

# **Dundee Sustainable Technologies Inc.**

Management's Discussion and Analysis

For the three months ended March 31, 2016

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# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## TABLE OF CONTENT

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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BACKGROUND .....	3
INCORPORATION AND NATURE OF OPERATIONS .....	3
CORPORATE OVERVIEW .....	4
DEMONSTRATION PLANT AND PROCESSING FOR THE CHLORINATION TECHNOLOGY .....	5
PILOT PLANT FOR THE ARSENIC STABILIZATION TECHNOLOGY .....	6
BUSINESS STRATEGY.....	6
INFORMATION ON EQUITY .....	7
STOCK OPTION PLAN.....	7
FINANCING ACTIVITIES.....	8
LIQUIDITY AND WORKING CAPITAL .....	8
DISCUSSION AND ANALYSIS OF OPERATIONS.....	8
SELECTED QUARTERLY INFORMATION.....	10
OFF BALANCE SHEET ARRANGEMENTS.....	10
CONTRACTUAL OBLIGATIONS AND COMMITMENTS.....	11
RELATED PARTY TRANSACTIONS .....	11
ACCOUNTING POLICY CHANGES, CRITICAL ESTIMATES, JUDGMENTS AND ASSUMPTIONS .....	11
FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS.....	11
RISKS AND UNCERTAINTIES.....	12
FORWARD LOOKING STATEMENTS.....	12
INFORMATION CONCERNING DUNDEE SUSTAINABLE TECHNOLOGIES .....	12

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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### BACKGROUND

This Management's Discussion and Analysis ("MD&A") of Dundee Sustainable Technologies Inc. ("DST" or the "Corporation") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three month period ended March 31, 2016.

This MDA should be read in conjunction with the Corporation's audited consolidated financial statements, including the notes thereto, as at and for the year ended December 31, 2015 (the "2015 Audited Consolidated Financial Statements"), together with the accompanying MD&A for the year then ended, and with the unaudited condensed interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2016 (the "March 2016 Interim Consolidated Financial Statements"), all of which have been prepared using International Financial Reporting Standards ("IFRS").

Unless otherwise noted, all figures are in Canadian dollars, the presentation and functional currency.

### INCORPORATION AND NATURE OF OPERATIONS

#### Incorporation

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 authorized capital of the Corporation consists of an unlimited number of subordinate voting shares and multiple voting shares, each multiple voting share having 10 votes.

Dundee Corporation ("Dundee") retains multiple voting shares of the Corporation, which are convertible, at the option of Dundee, into subordinate voting shares of the Corporation, for no additional consideration. The multiple voting shares of the Corporation are not listed on a stock exchange.

At March 31, 2016, Dundee owned 178.1 million subordinate voting shares and 50.0 million multiple voting shares of the Corporation giving Dundee a 66% equity interest and an 85% voting interest in the Corporation.

#### Nature of Operations

The Corporation is engaged in the development of environment-friendly technologies for the treatment of materials in the mining industry. Through the development of patented, proprietary processes, DST extracts precious and base metals from ores, concentrates and tailings, while stabilizing contaminants such as arsenic, which could not otherwise be extracted or stabilized with conventional processes because of metallurgical issues or environmental considerations. Currently, the Corporation is focused on two primary processes:

#### *Gold Chlorination*

At present, DST's most advanced proprietary process is associated with the extraction of precious metals using chlorination to provide a cyanide-free alternative for the exploitation of gold deposits. The primary benefits of this innovative technology are shorter processing times, and a closed-loop operation, eliminating the need for costly tailing ponds and reducing the environmental footprint of the inert and stable cyanide-free tailings.

The chlorination process developed by DST is a recognized "green technology" for which it was awarded a \$5 million grant by the Government of Canada, through its Sustainable Development Technology Fund ("SDTC"), for the construction and operation of a demonstration plant. The plant serves as a demonstration platform for the chlorination process on an industrial scale and under continuous operating conditions.

#### *Arsenic Stabilization by Vitrification*

In 2015, DST completed the construction of a pilot plant designed to demonstrate its arsenic stabilization process, which is designed for the sequestration of this contaminant in a stable glass form. This process involves a technique to segregate arsenic and therefore provides opportunities to process materials considered too toxic to be exploited or stabilized using conventional mining methods.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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These processes are subject to all risks inherent in their development and may require significant additional development, testing and investment prior to final commercialization. There can be no assurance that such technologies will be successfully developed, or that output from any use of the Corporation's processes could be produced at a commercial level at reasonable costs or successfully marketed. To date, the Corporation has not earned revenues and is considered to be in the development stage.

