

# **Dundee Sustainable Technologies Inc.**

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

As at and for the nine months ended September 30, 2021.  
(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

(Expressed in Canadian dollars)

	Note	As at September 30, 2021 \$ (Unaudited)	As at December 31, 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		959,596	926,734
Accounts receivable	4	655,669	508,664
R&D tax credit receivable		124,339	73,000
Sales tax receivable		42,883	13,405
Other assets		117,266	108,990
Prepaid expenses		49,915	24,567
		<b>1,949,668</b>	<b>1,655,360</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	877,155	989,098
Intangible assets	6	3,229,669	3,575,705
		<b>4,106,824</b>	<b>4,564,803</b>
<b>Total assets</b>		<b>6,056,492</b>	<b>6,220,163</b>
<b>Liabilities and Deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,179,231	896,216
Contract liabilities		766,223	537,588
Current portion of lease liability	5	121,041	108,800
Short-term portion of long-term debts	9	56,714	56,714
		<b>2,123,209</b>	<b>1,599,318</b>
<b>Non-current liabilities</b>			
Lease liability	5	907,536	999,805
Long-term debts	9	760,187	529,090
Promissory note from a related party	8	987,178	427,591
Long-term loan from a related party	8	8,803,683	8,142,799
Convertible debenture	9	4,064,338	3,784,602
<b>Total liabilities</b>		<b>17,646,131</b>	<b>15,483,205</b>
<b>Deficiency</b>			
Share capital	10	68,533,937	68,533,937
Contributed surplus		9,039,217	8,577,051
Deficit		(89,162,793)	(86,374,030)
<b>Total deficiency</b>		<b>(11,589,639)</b>	<b>(9,263,042)</b>
<b>Total liabilities and deficiency</b>		<b>6,056,492</b>	<b>6,220,163</b>
<b>Going concern</b>	1		

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

## Dundee Sustainable Technologies Inc.

### Consolidated Statements of Loss and Comprehensive Loss

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Sale of services		1,174,537	861,173	3,239,896	2,386,757
<b>Expenses</b>					
Operating expenses related to services		936,235	764,533	2,564,949	1,800,686
Research and development, net of credits	13	61,065	(73,874)	615,803	354,026
Professional and consulting fees		8,531	21,230	184,281	178,094
Administrative		75,682	67,757	209,660	218,397
Wages and compensation		92,847	77,398	393,444	479,625
Shareholder communication		8,842	16,786	32,929	49,293
Share-based payments		462,166	674,973	462,166	674,973
Depreciation of property, plant and equipment		6,860	6,859	20,579	26,050
Amortization of intangible assets		115,345	115,345	346,036	346,036
Total expenses		1,767,573	1,671,007	4,829,947	4,127,180
<b>Operating (loss) income</b>		(593,036)	(809,834)	(1,589,951)	(1,740,423)
Other income		447	277,550	11,483	387,360
Finance income		28,957	739,015	28,957	739,015
Finance cost	8,9	(411,244)	(468,594)	(1,195,536)	(1,808,930)
Gain on disposition		-	-	-	19,750
(Loss) gain on foreign currency exchange		9,611	(26,680)	(43,716)	20,897
<b>Net loss and comprehensive loss</b>		<b>(965,265)</b>	<b>(288,543)</b>	<b>(2,788,763)</b>	<b>(2,382,331)</b>
<b>Basic and diluted net loss per share</b>		(0.02)	(0.01)	(0.04)	(0.08)
<b>Weighted average number of shares outstanding – basic and diluted</b>		63,167,997	48,031,615	63,167,997	28,247,754

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

## Dundee Sustainable Technologies Inc.

### Consolidated Statements of Changes in Deficiency

For the nine months ended September 30, 2021 and 2020

(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, 2020</b>	10	<b>2,500,000</b>	<b>3,963,875</b>	<b>60,667,997</b>	<b>64,570,062</b>	<b>8,577,051</b>	<b>(86,374,030)</b>	<b>(9,263,042)</b>
Share-based payments	12	-	-	-	-	462,166	-	462,166
Net and comprehensive loss for the period		-	-	-	-	-	(2,788,763)	(2,788,763)
<b>Balance – September 30, 2021</b>		<b>2,500,000</b>	<b>3,963,875</b>	<b>60,667,997</b>	<b>64,570,062</b>	<b>9,039,217</b>	<b>(89,162,793)</b>	<b>(11,589,639)</b>

