

# **Dundee Sustainable Technologies Inc.**

## **Consolidated Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

2000 Peel Street, Suite 860, Montréal, QC, H3A 2W5  
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## Independent auditor's report

To the Shareholders of Dundee Sustainable Technologies Inc.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dundee Sustainable Technologies Inc. and its subsidiary (together, the Corporation) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in deficiency for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.



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## **Material uncertainty related to going concern**

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

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

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

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



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## Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

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

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

**/s/PricewaterhouseCoopers LLP<sup>1</sup>**

Montréal, Quebec  
March 25, 2022

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A128042

# Dundee Sustainable Technologies Inc.

## Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

(Expressed in Canadian dollars)

	Note	2021	2020
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		457,716	926,734
Accounts receivable	4	478,768	508,664
R&D tax credit receivable		170,664	73,000
Sales tax receivable		-	13,405
Other assets		110,230	108,990
Prepaid expenses		35,212	24,567
		<b>1,252,590</b>	<b>1,655,360</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	839,840	989,098
Intangible assets	6	3,114,324	3,575,705
		<b>3,954,164</b>	<b>4,564,803</b>
<b>Total assets</b>		<b>5,206,754</b>	<b>6,220,163</b>
<b>Liabilities and Deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,025,562	896,216
Sales tax payable		21,791	-
Contract liabilities		255,326	537,588
Current portion of lease liability	5	121,041	108,800
Current portion of long-term debts	9	56,714	56,714
		<b>1,480,434</b>	<b>1,599,318</b>
<b>Non-current liabilities</b>			
Lease liability	5	878,764	999,805
Long-term debts	9	761,425	529,090
Promissory note from a related party	8	1,015,640	427,591
Loan from a related party	8	9,076,175	8,142,799
Convertible debenture	9	4,183,847	3,784,602
<b>Total liabilities</b>		<b>17,396,285</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		(89,762,685)	(86,374,030)
<b>Total deficiency</b>		<b>(12,189,531)</b>	<b>(9,263,042)</b>
<b>Total liabilities and deficiency</b>		<b>5,206,754</b>	<b>6,220,163</b>
<b>Going concern</b>	1		
<b>Subsequent events</b>	19		

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

**Dundee Sustainable Technologies Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
For the years ended December 31, 2021 and 2020  
(Expressed in Canadian dollars, except number of shares)

	Note	2021	2020
		\$	\$
Sale of services	15	4,349,623	3,221,574
<b>Expenses</b>			
Operating expenses related to services		3,384,888	2,531,806
Research and development, net of credits	13	783,117	119,721
Professional and consulting fees		145,531	178,476
Administrative		293,653	299,259
Wages and compensation		520,857	648,983
Shareholder communication		82,286	71,450
Share-based payments	12	462,166	508,383
Depreciation of property, plant and equipment		27,439	32,910
Amortization of intangible assets		461,381	461,381
<b>Total expenses</b>		<b>6,161,318</b>	<b>4,852,369</b>
<b>Operating loss</b>		<b>(1,811,695)</b>	<b>(1,630,795)</b>
Other income		118,868	28,921
Finance income	8,9	28,957	1,065,573
Finance cost	8,9	(1,669,680)	(2,171,604)
Gain on debt settlements	10	-	1,347,626
Gain on disposition		-	29,500
Loss on foreign currency exchange		(55,105)	(6,707)
<b>Net loss and comprehensive loss</b>		<b>(3,388,655)</b>	<b>(1,337,486)</b>
<b>Basic and diluted net loss per share</b>		<b>(0.05)</b>	<b>(0.04)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>63,167,997</b>	<b>37,025,520</b>

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

## Dundee Sustainable Technologies Inc.

### Consolidated Statements of Changes in Deficiency

For the years ended December 31, 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 year		-	-	-	-	-	(3,388,655)	(3,388,655)
<b>Balance – December 31, 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>(89,762,685)</b>	<b>(12,189,531)</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	8,9,10	-	-	44,920,876	13,476,264	-	-	13,476,264
Share-based payments	12	-	-	-	-	508,383	-	508,383
Net and comprehensive loss for the year		-	-	-	-	-	(1,337,486)	(1,337,486)
<b>Balance – December 31, 2020</b>		<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>