### CORPORATE OVERVIEW

#### Metallurgy Processes Development

Cyanidation, a commonly used procedure for processing gold, typically produces large amounts of highly contaminated tailings. DST has developed a cyanide-free process for the recovery of base and precious metals from two broad categories of ores, namely the oxides (metals combined with oxygen) and the sulfides (metals combined with sulfur). In addition to environmental benefits, the cyanide-free chlorination process allows the exploitation of gold deposits that face metallurgical or environmental permitting issues because of the use of cyanide in the conventional process.

The DST chemical process applied to sulfide ores commences with an oxidation stage in order to remove the sulfur and other impurities such as arsenic in the ore. The completion of this oxidation step transforms the sulfide into an oxide with the removal of the sulfur from the metal and its replacement by oxygen. When this transformation is complete, the newly formed oxide is subjected to the DST treatment, using acid leaching to collect base metals (Copper and Zinc) and hypochloride to collect the precious metals (Gold and Silver).

The arsenic collected during the oxidation stage is then stabilized and rendered inert in a glass form, using DST's second patented novel methodology. The DST method has a more stable outcome and is less costly than current industrial practices. This approach to stabilize arsenic in glass is a technique to segregate arsenic in the extraction process and therefore provides opportunities for deposits or concentrates considered too toxic with arsenic to be exploited using conventional methods. It also represents an opportunity for existing copper smelting operators that are looking for a technology to stabilize the arsenical bearing flue dusts, which are inherent in such operations.

Arsenical flue dusts are produced through the smelting of copper bearing arsenical ores. During the smelting-converting process of copper most of the arsenic is vaporized and appears in the flue dust as arsenic trioxide along with fine particles of metal or metallic compounds. The arsenic trioxide in the flue dust is then captured in the filters of the smelter and converted into a stabilized inert glass form.

#### Intellectual Property

DST has protected its intellectual property by filing patents during the development of its technologies. To date, DST has patents granted or published on 11 different processes for its technologies. The Corporation has 15 patents granted or published and 27 patents pending or filed in 16 countries. The patents to which the Corporation currently has rights expire between 2022 and 2034.

#### Green Technology and Government Support

DST's chlorination process has been recognized as a "green technology", for which it has been awarded a \$5 million grant by SDTC, for the construction and operation of the demonstration plant.

Given the significant economic benefits of its technologies, the Corporation has attracted strong government support. In addition to the Government of Canada's support, during 2015, Investissement Quebec completed a \$5 million private placement of equity and debt.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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### DEMONSTRATION PLANT AND PROCESSING FOR THE CHLORINATION TECHNOLOGY

The current stage of DST's chlorination process is the result of 16 years of efforts in combined laboratory development and pilot plant scale validation. The results obtained at a laboratory scale led to the construction and operation of a pilot plant between 2010 and 2012 in order to pursue the development of DST's chlorination extraction technology. With successful pilot results, the next stage was the development of the technology at an industrial scale. This required the construction of a demonstration plant, which could operate on a continuous basis.

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. When operating at full capacity, the demonstration plant can process approximately 5,000 tonnes of concentrate per year. The Corporation has been actively seeking the supply of various concentrate feed sources and has been negotiating with suppliers to secure sufficient volumes of concentrate feed material necessary for the operations of the demonstration plant throughout 2016.

#### Construction phase

The demonstration plant has a capacity of 15 tonnes per day of concentrate in order to assess DST's chlorination extraction technology under continuous operating conditions. The demonstration plant offers the first test of DST's chlorination extraction technology in an operating environment with industrial conditions. The scale-up factor is in the order of 15:1 compared to the pilot installation. Although the size of the demonstration plant seems modest according to references in the mining industry, it is large enough to establish the credibility of the process on an industrial scale. This demonstration plant will serve as a reference for the establishment of full-scale plants operating with the same technology.

The construction and operation of the demonstration plant, which commenced in June 2013, was budgeted at \$25 million. This budget included a contingency of approximately 15%. At present, the construction has been completed according to budget and its construction plan, with no major issues and the contingency has not been used. The construction and commissioning of the plant were completed in June 2015 and October 2015 respectively.