		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>

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

# Dundee Sustainable Technologies Inc.

## Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

	Note	2021 \$	2020 \$
<b>Operating activities</b>			
Net loss for the period		(2,788,763)	(2,382,331)
Adjusted for:			
Share-based payments		462,166	674,973
Depreciation of property, plant and equipment	5	20,579	26,050
Depreciation of property, plant and equipment included in research and development	5	91,364	100,382
Long-term debts discount		(67,662)	-
Promissory note discount		(28,957)	(35,734)
Loan from related party discount		-	(703,281)
Convertible debenture discount		-	(326,558)
Amortization of intangible assets	6	346,036	346,036
Amortization of debt discounts	8,9	295,098	89,611
Finance cost accrued	8,9	791,553	1,613,271
		<b>(878,586)</b>	<b>(597,601)</b>
Changes in non-cash operating working capital items:			
Accounts receivable		(147,005)	(274,164)
R&D tax credit receivable		(51,339)	(71,574)
Sales tax receivable		(39,478)	19,021
Other assets		(8,276)	(64,603)
Prepaid expenses		(25,348)	9,258
Investments		-	59,250
Accounts payable and accrued liabilities		283,015	(27,167)
Contract liabilities		228,635	570,382
		250,204	220,403
<b>Net cash (used) provided by operating activities</b>		<b>(628,382)</b>	<b>(377,198)</b>
<b>Financing activities</b>			
Principal elements of lease payments	5	(80,028)	(88,796)
Long-term loan		296,806	-
Long-term debts payment	9	(42,534)	(9,452)
Transaction cost on debt conversion		(13,000)	(47,000)
Promissory note from a related party	8	550,000	1,595,000
Convertible debenture payment		(50,000)	-
<b>Net cash (used in) provided by financing activities</b>		<b>661,244</b>	<b>1,449,752</b>
Net change in cash and cash equivalents during the period		32,862	1,072,554
Cash and cash equivalents – beginning of period		926,734	116,261
<b>Cash and cash equivalents – end of period</b>		<b>959,596</b>	<b>1,188,815</b>

### Supplemental information

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

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(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, the Corporation is in advanced discussions with several gold companies about including the CLEVR Process™ as part of new projects, as well as the GlassLock Process™. At September 30, 2021, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the nine months ended September 30, 2021, the Corporation incurred a loss of \$2,788,763 (\$2,382,331 for the nine months ended September 30, 2020) and has a negative working capital of \$173,542 (2020 – \$56,042). Deficit as at September 30, 2021 amounted to \$89,162,793 (2020 – \$86,374,030) and cash flows used in operating activities for the nine months ended September 30, 2021 amounted to \$628,382 (\$377,198 for the nine months ended September 30 2020).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to September 30, 2022. 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. 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.

The year 2020 was marked by the severity of the coronavirus global outbreak. The Thetford site was temporarily closed as a result of the measures taken by the Quebec provincial government on March 23, 2020. Operations resumed in May 2020 with employees and contractors following the controls and practices that have been established on site. After these safety practices were put in place, the Corporation has not experienced any major disruptions. 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.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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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 11, 2021, these condensed interim 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”), 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, 2020 which were prepared in accordance with IFRS as issued by the IASB.

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, 2020.

### 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements for the nine months ended September 30, 2021 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.

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, 2020.

## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

#### 4. ACCOUNTS RECEIVABLE

The accounts receivable include the technical services, unbilled services and other receivables. Technical services receivable are generated from customers to evaluate processing alternatives using the Corporation's processing facility.

	As at September 30, 2021	As at December 31, 2020
	\$	\$
Technical services	655,669	508,664
	<b>655,669</b>	<b>508,664</b>

As at September 30, 2021, accounts receivable from related parties' amount to \$126,717 (2020 – \$65,731).

#### 5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Right of use asset	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance – January 1, 2021 and September 30, 2021	47,000	1,296,521	1,343,521
<b>Accumulated depreciation</b>			
Balance – January 1, 2021	47,000	307,423	354,423
Depreciation	-	111,943	111,943
Balance – September 30, 2021	47,000	419,366	466,366
<b>Net carrying amount – September 30, 2021</b>	<b>-</b>	<b>877,155</b>	<b>877,155</b>
<b>Net carrying amount – December 31, 2020</b>	<b>-</b>	<b>989,098</b>	<b>989,098</b>

#### Leases

The Corporation recognized a 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 September 2023 and July 2028, respectively. As is common for such leases, the Corporation pays to the landlord its share of common costs that are expensed as incurred.

