from May 2020, to August 2020

On July 31, 2020, the Corporation has entered into a debt settlement agreement with IQ, with respect to the settlement of a portion of the debt by the issuance of subordinated voting shares in the capital of the Corporation to IQ. At the date of the conversion, the principal amount of the debenture totaled \$4,000,000 and the finance cost accrued amounted to \$1,418,368. According to the terms of the debt settlement agreement, IQ has agreed to convert \$1,418,368 of its debt in exchange for 4,298,082 consideration shares in the capital of the Corporation, both using a conversion price of \$0.33 per share based on the 20-day volume-weighted average price of the shares.

The remaining debt totalling an amount of \$4,000,000 has been amended providing an extension of the maturity date to July 13, 2023.

The fair value of the amended debt was estimated at \$3,673,442 using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing. The debentures have no equity component as the conversion price is equal to the closing market price of the shares on the day prior to conversion.

During the nine months ended September 30, 2020, the Corporation capitalized \$297,429 in interest (\$291,820 during the nine months ended September 30, 2019).

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

	Nine months ended September 30,	
	2020	2019
	\$	\$
Carrying amount of the liability – beginning of period	5,156,632	4,582,124
Capitalized interest expense	297,429	291,820
Debt discounted at fair value	(326,558)	-
Amortization of convertible debenture discount	36,483	132,175
Debt settlement agreement	(1,418,368)	-
Cash issuance cost	(47,000)	-
<b>Carrying amount of the liability – end of period</b>	<b>3,698,618</b>	<b>5,006,119</b>

### 9.2 CED contribution agreement

Under an amended agreement dated October 12, 2016, the Corporation received from Canada Economic Development for Quebec Regions (“CED”) a \$397,000 repayable contribution (the “CED Contribution”). The CED Contribution was used by the Corporation for the acquisition of equipment for its demonstration plant (the “Project”) in Thetford Mines. The CED Contribution is non-interest bearing, secured, and repayable in equal monthly installments over seven years starting from three years after the end of the Project which was in March 2020. CED advanced \$324,575 in December 2016 and the remaining balance of \$72,425 in May 2017.

The fair values of the debt advanced in December 2016 and May 2017 were respectively estimated at \$149,944 and \$35,495 using an effective rate of 11.7%. Such rate corresponds to a rate that the Corporation would have obtained for a similar non-subsidized financing. In February 2020, the Corporation started repaying the loan as stated in the agreement.

The CED Contribution is secured by a hypothec, pari passu with Dundee’s and IQ’s loans, over all of the Corporation’s property other than its intellectual property.

	Nine months ended September 30,	
	2020	2019
	\$	\$
Balance – beginning of period	260,841	232,430
Payments	(9,452)	-
Amortization of long-term debt discount	23,151	20,998
<b>Balance – end of period</b>	<b>274,540</b>	<b>253,428</b>
<b>Short-term portion</b>	<b>85,071</b>	<b>-</b>
<b>Long-term portion</b>	<b>189,469</b>	<b>253,428</b>
<b>Total</b>	<b>274,540</b>	<b>253,428</b>

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL

#### Authorized

On September 30, 2020 and December 31, 2019, the authorized capital of the Corporation consisted of an unlimited number of subordinate voting shares and multiple voting shares, without nominal or par value. The holders of subordinate voting shares are entitled to one vote for each subordinate voting share, and the holders of multiple voting shares are entitled to 10 votes for each multiple voting share. The holders of subordinate voting shares and multiple voting shares shall be entitled to receive and to participate equally as to dividends, share for share, in an equal amount on all the subordinate voting shares and multiple voting shares outstanding at year-end. The holders of multiple voting shares shall be entitled at any time and from time to time to have any or all of the multiple voting shares converted into subordinate voting shares on the basis of one subordinate voting share for each multiple voting share. In all other respects, the holders of subordinate voting shares and multiple voting shares shall rank equally and have the same rights and restrictions.