#### Processing phase

In order to establish the proof of concept of the Corporation's chlorination technology, the Corporation established a consortium agreement with SDTC and Dundee Precious Metals Inc. ("DPM") in June 2013. SDTC agreed to financially assist the Corporation in developing and demonstrating its technology by contributing up to \$5 million upon meeting certain conditions.

DPM agreed to supply pyrite concentrate, from its Bulgarian mining operations for processing. Processing commenced at the demonstration plant in November 2015 and was completed in March 2016.

DST processed 170 Tonnes of a gold and copper bearing refractory concentrate and the extracted yield obtained by the DST technology was 14 % higher on average than cyanidation. The cyanide tests were done by an independent laboratory on sub-samples that were taken at the plant during the demonstration campaign. The Corporation has also submitted these results to an external validation program, the Environmental Technology Validation ("ETV") program from the federal government, in order to obtain an independent review. This examination process is underway and the report is expected to be received in the coming weeks.

Under the terms of the arrangement with DPM, costs associated with providing the concentrate to the Corporation were absorbed by DPM, and all extracted metals from the concentrate will be returned to DPM.

The processing of pyrite concentrate also allowed the Corporation to confirm the efficiencies of the components of the demonstration plant which responded well and according to the expectations. In that regards, the oxidation circuit successfully removed 99% of the sulfide content while keeping full control over the gases. The chlorination circuit also delivered the anticipated copper and gold recoveries which were 14% higher on average than cyanide yields on same samples. Finally, the process successfully demonstrated its

## **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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closed circuit operation with the recycling and regeneration of the reagents and all solid residues met environmental norms.

In addition to the processing of concentrate received from DPM, in September 2015, the Corporation announced that it had entered into an agreement with Empresa Nacional de Minería, Chile (ENAMI) for the processing of gold concentrate using the chlorination process. DST received two tonnes of concentrate from ENAMI to be processed at the pilot plant. In March 2016, the Corporation announced that through the chlorination process, it achieved a gold recovery of 98.8% and a final gold deposition over silica recovery of 99.8%. These results enable DST to move forward on to the next stage of the arrangement with Enami, which will involve the processing of a larger quantity of ENAMI's material at the demonstration plant and, if successful, contracting an independent technical-economic study with the objective of building a processing facility in Chile.

Up to March 31, 2016, the Corporation has expended \$16.8 million towards the construction and operation of the demonstration plant and it intends to incur a further \$2 million in processing costs during 2016.

#### **PILOT PLANT FOR THE ARSENIC STABILIZATION TECHNOLOGY**

During 2015, DST constructed a pilot plant for its arsenic stabilization process, which calls for the sequestration of the contaminants in a stable glass form.

In February 2016, the Corporation entered into an agreement with an international gold mining company to evaluate the feasibility of integrating this process with the sequestration of arsenical matter produced by that company's operations.

The first stage of the agreement contemplates confirming, on a pilot scale, that the technology can be successfully implemented on the material targeted for stabilization by the gold mining company. Upon successful completion of the first stage of the agreement, a study will be undertaken to evaluate the technical and economic implications of a full-scale arsenic vitrification plant, to be located at the site of the gold mining company's operations. This company will pay a consultancy fee to DST for work carried out as per the agreement. The Corporation expects to receive the material to start a five-month testing program in May 2016.

In addition to the use of this process in extraction activities, the same technology presents an opportunity to copper smelting operations that are looking to stabilize the arsenic-bearing flue dusts, which are inherent in such operations. In September 2015, the Corporation entered into an agreement with EcoMetales, a 100% Codelco subsidiary) to test the DST technology in order to go ahead with a collaboration agreement and process residues that contain sulphides species/elements as flue dusts produced by Chilean operations, using DST's technology.

The Corporation received one Tonne of Flue Dusts from EcoMetales, in March 2016, to be used for the testing program. This program is to demonstrate that flue dusts can be successfully treated, to recover the metallic units contained as sulphide in the flue dusts and to stabilize the arsenic using DST's vitrification technology as a complement to EcoMetales Technology (scorodite). The Corporation expects to complete the testing in July 2016.

This program is part of a phased approach established between DST and EcoMetales with the objective of implementing a processing facility, utilizing DST's patented technology, in Chile, given that the results are positive, suitable and convenient with others that EcoMetales is studying.

#### **BUSINESS STRATEGY**

The growing pressure from communities and government authorities over the use of cyanide in various jurisdictions around the world is forcing developing gold projects to seek alternative processes that can extract the gold without the environmental liabilities associated with cyanide.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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DST offers a competitive alternative to the cyanidation process. The technology is at the forefront of the mining industry's innovative extraction processes and caters to the worldwide growing need for extractive technologies capable of processing refractory and arsenic bearing material. This alternative provides DST leverage to access quality material including material from metallurgical or environmentally constrained deposits.