Lease liability	Nine months ended September 30	
	2021	2020
	\$	\$
Balance – beginning of the period	1,108,605	1,409,900
Lease modification	-	(203,916)
Principal portion of lease payments	(80,028)	(72,452)
<b>Balance – end of the period</b>	<b>1,028,577</b>	<b>1,133,532</b>
Current lease liability	121,041	104,955
Non-current lease liability	907,536	1,028,577



## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases for the nine months ended September 30, 2021:

	Nine months ended September 30	
	2021	2020
	\$	\$
Depreciation ROU asset	20,579	26,050
Depreciation ROU asset included in research and development	91,364	100,362
Interest expense included in finance cost	94,231	104,270

#### 6. INTANGIBLE ASSETS

	Nine months ended September 30	
	2021	2020
<b>Intangible assets</b>		
<b>Gross carrying amount</b>		
Balance – January 1 and September 30:	\$	\$
Intellectual properties	605,000	605,000
Patent application fees	129,474	129,474
Development cost	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	1,038,108	576,727
Amortization	346,036	346,036
Balance – September 30	1,384,144	922,763
<b>Net carrying amount – September 30</b>	<b>3,229,669</b>	<b>3,691,050</b>

#### 7. GOVERNMENT AND OTHER ASSISTANCE

The Government of Canada announced several programs to support businesses impacted by the COVID-19 crisis. During 2020, the Corporation qualified for the Canada Emergency Wage Subsidy (CEWS) to receive up to 75% of their employees' wages, with employers being encouraged to provide the remaining 25% up to a maximum of \$847 per week per employee. The subsidy is recognized in the statement of loss and comprehensive loss as a reduction of the related expense. The Corporation continues to monitor its eligibility to the program for 2021.

#### 8. PROMISSORY NOTES AND SHORT-TERM LOANS FROM A RELATED PARTY

##### 8.1 Promissory notes

On September 16, 2020 and September 8, 2021, the Corporation signed two promissory notes in the principal amount of \$450,000 and \$550,000 respectively, payable to a wholly owned subsidiary of Dundee. The promissory note has a maturity date of July 13, 2023 along with interest at a rate of 8% per annum. As at September 30, 2021, the principal amount of the promissory note totaled \$1,000,000 (2020 – \$450,000) and the finance cost accrued during the nine months period ended September 30, 2021 amounted to \$29,699. The fair value of the promissory note was estimated at \$414,266 and \$521,043 respectively, 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 was recognized as finance income in the consolidated statement of loss.

## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

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 and the finance cost accrued during the nine months ended September 30, 2020 amounted to \$589,038.

Promissory notes	Nine months ended September 30,	
	2021	2020
	\$	\$
Balance – beginning of the period	427,591	5,731,100
Principal amount advanced	-	1,145,000
Finance costs accrued	-	589,038
Debt settlement agreement	-	(7,465,138)
Principal amount advanced under new terms	550,000	450,000
Finance cost accrued under new terms	29,699	1,476
Promissory note discounted at fair value	(28,957)	(35,734)
Amortization of promissory note discount	8,845	367
<b>Balance – end of the period</b>	<b>987,178</b>	<b>416,109</b>

#### 8.2 Loans from a related party

On July 31, 2020, the Corporation signed a loan from a wholly owned subsidiary of Dundee, with a maturity date of July 13, 2023, bearing interest at the rate of 8% per annum and 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. As at September 30, 2021, the principal amount of the loan totaled \$8,484,534 (2020 – 8,310,000) and the finance cost accrued during the nine months ended September 30, 2021 amounted to \$507,677 (2020 – 725,326). The fair value of the loan 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.

On July 31, 2020, the Corporation entered into a debt settlement agreement with respect to its short-term debt to convert a total of \$5,940,384 of its debt into subordinate voting shares. As part of the debt settlement agreement, the remaining portion of the debt owed to Dundee by the Corporation, totaling an amount of \$8,484,534, was consolidated 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.

Short-term loans	Nine months ended September 30,	
	2021	2020
	\$	\$
Balance – beginning of the period	8,142,799	13,814,573
Finance costs accrued	-	610,345
Debt settlement agreement	-	(5,940,384)
Finance cost accrued under new terms	507,677	114,981
Long-term loan discounted at fair value	-	(703,281)
Amortization of promissory note discount	153,207	29,610
<b>Balance – end of the period</b>	<b>8,803,683</b>	<b>7,925,844</b>

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### 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 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.

On July 31, 2020, the Corporation 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 Guarantee from Dundee in favor of IQ has been reduced to \$1,250,000.