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



# Dundee Sustainable Technologies Inc.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

	Note	2021 \$	2020 \$
<b>Operating activities</b>			
Net loss for the year		(3,388,655)	(1,337,486)
Adjusted for:			
Share-based payments	12	462,166	508,383
Depreciation of property, plant and equipment	5	27,439	32,910
Depreciation of property, plant and equipment included in research and development	5	121,819	133,748
Amortization of intangible assets	6	461,381	461,381
Lease modification		-	(19,274)
Gain on debt settlements	10	-	(1,347,626)
Debt discounts	8,9	(96,619)	(1,177,011)
Amortization of debt discounts	8,9	408,659	158,231
Gain on disposition		-	(29,500)
Finance cost accrued	8,9	1,113,872	1,873,373
		(889,938)	(742,871)
Changes in non-cash operating working capital items:			
Accounts receivable		29,896	(141,314)
R&D tax credit receivable		(97,664)	(73,000)
Sales tax receivable/payable		35,196	23,748
Other assets		(1,240)	(35,595)
Prepaid expenses		(10,645)	20,645
Accounts payable and accrued liabilities		129,346	(494,911)
Contract liabilities		(282,262)	315,453
		(197,373)	(384,974)
<b>Net cash used in operating activities</b>		<b>(1,087,311)</b>	<b>(1,127,845)</b>
<b>Investing activities</b>			
Proceeds on disposal of investment in related company	15	-	88,750
<b>Net cash provided by investing activities</b>		<b>-</b>	<b>88,750</b>
<b>Financing activities</b>			
Principal elements of lease payments	5	(108,801)	(97,379)
Long-term debts payment	9	(56,712)	(4,726)
Convertible debenture payment		(50,000)	-
Debt conversion transaction cost	9	(13,000)	(71,427)
IQ Innovation Loan	9	296,806	428,100
Promissory note from a related party	8	550,000	1,595,000
<b>Net cash provided by financing activities</b>		<b>618,293</b>	<b>1,849,568</b>
Net change in cash and cash equivalents during the year		(469,018)	810,473
Cash and cash equivalents – beginning of year		926,734	116,261
<b>Cash and cash equivalents – end of year</b>		<b>457,716</b>	<b>926,734</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

For the years ended December 31, 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 December 31, 2021, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the year ended December 31, 2021, the Corporation incurred a loss of \$3,388,655 (2020 – \$1,337,486) and has a negative working capital of \$227,844 (2020 – positive working capital of \$56,042). Deficit as at December 31, 2021 amounted to \$89,762,685 (2020 – \$86,374,030) and cash flows used in operating activities for the year ended December 31, 2021 amounted to \$1,087,311 (2020 – \$1,127,845).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to December 31, 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 last two years have been 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 of 2020 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 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.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

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These 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 March 25, 2022, 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 consolidated financial statements are described below.

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies set out below have been applied consistently to both years.

### 2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### 2.3 Principles of consolidation

These consolidated financial statements include the accounts of the Corporation, its foreign subsidiary Dundee Sustainable Technologies (Africa) (Proprietary) Limited ("DST Africa") (100%). DST Africa is incorporated in Namibia. All intercompany transactions have been eliminated in these consolidated financial statements.

### 2.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances.

### 2.5 Financial instruments

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are initially measured and recognized at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in net loss.

Classification of financial instruments in the Corporation's consolidated financial statements depends on the purpose for which the financial instruments were acquired or incurred and the cash flow characteristic of each instrument. Management determines the classification of financial instruments at initial recognition.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

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### a) Financial assets

Financial assets are subsequently measured at amortized cost using the effective rate method when the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at fair value unless they are measured at amortized cost. Financial instruments subsequently measured at fair value can be carried at fair value with changes in fair value recorded in profit or loss, or in other comprehensive income if they are not held for trading and are held in a business model whose objective is to hold assets in order to collect contractual cash flows and sell the assets.