In the short term, the business model encompasses the implementation of its technology under arrangements with mine owners.

DST's business plan is focused on keeping ownership of both of its technologies and leveraging it to become a major player in the industry. The Corporation has a unique opportunity to emerge as a major stakeholder in multiple mining projects without having to commit to a large financial footprint. In the immediate term, DST is focused on advancing its discussions with major gold and copper producing companies on building arsenic vitrification plants to treat flue dusts. The Corporation is currently set to test process material and, assuming successful results, would enter into negotiations with interested parties to commercialize its technologies.

The Corporation believes that, upon first adoption by a major company, a significant percentage of the industry will be motivated to evaluate the technology both for treating flue dust as well as concentrate.

The technology that the Corporation has developed with respect to toxic deposits will, in its view allow for the development and or advancement of projects that would not be viable without its patented technology. DST has identified over 100 gold projects that could face significant concerns due to cyanide use, environmental and/or metallurgical constraints. These include some of the largest gold projects on the planet. The commercialization of the Corporation's technology would enable mining companies to advance those projects which are currently constrained because of the nature of the toxic nature of their deposits and discussions have commenced with a number of mining companies to help advance these otherwise stranded deposits.

### INFORMATION ON EQUITY

The authorized capital of the Corporation consists 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 ten 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 at the time outstanding. The holder 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 based on 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 the same rights and restrictions.

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	<b>April 27, 2016</b>
Subordinate voting shares issued	297,090,816
Options	20,577,500
<b>Total – fully diluted subordinate voting shares</b>	<b>317,668,316</b>
<hr/>	
<b>Multiple voting shares issued (each multiple voting shares have 10 votes)</b>	<b>50,000,000</b>

(1) At April 27, 2016, Dundee owned 178,068,497 subordinate voting shares of the Corporation (60%) and all of the outstanding multiple voting shares.

### STOCK OPTION PLAN

The Board of Directors of the Corporation has full and final discretion to designate the persons who are to be granted options and to determine such number of options as well as their exercise price and vesting 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. The purpose of the stock option plan is to serve as an incentive for the

## **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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directors, officers, employees and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan.

#### **FINANCING ACTIVITIES**

##### Three months period ended March 31, 2016

The Corporation did not complete a financing during the three months period ending March 31, 2016.

##### Three months period ended March 31, 2015

##### Short-term Loan from a Related Party

As part of a short-term loan agreement, a wholly owned subsidiary of Dundee advanced \$1.7 million to the Corporation during the first quarter of 2015.

#### **LIQUIDITY AND WORKING CAPITAL**

On March 31, 2016, the working capital of the Corporation was at negative \$9,195,454 (\$7,454,566 as at December 31, 2015). This working capital deficiency includes a \$9,272,085 (\$9,027,586 as at December 31, 2015) short-term loan (principal and accrued interest) from Dundee. Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to March 31, 2016. 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 it will be able to secure the necessary financing through the issuance of debt or new equity in public or privately negotiated equity offering. 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.

#### **DISCUSSION AND ANALYSIS OF OPERATIONS**

The Corporation incurred a loss of \$1,759,069 during the three months ended March 31, 2016 compared with a loss of \$1,799,335 in the same period of the prior year.

Reflective of its current stage of development, the Corporation does not report any revenue.

The Corporation's total operating expenses amounted to \$1,461,062 during the three months ended March 31, 2016 as compared to \$1,594,609 in the same period of the prior year.

The major components of the operating expenses are as follows:

##### Research and development

During Q1-2016, the Corporation incurred \$1,065,011 (Q1-2015 - \$1,353,271) in research and development expenses in respect of its chlorination and arsenic stabilization processes. These costs relate primarily to the operation of the chlorination process demonstration plant in Q1-2016 and its construction in Q1-2015.

Since 2013, the Corporation has spent a total of \$16,791,766 for the construction and operation of the demonstration plant of which a total of \$803,579 was incurred in Q1-2016 (Q1-2015 - \$1,260,531). The remaining expenses relate to research activities conducted in the pilot plant and the laboratory.

