

Dundee Sustainable Technologies Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

As at and for the three months ended March 31, 2016
(Expressed in Canadian dollars)

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

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Dundee Sustainable Technologies Inc.
Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Note	As at March 31, 2016	As at December 31, 2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		572,651	1,679,490
Research and development tax credits receivable		84,514	66,275
Sales taxes and other receivables		101,037	164,197
Inventory		68,310	47,235
Prepaid expenses and advances to suppliers		256,931	263,134
		<u>1,083,443</u>	<u>2,220,331</u>
Non-current assets			
Property, plant and equipment	4	26,511	29,469
Intangible assets		4,613,813	4,613,813
		<u>4,640,324</u>	<u>4,643,282</u>
Total assets		<u>5,723,767</u>	<u>6,863,613</u>
Liabilities and Deficiency			
Current liabilities			
Accounts payable and accrued liabilities		851,441	647,311
Deferred revenue		155,371	-
Short-term loan with a related party	5	9,272,085	9,027,586
		<u>10,278,897</u>	<u>9,674,897</u>
Non-current liabilities			
Convertible debenture	6	1,594,209	1,578,986
Total liabilities		<u>11,873,106</u>	<u>11,253,883</u>
Deficiency			
Share capital	7	54,562,847	54,562,847
Contributed surplus		6,848,232	6,848,232
Deficit		(67,560,418)	(65,801,349)
Total deficiency		<u>(6,149,339)</u>	<u>(4,390,270)</u>
Total liabilities and deficiency		<u>5,723,767</u>	<u>6,863,613</u>
Going concern	1		
Commitments	12		

Dundee Sustainable Technologies Inc.
Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars, except number of shares)

	Note	2016	2015
		\$	\$
Expenses			
Research and development	10	938,766	990,119
Professional and consulting fees		236,596	325,269
Administrative		146,982	139,886
Wages and compensation		120,373	66,883
Investor relation and promotions		8,790	14,411
Trustee and registration fees		8,947	19,311
Share-based payments		-	23,472
Depreciation of property, plant and equipment		608	15,258
Total expenses		1,461,062	1,594,609
Operating loss		(1,461,062)	(1,594,609)
Finance costs	5, 6	(297,507)	(193,054)
Loss on foreign currency exchange		(500)	(11,672)
Net loss and comprehensive loss		(1,759,069)	(1,799,335)
Basic and diluted net loss per share		(0.01)	(0.01)
Weighted average number of shares outstanding – basic and diluted		347,090,816	281,706,201

Going concern 1

Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Changes in Deficiency

(Unaudited)

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian dollars, except number of shares)

	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Number	\$	Number	\$	\$	\$	\$
Balance – December 31, 2015	50,000,000	3,963,875	297,090,816	50,598,972	6,848,232	(65,801,349)	(4,390,270)
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,759,069)	(1,759,069)
Balance – March 31, 2016	50,000,000	3,963,875	297,090,816	50,598,972	6,848,232	(67,560,418)	(6,149,339)

	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Number	\$	Number	\$	\$	\$	\$
Balance – December 31, 2014	50,000,000	3,963,875	231,706,201	43,627,723	7,860,885	(58,152,856)	(2,700,373)
Share-based compensation	-	-	-	-	23,472	-	23,472
Net loss and comprehensive loss for the period	-	-	-	-	-	(1,799,335)	(1,799,335)
Balance – March 31, 2015	50,000,000	3,963,875	231,706,201	43,627,723	7,884,357	(59,952,191)	(4,476,236)

Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended March 31, 2016 and 2015

(Expressed in Canadian dollars)

	Note	2016	2015
		\$	\$
Operating activities			
Net loss for the period		(1,759,069)	(1,799,335)
Adjusted for:			
Share-based payments		-	23,472
Reclassification of SDTC deferred contribution		-	(318,818)
Depreciation of property, plant and equipment included in research and development	4	2,350	2,350
Depreciation of property, plant and equipment	4	608	15,258
Finance costs accrued	6	244,499	193,048
Amortization of convertible debenture discount	5	15,223	-
		(1,496,389)	(1,884,025)
Changes in non-cash operating working capital items:			
Research and development tax credits receivable		(18,239)	(44,334)
Sales taxes and other receivables		63,160	(17,584)
Inventory		(21,075)	-
Prepaid expenses and advances to suppliers		6,203	(7,153)
Accounts payable and accrued liabilities		204,130	189,265
Deferred revenue		155,371	-
		389,550	120,194
Net cash used in operating activities		(1,106,839)	(1,763,831)
Investing activities			
Addition to exploration and evaluation assets		-	(18,145)
Net cash used in investing activities		-	(18,145)
Financing activities			
Short-term loan with a related party	5	-	1,700,000
Net cash provided by financing activities		-	1,700,000
Net change in cash		(1,106,839)	(81,976)
Cash – beginning		1,679,490	290,488
Cash – end		572,651	208,512
Supplemental information			
Finance cost paid		(37,785)	(6)
Going concern	1		