### b) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at FVTPL.

The Corporation's financial instruments are classified as follows:

	<b>Category</b>
<hr/>	
<b>Financial assets</b>	
<i>Amortized cost</i>	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
<b>Financial liabilities</b>	
<i>Amortized cost</i>	
Accounts payable and accrued liabilities	Amortized cost
Promissory notes from a related party	Amortized cost
Short-term loans from a related party	Amortized cost
Long-term debt	Amortized cost
Convertible debenture	Amortized cost
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### c) Impairment

At each reporting date, the Corporation assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For accounts receivable, the Corporation applies the simplified approach permitted by IFRS 9, Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Corporation assumes that there is no significant increase in credit risk for instruments that have a low credit risk.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

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### 2.6 Research and development tax credits and government assistance

#### a) Research and development tax credits

The Corporation is entitled to scientific research and experimental development (“SR&ED”) tax credits granted by the Canadian federal government and the Government of Quebec. SR&ED tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures in the period the expenses are incurred. The non-refundable portion of such credits is recorded in the period in which the related expenditures are incurred to the extent that realization of such credits is considered to be reasonably assured.

#### b) Government assistance

The Corporation periodically receives financial assistance under government incentive programs. Government assistance is recognized initially as deferred revenue at fair value when there is reasonable assurance that it will be received, and the Corporation will comply with the conditions associated with the assistance. Assistance that compensates the Corporation for expenses incurred is recognized as an adjustment to research and development expenses on a systematic basis in the same periods in which the expenses are incurred. Assistance that compensates the Corporation for the cost of an asset is recognized in the reduction of the associated capital expenditures. Forgivable loans from the government are treated as government assistance when there is reasonable assurance that the Corporation will meet the terms for forgiveness of the loans.

### 2.7 Other assets

Other assets are composed of other research and development supplies. Supplies used in the research and development activities are accounted for at cost.

### 2.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, which may include construction or development of an item of property, plant and equipment, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the consolidated statement of loss and comprehensive loss in the period in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

	<b>Method</b>	<b>Period</b>
Vehicles and equipment	Straight-line	5 years
Office furniture and computer equipment	Straight-line	3 years
Right of use asset	Straight-line	Over the term of the lease

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of loss and comprehensive loss.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

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### 2.9 Leases

Leases are recognized as a Right of Use (“ROU”) asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of loss and comprehensive loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROU asset is presented under property, plant and equipment and is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or comprehensive loss if the ROU asset is already reduced to zero. ROU assets are measured at cost, comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Any restoration costs.

### 2.10 Intangible assets

Intangible assets consist mainly of intellectual property, patent application fees, software, and development costs.

Intellectual property represents the acquisition cost of the technology. Using the straight-line method, amortization of intellectual property is calculated over its estimated useful life of 10 years.

Patent application fees relate to direct costs incurred in securing the patent. Using the straight-line method, amortization of patent application fees is calculated over the estimated useful lives of the patents of 10 years.

Development costs are stated at cost and include the expenditures incurred for the development of the process and the equipment, material and services used or consumed for the development activities, including the design, construction and operation of a plant that is not at a scale economically feasible for commercial production. The capitalized costs meet the following generally accepted criteria: i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; ii) the Corporation’s intention to complete the intangible asset; iii) the Corporation’s ability to use or sell the intangible asset; iv) the probability of generating measurable future economic benefits from the intangible asset; v) the availability of adequate technical, financial and other resources to complete the development of the intangible asset; and vi) the Corporation’s ability to measure reliably the expenditure attributable to the intangible asset during its development. The capitalized costs are amortized over the expected useful life of the process using the straight-line method.

### 2.11 Impairment of non-financial assets

Non-financial assets are reviewed for impairment when there is an indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

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An asset or CGU's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined had no impairment previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the year.

### 2.12 Deferred payments

The Corporation enters into agreements with other companies to support the development of its technologies. Under these agreements, when the Corporation receives funds in advance, these payments are recognized initially as deferred payments on the consolidated statement of financial position. Those are subsequently recognized in profit and loss when there is reasonable assurance that the Corporation will comply with the conditions established in the agreements. The funds received that compensate the Corporation for expenses incurred are recognized as a reduction to research and development expenses. There are no deferred payments as at December 31, 2021.

### 2.13 Share-based payments

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, the latter category including directors and officers of the Corporation.

The fair value is measured at the grant date and recognized over the period in which the options vest. The fair value of the options granted is measured using an option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### 2.14 Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro rata basis based on their respective fair value within the unit, with the Black-Scholes option-pricing model being used to determine the fair value of warrants issued.