The Corporation periodically receives financial assistance under government incentive programs. Assistance that compensates DST for expenses incurred are normally recognized as a reduction to research and development expense on a systematic basis in the same periods in which the expenses are incurred. On a net-of-assistance basis, research and development costs represented \$938,766 (Q1-2015 - \$990,119).

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

	Three months ended March 31,	
	2016	2015
	\$	\$
Chlorination process	993,233	1,353,271
Arsenic stabilization process	71,778	-
Research and development expenses	1,065,011	1,353,271
R&D service contracts with third parties	(94,221)	-
Government assistance and tax credits	(32,024)	(363,152)
<b>Research and development expenses, net</b>	<b>938,766</b>	<b>990,119</b>

	Three months ended March 31,		
	2016		2015
	Chlorination	Arsenic Stabilization	Chlorination
	\$	\$	\$
Wages and compensation	416,086	42,068	361,743
Contractors	132,807	14,393	297,191
Building maintenance	139,273	994	126,729
Equipment	134,669	5,613	334,920
Consumables	81,007	7,469	65,080
Other	89,391	1,241	167,608
<b>Research and development expenses</b>	<b>993,233</b>	<b>71,778</b>	<b>1,353,271</b>

### *Professional and consulting fees*

	Three months ended March 31,	
	2016	2015
	\$	\$
Legal	24,695	12,113
Audit, audit related work and tax compliance	102,170	110,000
Accounting	49,731	97,600
Consulting administration	60,000	37,500
Consulting geology	-	21,007
Business development	-	47,049
<b>Professional and consulting fees</b>	<b>236,596</b>	<b>325,269</b>

Accounting: the Corporation hired the Controller, paid through a consulting company until mid-2015, as a full-time employee. His fees were recorded under *professional accounting fees* in Q1-2015 as compared to *wages and compensation* in Q1-2016.

Consulting administration fees relates to the President and Chief Executive Officer's (CEO) compensation. The compensation to the President and CEO amounting was paid by Dundee and is included in the accounts payable and accrued liabilities.

Consulting geology consist of fees and services rendered in relation with the testing of minerals from Central America. The fees were from a company controlled by the President of Nichromet Dominicana and Nichromet Guatemala. In addition, business development expenses relate mainly to development activities in Central and South America and include fees paid to the General Manager of Nichromet Guatemala for business development in Central America.

In early 2015, the Corporation decided to forestall any further investment or funding of exploration activities and decided to focus on the development and commercialization of its technologies. During the fourth quarter

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

of 2015, the Corporation sold its foreign subsidiaries, Nichromet Guatemala, Rio Nickel and Nichromet Dominicana, for a nominal amount. In 2015, the development activities were conducted directly by the head-office's management.

### Administrative expenses

	Three months ended March 31,	
	2016	2015
	\$	\$
Insurance	51,629	25,359
Rent	30,577	25,299
Website and technical support	14,075	14,929
Telecommunications and others	23,161	42,377
Transportation and accommodation	27,540	31,922
<b>Administrative expenses</b>	<b>146,982</b>	<b>139,886</b>

Insurance premium has increased after the start of operations at the demonstration plant and the arsenic pilot plant.

Transportation and accommodation expenses relate mainly to business development activities conducted in South America, in particular in Chile, Argentina and Peru in order to secure feed material for the demonstration plant, and to implement the DST technology under arrangements with mine owners.

### Other Gains and Losses

During Q1-2016, finance costs relates to interest expenses on the Dundee short-term loan (\$244,499), the IQ Loan (\$37,785 paid and \$15,223 accretion expense). In Q1-2015, finance costs relates to the interest expense on the Dundee short-term loan (\$193,048) and other (\$6).

## SELECTED QUARTERLY INFORMATION

The following table sets forth selected historical financial information for the Corporation from the last eight quarters. Such information is derived from the Corporation's interim unaudited financial statements prepared in accordance with IFRS.

	Q1-16	Q4-15	Q3-15	Q2-15
	\$	\$	\$	\$
Total revenue	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	1,759,069	2,257,245	1,687,264	1,904,649
Basic and diluted net loss per share	0.005	0.007	0.005	0.006

	Q1-15	Q4-14	Q3-14	Q2-14
	\$	\$	\$	\$
Total revenue	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	1,799,335	23,966,684	2,599,094	3,357,515
Basic and diluted net loss per share	0.006	0.093	0.009	0.012

The variation in Net Loss and comprehensive loss is attributable to the level of research and development activities from one quarter to the other. In addition, an unrealized loss of \$1 million in Q2-2014 on the investment in Creso Exploration Inc.. In Q4-2014, an impairment charge of the *Exploration & Evaluation Assets* of \$22,245,407 was recorded in Q4-2014.