On January 22, 2020, the Corporation consolidated its share capital on a twenty for one basis. A total of 314,942,521 Subordinate Voting Shares and 50,000,000 Multiple Voting Shares were issued and outstanding in the capital of the Corporation. Accordingly, after giving effect to the Consolidation on the basis of twenty existing Shares for one new Share, a total of 15,747,121 Subordinate Voting Shares and 2,500,000 Multi Voting Shares are now issued and outstanding in the capital of the Corporation.

On July 31, 2020, the Corporation entered into two debt settlement agreements with respect to the settlement of a portion of various debts of the Corporation by the issuance of 44,920,876 subordinated voting shares in the capital of the Corporation. Following the completion of the debt settlement agreements, there are a total of 60,667,997 subordinate voting shares and 2.5 million multiple voting shares of the Corporation issued and outstanding.

### 11. WARRANTS

The changes in the Corporation's outstanding common share purchase warrants are as follows:

	Nine months ended September 30,			
	2020		2019	
	Number of warrants	Carrying amount	Number of warrants	Carrying amount
<b>Balance – Beginning and end of period</b>	<b>714,285</b>	<b>200,000</b>	<b>714,285</b>	<b>200,000</b>

The warrants' expiry date is November 23, 2022, and they are exercisable at a price of \$1.20 per common share.

### 12. STOCK OPTION PLAN

In September 2020, the Corporation granted a total of 4,700,000 stock options to its directors, officers and employees. These options are exercisable at \$0.35 per share, with one third vesting immediately and one third vesting annually over the next two year and expire on the fifth anniversary of their date of issuance. The fair value of options awarded is \$0.24 per share for a total based payment expenses of \$674,973.

## Dundee Sustainable Technologies Inc.

### Notes to Consolidated Financial Statements

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For the three and nine months ended September 30, 2020 and 2019

(Expressed in Canadian dollars)

The fair value of options at the grant date was calculated based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	<b>2020</b>
Expected life	5 years
Risk-free interest rate	0.36%
Expected volatility	126%
Expected dividend yield	0%
Share price	\$0.29

The changes in the Corporation's outstanding and exercisable options are as follows:

	<b>Nine months ended September 30,</b>			
	<b>2020</b>		<b>2019</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
		\$		\$
Balance – beginning of period	973,750	1.65	1,067,625	1.67
	4,700,000	0.35	-	-
Forfeited	(30,000)	2.00	(78,750)	1.52
<b>Balance – end of period</b>	<b>5,643,750</b>	<b>0.57</b>	<b>988,875</b>	<b>1.69</b>

As at September 30, 2020, outstanding options, all of which are exercisable, are as follows:

<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Expiry date</b>
	\$	
10,000	4.00	November 18, 2020
30,000	1.00	November 18, 2020
25,000	2.00	November 18, 2020
30,000	1.00	November 7, 2020
37,500	2.00	November 7, 2020
427,500	1.00	February 3, 2022
63,750	4.00	November 27, 2022
270,000	2.00	April 18, 2023
25,000	2.00	April 26, 2023
25,000	2.00	June 18, 2023
1,566,666	0.35	September 29, 2025
<b>2,510,416</b>	<b>Exercisable</b>	
3,133,334	0.35	September 29, 2025
<b>5,643,750</b>	<b>Outstanding</b>	

The residual weighted average contractual term of outstanding options was 4.4 years as at September 30, 2020.

## Dundee Sustainable Technologies Inc.

### Notes to Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

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#### 13. RESEARCH AND DEVELOPMENT

	Nine months ended September 30,	
	2020	2019
	\$	\$
Research and development	752,158	2,137,841
Government subsidy on convertible debenture	(326,558)	-
Tax credit	(71,574)	-
Recognition of a related party contribution through comprehensive loss as per eligible GlassLock demo plant expenditures incurred during the period	-	(990,110)
	<b>354,026</b>	<b>1,147,731</b>

#### 14. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended September 30,	
	2020	2019
	\$	\$
Finance cost paid	1,781	1,712