Dundee Sustainable Technologies Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

As at and for the six months ended June 30, 2017
(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 June 30, 2017	As at December 31, 2016
		$	$
Assets			
Current assets			
Cash		463,162	526,366
Accounts receivable		156,133	44,252
Research and development tax credits and grant receivable	8	549,496	365,000
Sales taxes receivables		56,393	36,743
Exploration and evaluation assets held for sale	6	-	400,000
Other assets	4	85,841	411,689
Prepaid expenses and advances to suppliers		32,055	47,340
		1,343,080	1,831,390
Non-current assets			
Property, plant and equipment	5	14,100	18,800
Intangible assets	7	4,613,813	4,613,813
		4,627,913	4,632,613
Total assets		**5,970,993**	**6,464,003**
Liabilities and Deficiency			
Current liabilities			
Accounts payable and accrued liabilities		1,077,150	1,002,428
Deferred revenue		594,715	78,463
Bridge loan	10	-	144,613
Short-term loans from a related party	9	11,175,973	10,299,685
		12,847,838	11,525,189
Non-current liabilities			
Long-term debt	10	195,509	151,049
Convertible debenture	10	3,770,639	3,608,207
Total liabilities		16,813,986	15,284,445
Deficiency			
Share capital	11	54,562,847	54,562,847
Contributed surplus		7,388,232	6,848,232
Deficit		(72,794,072)	(70,231,521)
Total deficiency		(10,842,993)	(8,820,442)
Total liabilities and deficiency		**5,970,993**	**6,464,003**
Going concern	1		
Commitments	15		

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

Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Comprehensive Loss

(Unaudited)

For the six months ended June 30, 2017 and 2016

(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended June 30,		Six months ended June 30,	
		2017	**2016**	**2017**	**2016**
		$	$	$	$
Sale of services		662,196	553,752	873,391	553,752
Expenses					
Research and development	14	231,316	809,030	492,815	1,747,796
Professional and consulting fees		120,529	179,025	295,528	415,621
Other operating expenses		561,399	294,244	831,106	294,244
Administrative		129,564	155,873	290,663	302,855
Wages and compensation		119,037	139,826	213,032	260,199
Investor relations and promotions		2,222	15,800	5,949	24,590
Trustee and registration fees		16,387	13,755	25,915	22,702
Depreciation of property, plant and equipment		-	565	-	1,173
Share-based payments	12	-	-	540,000	-
Total expenses		1,180,454	1,608,118	2,695,008	3,069,180
Operating loss		(518,258)	(1,054,366)	(1,821,617)	(2,515,428)
Finance costs	9,10	(365,797)	(325,119)	(736,695)	(622,626)
Gain (loss) on foreign currency exchange		(486)	14,090	(4,239)	13,590
Net loss and comprehensive loss		**(884,541)**	**(1,365,395)**	**(2,562,551)**	**(3,124,464)**
Basic and diluted net loss per share		-	-	(0.01)	(0.01)
Weighted average number of shares outstanding – basic and diluted		347,090,816	347,090,816	347,090,816	347,090,816

Going concern

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

Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Changes in Deficiency
(Unaudited)
For the six months ended June 30, 2017 and 2016
(Expressed in Canadian dollars, except number of shares)

	Note	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
		Number	$	Number	$	$	$	$
Balance – December 31, 2016		**50,000,000**	**3,963,875**	**297,090,816**	**50,598,972**	**6,848,232**	**(70,231,521)**	**(8,820,442)**
Share-based payments	12	-	-	-	-	540,000	-	540,000
Net loss and comprehensive loss for the period		-	-	-	-	-	(2,562,551)	(2,562,551)
Balance – June 30, 2017		**50,000,000**	**3,963,875**	**297,090,816**	**50,598,972**	**7,388,232**	**(72,794,072)**	**(10,842,993)**

	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	-	-	-	-	-	(3,124,464)	(3,124,464)
Balance – June 30, 2016	**50,000,000**	**3,963,875**	**297,090,816**	**50,598,972**	**6,848,232**	**(68,925,813)**	**(7,514,734)**

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

Dundee Sustainable Technologies Inc.
Interim Consolidated Statements of Cash Flows
(Unaudited)
For the six months ended June 30, 2017 and 2016
(Expressed in Canadian dollars)