### 2.15 Revenue recognition

The Corporation renders technical services to customers in the mining industry to evaluate processing alternatives using the Corporation's processing facility. Revenue is recognized over time in the accounting period in which the services are rendered, when control of a service transfers to a customer by reference to stage of completion of the specific transaction, which is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

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### 2.16 Income taxes

Income tax on profit or loss for the years ended December 31, 2021 and 2020 comprises current and deferred income tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in deficiency, in which case it is recognized in deficiency.

Current income tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income tax payable with regard to previous years. Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, providing for temporary differences between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. The temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period in which the deferred income tax is realized or recovered.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.17 Loss per share

The calculation of loss per share ("LPS") is based on the weighted average number of shares outstanding during each fiscal year. The basic LPS is calculated by dividing the loss attributable to the equity owners of the Corporation by the weighted average number of voting or common shares outstanding during the year.

The computation of diluted LPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the LPS. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Corporation reports a loss, the diluted net loss per voting or common share is equal to the basic net loss per voting or common share due to the anti-dilutive effect of the outstanding warrants and share options.

### 2.18 Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation and its subsidiary.

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position reporting date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Expenses denominated in a foreign currency are translated at the average rate in effect during the year with the exception of depreciation and amortization, which are translated at the historical rate. Gains and losses on exchange arising from the translation of foreign operations are recorded in the consolidated statement of loss and comprehensive loss.



# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

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

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continually evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include the following.

#### 3.1 Significant judgments

##### a) Impairment of non-financial assets

###### *Impairment of intangible assets*

Intangible assets are reviewed for an indication of impairment at each financial position reporting date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, the expiration of the Corporation's intellectual rights or patents or if such rights and/or patents will expire in the near future and are not expected to be renewed; the Corporation's failure to raise the required funds to continue its development activity; if development activities have failed in demonstrating that the Corporation's technology is effective or if the Corporation has decided to discontinue such activities in the specific area; and if sufficient data exists to indicate that, although the Corporation is able to demonstrate that its technology is effective, the carrying amount of the assets is unlikely to be recovered in full from successful exploitation or by sale because of significant negative industry or economic trends and a significant drop in commodity prices.

##### b) Going concern

The assessment of the Corporation's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 3.2 Significant estimations

##### a) Impairment of non-financial assets

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs must be determined. Identifying the CGUs requires considerable management judgment. In testing an individual asset or CGU for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the CGU. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation, and significant adjustments to the Corporation's assets and losses may occur during the next year.

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

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### b) Convertible debenture

In accordance with the substance of a contractual arrangement, convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability component is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

### 4. ACCOUNTS RECEIVABLE

Technical services receivable are generated from customers to evaluate processing alternatives using the Corporation's processing facility.

	As at December 31, 2021	As at December 31, 2020
	\$	\$
Technical services	478,768	508,664
	<b>478,768</b>	<b>508,664</b>

As at December 31, 2021, accounts receivable from related parties' amount to \$Nil (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	47,000	1,296,521	1,343,521
Balance – December 31, 2021	47,000	1,296,521	1,343,521
<b>Accumulated depreciation</b>			
Balance – January 1, 2021	47,000	307,423	354,423
Depreciation	-	149,258	149,258
Balance – December 31, 2021	47,000	456,681	503,681
<b>Net carrying amount – December 31, 2021</b>	<b>-</b>	<b>839,840</b>	<b>839,840</b>

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	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
Lease modification	-	(184,642)	(184,642)
Balance – December 31, 2020	47,000	1,296,521	1,343,521
<b>Accumulated depreciation</b>			
Balance – January 1, 2020	47,000	140,765	187,765
Depreciation	-	166,658	166,658
Balance – December 31, 2020	47,000	307,423	354,423
<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	Year ended December 31	
	2021	2020
		\$
Balance – beginning of the year	1,108,605	1,409,900
Lease modification	-	(203,916)
Principal portion of lease payments	(108,800)	(97,379)
<b>Balance – end of the year</b>	<b>999,805</b>	<b>1,108,605</b>
Current lease liability	121,041	108,800
Non-current lease liability	878,764	999,805

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases for the year ended December 31, 2021:

	Year ended December 31	
	2021	2020
		\$
Depreciation ROU asset	27,439	32,910
Depreciation ROU asset included in research and development	121,819	133,748
Interest expense included in finance cost	124,038	137,184

# Dundee Sustainable Technologies Inc.

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### 6. INTANGIBLE ASSETS

Intangible assets	Years ended December 31	
	2021	2020
<b>Gross carrying amount</b>		
Balance – January 1 and December 31:	\$	\$
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	461,381	461,381
Balance – December 31	1,499,489	1,038,108
<b>Net carrying amount – December 31</b>	<b>3,114,324</b>	<b>3,575,705</b>

### 7. GOVERNMENT AND OTHER ASSISTANCE

In March of 2020, the Government of Canada announced several programs to support businesses impacted by the COVID-19 crisis. 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 Corporation received during 2020 a total of \$228,431 under the CEWS program (2021 - nil). The subsidy was recognized in the statement of loss and comprehensive loss as a reduction of the related expense.

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 the GlassLock™ demo plant at the metal processing facility. The construction and operations of the Arsenic demo plant was completed in 2019. Under the terms of the agreement, the SDTC contributed the equivalent of 20.7% of eligible project costs for a total amount of \$1.25 million. During 2020, the Corporation received the balance of the contribution for a total amount of \$125,000 (2021 - nil). The contribution was recognized through comprehensive loss.

### 8. PROMISSORY NOTES AND 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 notes have a maturity date of July 13, 2023 along with interest at a rate of 8% per annum. As at December 31, 2021, the principal amount of the promissory note totaled \$1,000,000 (2020 – \$450,000) and the finance cost accrued during 2021 amounted to \$51,758 (2020 – \$10,525). 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.

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 2020 amounted to \$589,038.

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Promissory notes	Years ended December 31,	
	2021	2020
	\$	\$
Balance – beginning of year	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	550,000	450,000
Finance cost accrued	51,758	10,525
Promissory note discounted at fair value	(28,957)	(35,734)
Amortization of promissory note discount	15,248	2,800
<b>Balance – end of year</b>	<b>1,015,640</b>	<b>427,591</b>

### 8.2 Loans from a related party

The Corporation held 2 short-term loans, from a wholly owned subsidiary of Dundee, bearing interest at the rate of 12.68% 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

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. At the date of the conversion, the principal amount of the loans totaled \$8,310,000 and the finance cost accrued during 2020 amounted to \$610,345. 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 during that year.

As at December 31, 2021, the principal amount of the loan totaled \$8,484,534 (2020 – 8,484,534) and the finance cost accrued during the year amounted to \$722,941 (2020 – 285,599).

Short-term loans	Years ended December 31,	
	2021	2020
	\$	\$
Balance – beginning of year	8,142,799	13,814,573
Finance costs accrued	-	610,345
Debt settlement agreement	-	(5,940,384)
Long-term loan discounted at fair value	-	(703,281)
Finance cost accrued under new terms	722,941	285,599
Amortization of promissory note discount	210,435	75,947
<b>Balance – end of year</b>	<b>9,076,175</b>	<b>8,142,799</b>

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### 9 CONVERTIBLE DEBENTURE AND LOANS

#### 9.1 Convertible debenture

In 2015, the Corporation signed a secured convertible debenture with IQ (the "IQ Loan") for a total amount of \$4,000,000. The IQ Loan had a term of five years from its inception date, bearing interest at a rate of 8% per annum, payable quarterly, and with a conversion right 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 2021, the Corporation accrued \$339,173 in interest (2020 – \$377,866).

	Years ended December 31,	
	2021	2020
	\$	\$
Carrying amount of the liability – beginning of year	3,784,602	5,156,632
Finance costs accrued	339,173	377,866
Payment	(50,000)	-
Debt discounted at fair value	-	(326,558)
Debt settlement agreement	-	(1,418,368)
Cash issuance cost	(13,000)	(71,427)
Amortization of convertible debenture discount	123,072	66,457
<b>Carrying amount of the liability – end of year</b>	<b>4,183,847</b>	<b>3,784,602</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.