## OFF BALANCE SHEET ARRANGEMENTS

The Corporation did not enter into any off-balance sheet arrangements in Q1-2016 and Q1-2015.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The contractual obligations of the Corporation include lease payments for the Thetford Mines facilities and the head office in Montreal (Refer to Note 12.2 to the March 2016 Interim Financial Statements).

### RELATED PARTY TRANSACTIONS

In addition to the transactions discussed in the financing and investing sections, details of related party transactions with the officers and directors of the Corporation and companies they control are as follows:

	Three months ended March	
	31,	
	2016	2015
	\$	\$
Professional and consulting fees		
Administration <sup>(1)</sup>	60,000	37,500
Legal <sup>(2)</sup>	8,455	11,914
Accounting <sup>(3)</sup>	49,731	91,174
Geology <sup>(4)</sup>	-	15,922
Professional <sup>(5)</sup>	-	19,822
Research and development <sup>(6)</sup>	-	5,040
	<b>118,186</b>	<b>181,372</b>

(1) Fees charged by Dundee for the compensation of John W. Mercer, President and CEO.

(2) Fees paid to a private company controlled by Luce Saint-Pierre, Corporate Secretary.

(3) Remuneration of Vatche Tchakmakian, Chief Financial Officer, in the amount of \$40,731 from a private company controlled by him (\$43,160 in Q1-2015). In addition, his company charged fees of \$9,000 for support staff in respect of accounting, bookkeeping and administrative services (\$48,014 in Q1-2015).

(4) Fees from a company controlled by Salvador Brouwer, the President of Nichromet Dominicana and Nichromet Guatemala for his services until February 2015 in relation with the testing of minerals from Central America.

(5) Fees paid to Alfredo Galvez, the General Manager of Nichromet Guatemala, until February 2015 for business development in Central America.

(6) Fees from a company controlled by Jean-Marc Lalancette, Director and Vice-President, Research and Development are disclosed as a related party until February 2015, date of his resignation as Director and Officer of the Corporation.

### ACCOUNTING POLICY CHANGES, CRITICAL ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Corporation's critical accounting policies, estimates, judgments, assumptions in the financial statements as at March 31, 2016 and December 31, 2015 in notes 1, 2 and 3.

### FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Corporation is exposed to various financial risks resulting from both its operations and its investments activities. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are disclosed in Note 19 to the annual consolidated financial statements for the years ended December 31, 2015 and 2014.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

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### RISKS AND UNCERTAINTIES

Except as otherwise disclosed in this MD&A, there have been no significant changes to the nature and scope of the risks faced by the Corporation from those described in the 2015 MD&A of the Corporation. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

### FORWARD LOOKING STATEMENTS

DST's public communications may include written or oral forward looking statements. Statements of this type are included in this MD&A, and may be included in other filings with the Canadian regulators, stock exchanges or in other communications. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of applicable securities laws. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Corporation's objectives and priorities for 2016 and beyond, and strategies or further actions with respect to the Corporation, its products and services, business operations, financial performance and condition. Forward looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Corporation's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and those affecting the technology and resources industries generally. The forward looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

A number of risks, uncertainties and other factors may cause actual results to differ materially from the forward looking statements contained in this MD&A, including, among other factors and without limitation, those referenced in the section above entitled "Risks and Uncertainties". The preceding list is not exhaustive of all possible risk factors that may influence actual results, and is compiled based upon information available as of the issuance date of this MDA.

Forward looking statements contained in this MD&A are not guarantees of future performance and, while forward looking statements are based on certain assumptions that the Corporation considers reasonable, actual events and results could differ materially from those expressed or implied by forward looking statements made by the Corporation. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the Corporation and not place undue reliance on forward looking statements. Circumstances affecting the Corporation may change rapidly. Except as may be required by applicable law, the Corporation does not undertake any obligation to update publicly or revise any such forward looking statements, whether as a result of new information, future events or otherwise.

### INFORMATION CONCERNING DUNDEE SUSTAINABLE TECHNOLOGIES

Additional information relating to Dundee Sustainable Technologies may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.dundeetechnologies.com](http://www.dundeetechnologies.com).

April 27, 2016

(s) John W. Mercer

John W. Mercer  
President and CEO

(s) Vatche Tchakmakian

Vatche Tchakmakian  
CFO