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

Dundee Sustainable Technologies Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Dundee Sustainable Technologies Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on July 22, 1997. The Corporation's head office is located at 600 De Maisonneuve Boulevard West, Suite 2750, Montréal, Quebec, Canada, H3A 3J2.

The Corporation has developed metallurgical processes based on a chlorination technology. It is a method of treating and extracting gold and/or silver and other base metals by creating a chloride with either chlorine or hydrochloric acid. The approach is very broad and can involve either oxide or sulfide ores and allows the recovery of nickel/cobalt from oxide-type ores such as serpentine, laterites and other siliceous metal-bearing ores. It also allows the extraction of precious metals from refractory ores with content of sulfides and arsenic. The Corporation has also developed a process based on an arsenic stabilization technology which is designed for the sequestration of arsenic in a stable glass form. This process involves a technique to segregate arsenic and is therefore opening up opportunities to process materials considered too toxic to be exploited or stabilized using conventional mining methods.

These technologies are subject to all risks inherent in their development and may require significant additional development, testing and investment prior to any final commercialization. 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 reasonable costs or be successfully marketed. To date, the Corporation has not earned significant revenues and is considered to be in the development stage. As at March 31, 2016, Dundee Corporation ("Dundee") was the principal and majority shareholder of the Corporation.

For the three months ended March 31, 2016, the Corporation incurred a loss of \$1,759,069 (\$1,799,335 for the three months ended March 31, 2015) and has a negative working capital of \$9,195,454 (a negative working capital of \$7,454,566 as at December 31, 2015). Deficit as at March 31, 2016 amounted to \$67,560,418 (\$65,801,349 as at December 31, 2015) and cash flow used in operating activities for the three months ended March 31, 2016, amounted to \$1,106,839 (\$1,763,831 for the three months ended March 31, 2015).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to March 31, 2017. 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, based on previous fund raising experience, 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.

Although these unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2016 ("March 2016 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.

The March 2016 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 April 27, 2016, the March 2016 Interim Consolidated Financial Statements were authorized for publication by the Board of Directors.

Dundee Sustainable Technologies Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

The March 2016 Interim Consolidated Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The March 2016 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, 2015 ("2014 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements.

Other than as described below, the March 2016 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the 2015 Audited Consolidated Financial Statements.

Changes in Accounting Policies Implemented During the Three Months Ended March 31, 2016

IAS 1, "Presentation of Financial Statements" ("IAS 1")

On January 1, 2016, the Corporation implemented certain amendments to IAS 1 which clarify guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and which provide additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The implementation of amendments to IAS 1 had no impact to the Corporation's March 2016 Interim Financial Statements.

Accounting Standards, Interpretations and Amendments to Existing Standards not yet Effective

IFRS accounting standards, interpretations and amendments to existing IFRS accounting standards that were not yet effective as at December 31, 2015, are described in note 2 to the 2015 Audited Consolidated Financial Statements. Other than as described below, there have been no other changes to existing IFRS accounting standards and interpretations since December 31, 2015 that are expected to have a material effect on the Corporation's financial statements.

IAS 7, "Statement of Cash Flows" ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. The Corporation is in the process of evaluating the impact of adopting these amendments to its financial statements.

IAS 12, "Income Taxes" ("IAS 12")

In January 2016, the IASB issued amendments to IAS 12 which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. The Corporation is in the process of evaluating the impact of adopting these amendments to its financial statements.