	Note	2017	2016
		$	$
Operating activities			
Net loss for the period		(2,562,551)	(3,124,464)
Adjusted for:			
Share-based payments	12	540,000	-
Depreciation of property, plant and equipment included in research and development	5	4,700	4,700
Depreciation of property, plant and equipment	5	-	1,173
Long-term debt discount	10	(36,930)	-
Amortization of long-term debt discount	10	8,965	-
Convertible debenture discount	10	(59,824)	(177,607)
Amortization of convertible debenture discount	10	58,770	37,414
Finance costs accrued	9, 10	681,741	486,339
		(1,365,129)	(2,772,445)
Changes in non-cash operating working capital items:			
Accounts receivable		(111,881)	(209,712)
Research and development tax credits and grant receivable		(184,496)	(203,866)
Sales taxes receivables		(19,650)	52,224
Other assets		325,848	(839,191)
Prepaid expenses and advances to suppliers		15,285	178,198
Accounts payable and accrued liabilities		68,142	637,411
Deferred revenue		516,252	247,368
		609,500	137,568
Net cash used in operating activities		**(755,629)**	**(2,910,013)**
Investing activities			
Disposal of exploration and evaluation assets held for sale	6	400,000	-
Net cash used in investing activities		**400,000**	**-**
Financing activities			
Net Proceeds from issuance of convertible debenture	10	-	1,500,000
Repayment of bridge loan	10	(140,000)	-
Short-term loans from a related party	9	360,000	-
Long-term debt	10	72,425	-
Net cash provided by financing activities		**292,425**	**1,500,000**
Net change in cash		(63,204)	(1,410,013)
Cash – beginning		526,366	1,679,490
Cash – end		**463,162**	**269,477**
Going concern	1		
Supplemental information			
Finance cost paid		2,201	98,873

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

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 1002 Sherbrooke Street West, Suite 2060, Montréal, Quebec, Canada, H3A 3L6.

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 June 30, 2017, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the six months ended June 30, 2017, the Corporation incurred a loss of $2,562,551 ($3,124,464 for the six months ended June 30, 2016) and has negative working capital of $11,504,758 (a negative working capital of $9,693,799 as at December 31, 2016). Deficit as at June 30, 2017 amounted to $72,794,072 ($70,231,521 as at December 31, 2016) and cash flows used in operating activities for the six months ended June 30, 2017 amounted to $755,629 ($2,910,013 for the six months ended June 30, 2016).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to June 30, 2018. 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 six months ended June 30, 2017(“June 2017 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 June 2017 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 August 4, 2017, the June 2017 Interim Consolidated Financial Statements were authorized for publication by the Board of Directors.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

The June 2017 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 June 2017 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, 2016 ("2016 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements.

The June 2017 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the 2016 Audited Consolidated Financial Statements.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the June 2017 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 June 2017 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in note 3 to the 2016 Audited Consolidated Financial Statements.

4. OTHER ASSETS

The other assets include the following items:

	As at June 30, 2017	**As at December 31, 2016**
	$	$
Gold concentrate	-	326,213
Supplies	77,841	85,476
Other	8,000	-
	85,841	**411,689**

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Camp and infrastructure	Vehicles and equipment	Office furniture and computer equipment	Total
Gross carrying amount	$	$	$	$
Balance – January 1, 2017	90,807	47,000	134,085	271,892
Disposal	(90,807)	-	-	(90,807)
Balance – June 30, 2017	-	47,000	134,085	181,085
Accumulated depreciation				
Balance – January 1, 2017	90,807	28,200	134,085	253,092
Disposal	(90,807)	-	-	(90,807)
Depreciation	-	4,700	-	4,700
Balance – June 30, 2017	-	32,900	134,085	166,985
Net carrying amount – June 30, 2017	**-**	**14,100**	**-**	**14,100**
Net carrying amount – December 31, 2016	**-**	**18,800**	**-**	**18,800**

6. EXPLORATION AND EVALUATION ASSETS HELD FOR SALE

Mineral properties	As at December 31, 2016	Disposal	As at June 30, 2017
	$	$	$
Ontario, Canada			
Shining Tree	400,000	(400,000)	-
	400,000	**(400,000)**	**-**

Shining Tree properties
The Shining Tree properties consist of 14 mining leases and 37 mining claims. In May 2017, the Corporation completed the sale of the mining claims for an amount of $400,000.

7. INTANGIBLE ASSETS

	As at June 30, 2017 and December 31, 2016
	$
Intellectual properties – Oxide	605,000
Patent application fees – Oxide	129,474
Development cost – Oxide	5,809,233
Less: SR&ED tax credit	(1,929,894)
	4,613,813

(Expressed in Canadian dollars)

8. GOVERNMENT ASSISTANCE

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. As at June 30, 2017, the Corporation received an aggregate amount of $4,500,000 from SDTC.

	Six months ended June 30, 2017
	$
Grant receivable from SDTC	
Balance – beginning	280,000
Recognition of contribution through profit or loss as per eligible expenditures incurred during the period	192,496
Balance – end	472,496
Research and development tax credits receivable	77,000
	549,496

9. SHORT-TERM LOANS FROM A RELATED PARTY

The short-term loans, from a wholly owned subsidiary of Dundee, bear interest at the rate of 12.68% per annum and are secured by a hypothec, pari passu with Investissement Québec's ("IQ") convertible debenture and Canada Economic Development for Quebec Regions (CED) contribution, over all of the Corporation's property other than its intellectual property. The interest is payable concurrently with the repayment of the loans. The maturity date of the loans is the earlier of November 30, 2017 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 the loans at any time. During the six months ended June 30, 2017, an additional amount of $360,000 was advanced to the Corporation.

As at June 30, 2017, the principal amount of the loans totals $8,310,000 ($7,950,000 – As at December 31, 2016).