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The IQ Innovation Loan will mature six years since the initial disbursement and will bear interest at a rate of 3.04% per annum. The Corporation benefits 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 IQ Innovation Loan is secured by a second-degree hypothec over all of the Corporation's property other than the intellectual property. The finance cost paid during 2021, amounted to \$16,599 (2020 – \$640).

	Years ended December 31,	
	2021	2020
	\$	\$
Carrying amount of the liability – beginning of year	317,718	-
Advance	296,806	428,100
Debt discounted at fair value	(67,662)	(111,438)
Amortization of convertible debenture discount	29,944	1,056
<b>Carrying amount of the liability – end of year</b>	<b>576,806</b>	<b>317,718</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.

	Years ended December 31,	
	2021	2020
	\$	\$
Balance – beginning of year	268,085	260,841
Payments	(56,712)	(4,726)
Amortization of long-term debt discount	29,960	11,970
<b>Balance – end of year</b>	<b>241,333</b>	<b>268,085</b>
<b>Current portion</b>	<b>56,714</b>	<b>56,714</b>
<b>Non-current portion</b>	<b>184,619</b>	<b>211,371</b>
<b>Total</b>	<b>241,333</b>	<b>268,085</b>

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

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### 10. SHARE CAPITAL

#### 10.1 Authorized

On December 31, 2021 and 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.

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 Multiple Voting Shares are now issued and outstanding in the capital of the Corporation. The Corporation has adjusted the number of shares and share related instruments as well as per share information retrospectively to give effect to this consolidation.

#### 10.2 Issued and outstanding

##### Year ended December 31, 2020

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 subordinate 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 2,500,000 million multiple voting shares of the Corporation issued and outstanding.

The 44,920,876 shares issued were measured using the fair value on the day of issuance at \$0.30 per share, for a total value of \$13,476,264. The difference between the carrying amounts of the converted debts and the fair value of the consideration paid was recognized in the statement of loss and comprehensive loss as a gain on debt settlement of \$1,347,626.

### 11 WARRANTS

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

	Years ended December 31,			
	2021		2020	
	Number of warrants	Carrying amount	Number of warrants	Carrying amount
		\$		\$
<b>Balance – Beginning and end of year</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.



# Dundee Sustainable Technologies Inc.

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### 12. STOCK OPTION PLAN

The Corporation maintains a stock option plan (the “Plan”), which provides that the Board of Directors of the Corporation may, from time to time, at its discretion and in accordance with the Canadian Securities Exchange (“CSE”) requirements, grant to directors, officers, employees and consultants of the Corporation, non-transferable options to purchase in cash subordinate voting shares of the Corporation, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding subordinate voting shares of the Corporation.

Under the Plan, such options will be exercisable for a period of up to five years from the grant date. Options granted are exercisable on the grant date, unless otherwise stated by the Board of Directors. Options issued to consultants performing investor relations activities must vest in stages over 12 months, with no more than one-fourth of the options vesting in any three-month period. The exercise price shall not be less than that permitted under the rules of any stock exchange on which the subordinate voting shares are listed.

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 was established at \$0.24 per share for a total shared-based payment expenses recognised in 2021 of \$462,166 (2020 – \$508,383).

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>Years ended December 31,</b>			
	<b>2021</b>		<b>2020</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 year	5,477,500	\$ 0.53	973,750	\$ 1.65
Granted	-	-	4,700,000	0.35
Forfeited	(42,500)	1.81	(196,250)	1.81
<b>Balance – end of year</b>	<b>5,435,000</b>	<b>0.52</b>	<b>5,477,500</b>	<b>0.53</b>

# Dundee Sustainable Technologies Inc.

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As at December 31, 2021, outstanding options are as follows:

Number of options	Weighted average exercise price	Expiry date
	\$	
405,000	1.00	February 3, 2022 <sup>(1)</sup>
242,500	0.64	March 31, 2022
347,083	0.44	October 29, 2022
46,250	4.00	November 27, 2022
202,500	2.00	April 18, 2023
25,000	2.00	June 18, 2023
2,600,000	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>

<sup>(1)</sup>The options were not exercised before the expiry date.

The residual weighted average contractual term of outstanding options was 2.85 years as at December 31, 2021.