Dundee Sustainable Technologies Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the March 2016 Interim Consolidated Financial Statements 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 the March 2016 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in note 3 to the 2015 Audited Consolidated Financial Statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Camp and infrastructure	Vehicles and equipment	Office furniture and computer equipment	Total
Gross carrying amount	\$	\$	\$	\$
Balance - January 1, 2016	90,807	47,000	134,085	271,892
Acquisition	-	-	-	-
Balance – March 31, 2016	90,807	47,000	134,085	271,892
Accumulated depreciation				
Balance - January 1, 2016	90,807	18,800	132,816	242,423
Depreciation	-	2,350	608	2,958
Balance – March 31, 2016	90,807	21,150	133,424	245,381
Net carrying amount - March 31, 2016	-	25,850	661	26,511
Net carrying amount - December 31, 2015	-	28,200	1,269	29,469

5. SHORT-TERM LOAN WITH A RELATED PARTY

The short-term loan from a wholly owned subsidiary of Dundee bears interest at the rate of 12.68% per annum and is secured by a hypothec, pari passu with Investissement Québec's ("IQ") convertible debenture and Canada Economic Development for Quebec Regions, contribution ("CED"), over all of the Corporation's property other than its intellectual property. The interest is payable concurrently with the repayment of the loan. The maturity date of the loan is the earlier of May 31, 2016 and the date at which the Corporation raises the sum of \$10,000,000 or greater by way of debt or equity. The Corporation has the option to repay loan at any time.

Dundee Sustainable Technologies Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian dollars)

5. SHORT-TERM LOAN WITH A RELATED PARTY (CONT'D)

	Three months ended March 31,	
	2016	2015
	\$	\$
Balance – beginning	9,027,586	6,105,473
Principal amount	-	1,700,000
Finance costs accrued	244,499	193,048
Balance – end	9,272,085	7,998,521

6. CONVERTIBLE DEBENTURE AND LOANS

6.1 Convertible Debenture (Note 13)

The convertible debenture issued on May 15, 2015, consists of a secured convertible loan in an amount of up to \$4,000,000 (the "IQ Loan"). The IQ Loan will mature on May 15, 2020, bears interest at a rate of 8% per annum, payable quarterly, and can be converted after one year at the holder's option into subordinate voting shares of the Corporation at a conversion price equal to the closing market price of the shares on the day prior to conversion. After the first anniversary of the IQ Loan, the Corporation has the right to redeem the IQ Loan subject to a 10% premium. The IQ Loan is guaranteed by Dundee in an amount of up to \$1,500,000.

IQ will advance this loan to the Corporation during the construction and operation by the Corporation of its demonstration plant, based on the Corporation's liquidity needs, subject to a number of conditions. IQ advanced \$1,900,000 in 2015.

In connection with the financing, the Corporation has entered into an agreement with IQ granting IQ the right to appoint one member of the Board of Directors of the Corporation.

	Three months ended March 31
	2016
	\$
Carrying amount of the liability component as at December 31, 2015	1,578,986
Accretion expense	15,223
Carrying amount of the liability component as at March 31, 2016	1,594,209

6.2 Contribution Agreement

On June 16, 2015, the Corporation entered into an agreement with CED pursuant to which it will receive up to \$900,000 repayable contribution (the "CED Contribution"). The CED Contribution will be used by the Corporation for the acquisition of equipment for its demonstration plant (the "Project") in Thetford Mines. Payments by CED will be made over the term of the Project, which must be completed at the latest by July 31, 2016. 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. As at March 31, 2016, the Corporation hasn't drawn from the CED Contribution.

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.

Dundee Sustainable Technologies Inc.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2016 and 2015

(Expressed in Canadian dollars)

7. SHARE CAPITAL

Authorized

On March 31, 2016 and December 31, 2015, 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.

8. STOCK OPTION PLAN

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

	Three months ended March 31,			
	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance - beginning	20,577,500	0.13	22,652,500	0.16
Expired	-	-	(500,000)	0.20
Balance – end	20,577,500	0.13	22,152,500	0.16

As at March 31, 2016 outstanding and exercisable options are as follows:

Number of options	Exercise price	Expiry date
	\$	
5,200,000	0.10	June 8, 2016
2,500,000	0.10	July 10, 2016
1,000,000	0.20	July 10, 2016
700,000	0.20	August 3, 2016
100,000	0.10	October 1, 2016
50,000	0.10	December 15, 2016
150,000	0.20	December 15, 2016
475,000	0.20	February 20, 2017
100,000	0.20	July 23, 2017
600,000	0.20	February 6, 2018
7,400,000	0.10	December 12, 2018
602,500	0.20	October 2, 2019
1,700,000	0.20	November 27, 2022
20,577,500		

The residual weighted average contractual term of outstanding options was 1.82 years as at March 31, 2016.