Short-term loan		**Six months ended June 30,**
	2017	**2016**
	$	$
Balance – beginning	10,299,685	9,027,586
Principal amount	360,000	-
Finance costs accrued	516,288	486,339
Balance – end	**11,175,973**	**9,513,925**

(Expressed in Canadian dollars)

10. CONVERTIBLE DEBENTURE AND LOANS

10.1 Convertible debenture

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

The IQ Loan, which is evidenced by a secured convertible debenture, will mature in five years, 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. Starting October 1, 2016, interest is capitalized. During the six months ended June 30, 2017, the Corporation capitalized $163,487 in interest.

The IQ Loan is secured by a hypothec, pari passu with Dundee's loan and CED's contribution, over all of the Corporation's property other than its intellectual property and is guaranteed by Dundee in an amount of up to $1,500,000.

In 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.

The fair value of the debt component advanced in 2016 and 2015 was estimated using an effective rate of 11.7% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing. No value has been assigned to the equity conversion option, as the conversion price is equal to the closing market price of the shares on the day prior to conversion.

	Six months ended June 30,	
	2017	**2016**
	$	$
Carrying amount of the liability component – beginning	3,608,207	1,578,986
Proceeds from issue of convertible debenture	-	1,500,000
Capitalized interest expense	163,487	-
Debt discounted at fair value	(59,825)	(177,607)
Accretion expense	58,770	37,414
Carrying amount of the liability component – end	**3,770,639**	**2,938,793**

10.2 CED contribution agreement

Under an amended agreement dated October 12, 2016, the Corporation received from 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. CED advanced $324,575 in December 2016, and the balance in May 2017.

The fair value of the debt components advanced in December 2016 and May 2017, were estimated at $149,944 and $35,495, respectively, using an effective rate of 11.7% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing.

(Expressed in Canadian dollars)

10. CONVERTIBLE DEBENTURE AND LOANS (CONT'D)

10.2 CED contribution agreement (Cont'd)

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.

Long-term debt	Six months ended June 30,2017
	$
Balance– beginning	151,049
Contribution received	72,425
Debt discounted at fair value	(36,930)
Accretion expense	8,965
Balance – end	**195,509**

10.3 Bridge loans

In October 2016, an unsecured bridge loan, payable on demand, of $300,000 was advanced to the Corporation. The loan was partially reimbursed in December 2016 for a total amount of $160,000. The outstanding bridge loan of $140,000 and accrued interest of $4,613 was reimbursed in January 2017.

11. SHARE CAPITAL

On June 30, 2017 and December 31, 2016, 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.

12. STOCK OPTION PLAN

On February 3, 2017, the Corporation granted a total of 13,500,000 stock options to its directors, officers, employees and a consultant. These options are exercisable at $0.05 per share, vested at the grant date and expire on the fifth anniversary of their date of issuance. The fair value of options awarded is $0.04 per share for a total based payment expenses of $540,000.

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:

Expected life	5 years
Risk-free interest rate	1.11%
Expected volatility	131%
Expected dividend yield	0%
Share price	$0.05

(Expressed in Canadian dollars)

12. STOCK OPTION PLAN (CONT'D)

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

	Six months ended June 30,			
	2017			2016
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
				$
Balance – beginning	10,877,500	0.13	20,577,500	0.13
Granted	13,500,000	0.05	-	-
Expired	(475,000)	0.20	(5,200,000)	0.10
Balance – end	**23,902,500**	**0.08**	**15,377,500**	0.13

As at June 30, 2017, outstanding and exercisable options are as follows:

Number of options	Exercise price	Expiry date
	$	
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
13,500,000	0.05	February 3, 2022
1,700,000	0.20	November 27, 2022
23,902,500		

The residual weighted average contractual term of outstanding options was 3.50 years as at June 30, 2017.

13. ESCROW AGREEMENT

The subordinate voting shares, multiple voting shares and options of the Corporation that were subject to an escrow agreement were released in April 2017.

14. RESEARCH AND DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	$	$	$	$
Research and development	394,373	1,089,067	774,067	2,154,078
SDTC contribution	(134,125)	(202,871)	(192,496)	(202,871)
Government and tax credits	(28,932)	(77,166)	(88,756)	(203,411)
	231,316	**809,030**	**492,815**	**1,747,796**

(Expressed in Canadian dollars)

15. COMMITMENTS

15.1 Construction of a demonstration plant

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

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 in 2016.

The Corporation has spent a total of $19,660,045 in this regard, from which $753,873 was incurred during the six months ended June 30, 2017 and is included in the consolidated statement of comprehensive loss under research and development. As at June 30, 2017, the Corporation has a firm purchasing commitment for $48,168 towards equipment and services relating to the demonstration plant.

As at June 30, 2017, the Corporation had received an aggregate amount of $4,500,000 from SDTC corresponding to the eligible activities to be incurred by the Corporation.

15.2 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 10-year period at an annual rent of $204,380 that is subject to a yearly increase of 1.5%.

On April 11, 2016, the Corporation entered into a lease for its head office until August 31, 2018. The annual rent is $49,088.

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

	As at June 30, 2017
	$
Less than 1 year	265,199
Between 1 and 5 years	905,533
More than 5 years	232,813