### 13. RESEARCH AND DEVELOPMENT

	Year ended December 31,	
	2021	2020
	\$	\$
Research and development	998,347	1,050,596
Recognition of a related party contribution through comprehensive loss as per eligible Arsenic demo plant expenditures incurred during the period	-	(192,669)
SDTC contribution (note 7)	-	(125,000)
Government subsidy on IQ Innovation loan	(67,662)	(111,438)
Tax credit and other government subsidies	(147,568)	(501,768)
	<b>783,117</b>	<b>119,721</b>

### 14. INCOME TAXES

The income tax expense on the Corporation's loss before income taxes differs from the income tax expense that would arise using the combined Canadian federal and provincial statutory tax rate of 26.5% (2020 – 26.6%) as a result of the following items:

	2021	2020
	\$	\$
Net loss before tax at statutory rate of 26.5% (2020 – 26.5%)	(897,994)	(354,434)
Effect on taxes of		
Non-deductible expenses	122,718	134,963
Unrecognized tax benefit	775,276	219,471
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

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### Recognized deferred income tax assets and liabilities

The Corporation recognized deferred income tax assets related to tax loss carryforwards to the extent of deferred income tax liabilities.

	2021	2020
	\$	\$
Deferred income tax assets		
Tax loss carryforwards	327,508	293,318
Lease liability	264,948	293,781
Deferred income tax liabilities		
Right of use asset	(222,558)	(262,111)
Convertible debenture	(63,592)	(87,855)
Long-term debt	(306,306)	(237,133)
	-	-

### Unrecognized deductible temporary differences

The benefit of the following tax loss carryforwards and deductible temporary differences has not been recognized in the consolidated financial statements:

	2021	2020
	\$	\$
Tax loss carryforwards	48,003,000	49,988,000
Capital loss	801,500	802,000
Unclaimed SR&ED expenditures	9,995,000	9,296,000
Exploration and evaluation assets	13,872,000	13,872,000
Capital assets	6,578,000	6,031,000
	79,249,500	76,989,000

The loss carryforwards expire between 2024 and 2042 and the unclaimed SR&ED expenditures as well as the capital loss do not expire. In addition, the Corporation has unused tax credits of \$1,575,506 (2019 – \$1,387,507) which expire between 2024 and 2042.

## 15. RELATED PARTY TRANSACTIONS

Details of related party transactions carried out with the directors and officers of the Corporation and companies controlled by directors and officers not otherwise disclosed in these consolidated financial statements are as follows:

	2021	2020
	\$	\$
Directors or companies held by directors		
Wages and compensation	256,500	308,477
Officers or companies held by officers		
Professional fees	-	1,906
	256,500	310,383

# Dundee Sustainable Technologies Inc.

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### Compensation of key management

Key management includes directors and officers. The compensation paid or payable to key management is presented below:

	2021	2020
	\$	\$
Professional and consulting fees	-	1,906
Wages and compensation	631,183	706,053
Share-based payments	280,000	465,116
	<b>911,183</b>	<b>1,173,075</b>

The Corporation recognized revenues for technical services provided to related parties for a total amount of \$613,660 (2020 – \$772,037). Those technical services were performed at arm's length negotiated prices.

In August 2020, the Corporation disposed of its investment of 197,500 shares in a related party for total proceeds of \$88,750.

## 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management handles the financial risks. The Corporation does not enter into financial instrument agreements, including derivative financial instruments, for speculative purposes.

The main financial risks to which the Corporation is exposed are detailed below.

### 16.1 Liquidity risk

The Corporation manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its development programs. The Corporation also ensures that it has sufficient working capital available to meet its day-to-day commitments.

As at December 31, 2021, the Corporation has cash of \$457,716 (2020 – \$926,734) and accounts receivable of \$478,768 (2020 – \$508,664) to settle accounts payable and accrued liabilities of \$1,025,562 (2020 – \$896,216).

The following table summarizes the Corporation's significant contractual undiscounted cash flows as at December 31, 2021:

	Less than 6 months	6 to 12 months	More than 12 months	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,025,562	-	-	1,025,562
Lease liability	117,157	118,654	1,187,158	1,422,969
Promissory notes from a related party	-	-	1,199,273	1,199,273
Long-term loan from a related party	-	-	10,719,227	10,719,227
Long-term debt CED	28,357	28,357	278,845	335,559
Convertible debenture	-	100,000	4,887,189	4,987,189
Long-term IQ Innovation loan	10,928	11,109	771,730	793,767
<b>As at December 31, 2021</b>	<b>1,182,004</b>	<b>258,120</b>	<b>19,043,422</b>	<b>20,483,546</b>

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

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As at December 31, 2021, management estimates that funds available will not be sufficient to meet the Corporation's obligations and budgeted expenditures through December 31, 2022 (note 1).