The remaining debt totalling an amount of \$4,000,000 has been amended providing an extension of the maturity date to July 13, 2023. As part of the agreement, on August 2, 2021, the Corporation made a partial payment to the capital in the amount of \$50,000.

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 discounted amount of \$326,558 was recognized as finance income in the consolidated statement of loss. During the nine months ended September 30, 2021, the Corporation accrued \$252,366 in interest (2020 – \$297,429).

	Nine months ended September 30,	
	2021	2020
	\$	\$
Carrying amount of the liability – beginning of the period	3,784,602	5,156,632
Finance costs accrued	252,366	297,429
Payment	(50,000)	-
Debt discounted at fair value	-	(326,558)
Debt settlement agreement	-	(1,418,368)
Cash issuance cost	(13,000)	(47,000)
Amortization of convertible debenture discount	90,370	36,483
<b>Carrying amount of the liability – end of the period</b>	<b>4,064,338</b>	<b>3,698,618</b>

#### 9.2 Long-term IQ Innovation loan

On July 15, 2020, the Corporation received a loan offer from IQ for a total amount of \$1,107,500. The loan has been granted under IQ's Support for Innovation Program and will be used by the Corporation to apply against business development expenses (the "IQ Innovation Loan"). IQ advanced \$428,100 on December 14, 2020, and \$296,806 on August 9, 2021. The fair value of the advances were estimated at \$316,662 and \$229,144 respectively, using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing.

## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

The IQ Innovation Loan will mature nine years since the initial disbursement and will bear interest at a rate of 3.04% per annum. The Corporation will benefit from a 24-month moratorium period on the repayment of capital since the first disbursement, after which, the capital will be reimbursed in 48 monthly installments. The Financing is secured by a second-degree hypothec over all of the Corporation's property other than the intellectual property. The finance cost paid during the nine months ended September 30, 2021, amounted to \$11,044.

	Nine months ended September 30,	
	2021	2020
	\$	\$
Carrying amount of the liability – beginning of year	317,718	-
Finance cost accrued	1,812	-
Advance	296,806	-
Debt discounted at fair value	(67,662)	-
Amortization of convertible debenture discount	19,912	-
<b>Carrying amount of the liability – end of period</b>	<b>568,586</b>	<b>-</b>

### 9.3 Long-term 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 three years after the end of the Project on 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.

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,	
	2021	2020
	\$	\$
Balance – beginning of year	268,085	260,841
Payments	(42,534)	(9,452)
Amortization of long-term debt discount	22,764	23,151
<b>Balance – end of period</b>	<b>248,315</b>	<b>274,540</b>
<b>Short-term portion</b>	<b>56,714</b>	<b>85,071</b>
<b>Long-term portion</b>	<b>191,601</b>	<b>189,469</b>
<b>Total</b>	<b>248,315</b>	<b>274,540</b>

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL

#### Authorized

On September 30, 2021 and December 31, 2020, 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.

### 11 WARRANTS

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

	Nine months ended September 30,			
	2021		2020	
	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 vested in the second anniversary amounted to \$462,166 and was recognized as share-based payments in the consolidated statement of loss.

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

	Nine months ended September 30,			
	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – beginning of year	5,477,500	0.53	973,750	1.65
Granted	-	-	4,700,000	0.35
Forfeited	(42,500)	2.06	(30,000)	2.00
<b>Balance – end of year</b>	<b>5,435,000</b>	<b>0.52</b>	<b>5,643,750</b>	<b>0.57</b>

## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

As at September 30, 2021, outstanding options are as follows:

Number of options	Weighted average exercise price	Expiry date
	\$	
405,000	1.00	February 3, 2022
50,000	4.00	November 27, 2022
255,000	2.00	April 18, 2023
25,000	2.00	June 18, 2023
3,133,333	0.35	September 29, 2025
<b>3,868,333</b>	<b>Exercisable</b>	
1,566,667	0.35	September 29, 2025
<b>5,435,000</b>	<b>Outstanding</b>	

The residual weighted average contractual term of outstanding options was 3.57 years as at September 30, 2021.

#### 13. RESEARCH AND DEVELOPMENT

	Nine months ended September 30,	
	2021	2020
	\$	\$
Research and development	784,708	752,158
Tax credit and other government subsidies	(168,905)	(398,132)
	<b>615,803</b>	<b>354,026</b>

#### 14. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended September 30,	
	2021	2020
	\$	\$
Finance cost paid	14,653	1,781
Finance cost on lease payments	94,231	95,677