Dundee Sustainable Technologies Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Unaudited)
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

9. ESCROW AGREEMENT

As at March 31, 2016, 81,255,824 subordinate voting shares, 22,500,000 multiple voting shares and 4,140,000 options of the Corporation are subject to an escrow agreement with one-third of these escrowed securities being releasable in April 2016, October 2016 and April 2017.

10. RESEARCH AND DEVELOPMENT

	Three months ended	
	March 31,	
	2016	2015
	\$	\$
Research and development ("R&D")	1,065,011	1,353,271
R&D service contracts with third parties	(94,221)	-
Government assistance and tax credits	(32,024)	(363,152)
	938,766	990,119

11. RELATED PARTY TRANSACTIONS

Details of related party transactions 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:

	Three months ended	
	March 31,	
	2016	2015
	\$	\$
Directors or corporations held by directors		
Professional and consulting fees ⁽¹⁾	60,000	42,540
Officers or corporations held by officers		
Professional fees	58,186	138,832
	118,186	181,372

(1) The compensation to the President and CEO amounting to \$60,000 (\$37,500 for the three months ended March 31, 2015) was paid by Dundee and is included in accounts payable and accrued liabilities.

Compensation of key management

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

	Three months ended	
	March 31,	
	2016	2015
	\$	\$
Officers and directors' professional and consulting fees	144,185	168,358

Dundee Sustainable Technologies Inc.
Notes to Condensed Interim Consolidated Financial Statements
(Unaudited)
For the three months ended March 31, 2016 and 2015
(Expressed in Canadian dollars)

12. COMMITMENTS

12.1 Construction and operation of a demonstration plant

In June 2013, the Corporation entered into an agreement (the “Contribution Agreement”) with the Sustainable Development Technology Canada Foundation (“SDTC”). Upon meeting certain conditions, the SDTC agreed to financially assist the Corporation in developing and demonstrating its chlorination technology. Under the terms of the agreement, the SDTC will contribute up to the lesser of 25.30% of eligible project costs or \$5,000,000.

In connection with the contribution agreement reached with the SDTC, the Corporation had to file consortium agreements with third parties regarding the global financing of a demonstration plant and the procurement of mineral concentrates.

The Corporation's objective is to finalize the development of its chlorination technology to extract precious metals (e.g. gold), at a pre-commercial stage through the construction and operation of a demonstration plant of 15 tonnes of concentrate per day that will operate on a continuous mode under industrial conditions. Construction of the plant commenced in 2013, and commissioning was successfully completed in late 2015 enabling the Corporation to proceed with the demonstration phase of the project.

The Corporation has spent a total of \$16,791,766 in this regard, from which \$803,580 was incurred during the three months ended March 31, 2016 and is included in the consolidated statement of comprehensive loss under research and development. As at March 31, 2016, the Corporation has a firm purchasing commitment for \$60,792 towards equipment and services relating to the demonstration plant.

As part of the Contribution Agreement, the Corporation received an aggregate amount of \$3,821,270 from SDTC corresponding to the eligible activities to be incurred by the Corporation.

12.2 Lease payments

On January 11, 2008, the Corporation entered into a three-year lease (the “Thetford Mines Lease”). The annual rent was \$100,000. In October 2010, the Corporation renewed the Thetford Mines Lease for a three-year period ending December 31, 2013, at an annual rent of \$106,000. On July 1, 2013, the Corporation renewed and modified the Thetford Mines Lease to rent more space, for a ten-year period at an annual rent of \$204,380 that is subject to a yearly increase of 1.5%.

On March 5, 2015, the Corporation renewed the lease for the head office for an additional year ending on June 30, 2016, for a total amount of \$53,371.

The aggregate annual payments due over the following periods are as follows:

	As at March 31, 2016
	\$
Less than 1 year	225,474
Between 1 and 5 years	880,824
More than 5 years	518,681

13. SUBSEQUENT EVENT

Convertible debenture

As part of the IQ Loan, the Corporation received \$1,500,000 on April 21, 2016, bringing the total loan to \$3,400,000.