Any funding shortfall may be met in the future in a number of ways including, but not limited to, the issuance of new debt or equity instruments, expenditure reductions and/or the introduction of joint venture partners and/or business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements. All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except for the convertible debenture, promissory notes from a related party, the CED contribution agreement, the loans from a related party for an amount of \$400,000 without interest payable on demand to Dundee that is recorded in accounts payable and accrued liabilities. The Corporation regularly evaluates its cash position to ensure the preservation and the security of its capital as well as the maintenance of its liquidity.

### 16.2 Currency risk

The Corporation does not use derivative instruments or hedges to manage risks because its exposure to currency risk is not significant given that its operations are carried out predominantly in Canada. As at December 31, 2021, cash and cash equivalents amounted to \$457,716, of which \$63,398 is denominated in Canadian dollars, \$264,143 in US dollars and the balance of \$130,175 in Namibian dollars. The Corporation holds accounts receivable of \$478,768, of which \$134,824 is denominated in US dollars. Other financial instruments are all denominated in Canadian dollars.

### 16.3 Credit risk

Credit risk is the risk that a loss will occur from the failure of another party to perform according to the terms of the contract. The Corporation's credit risk is primarily attributable to cash and cash equivalents, accounts receivable and sales tax receivable. The Corporation's cash and cash equivalents are held mainly with Canadian chartered banks, which reduces credit risk.

The expected loss rates on accounts receivable are based on the Company's historical credit losses. As at December 31, 2021, the allowance for doubtful accounts was nil.

### 16.4 Interest rate risk

The Corporation has cash balances, and its current policy is to invest excess cash in certificates of deposit or high-interest savings accounts with Canadian chartered banks. The debt instruments bear interest at fixed rates and are not exposed to interest rate risk.

### 16.5 Fair value hierarchy

The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. After initial recognition, fair value is determined by management using available market information or other valuation methodologies.

The following provides information about financial assets and financial liabilities measured at market value in the Corporation's consolidated statement of financial position and categorized by level according to the significance of the inputs used in making the measurements:

# Dundee Sustainable Technologies Inc.

## Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars)

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Subsequent valuations have been determined using as reference additional issuance of shares closed by the company.

The fair values of the debt instruments approximate their respective carrying values due to their recent remeasurement.

### 17. POLICIES AND PROCESS TO MANAGE CAPITAL

As at December 31, 2021, the capital of the Corporation consists of deficiency amounting to \$12,143,458. The Corporation's objective when managing capital is to safeguard its ability to continue its operations and advance the development of its technologies. As needed, it raises funds through short-term advances from the parent company, Dundee, debts or through private placements. It has no dividend policy.

The Corporation is not subject to any externally imposed capital requirements from regulators or contractual requirements to which it is subject. Changes in capital for the years ended December 31, 2021 and 2020 are described in the consolidated statement of changes in deficiency.

### 18. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31,	
	2021	2020
	\$	\$
Finance cost paid	23,111	2,178
Finance cost on lease payments	124,038	137,184

### 19. SUBSEQUENT EVENTS

#### Promissory note

On January 4, 2022, the Corporation signed a promissory note in the principal amount of \$450,000 payable to a wholly owned subsidiary of Dundee. The promissory notes have a maturity date of July 13, 2023 along with interest at a rate of 8% per annum.

#### Private placement

On March 1, 2022 the Corporation completed the closing of a non-brokered private placement (the "Offering") for total consideration of \$635,000 consisting of the issuance of 3,527,777 units (each a "Unit") at a price of \$0.18 per Unit of the Corporation A Unit consists of one subordinate voting share and one share purchase warrant, with each warrant entitling its holder to purchase a Subordinate Voting Shares of the Corporation at a price of \$0.31 per share over a 5-year period following the closing of the Offering.