

# Dundee Sustainable Technologies Inc.

## Condensed Interim Consolidated Financial Statements (Unaudited)

As at and for the nine months ended September 30, 2019  
(Expressed in Canadian dollars)

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

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# Dundee Sustainable Technologies Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	Note	As at September 30, 2019	As at December 31, 2018
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		540,002	116,185
Accounts receivable	4	602,717	1,247,700
Sales tax receivable		20,660	-
Other assets		64,706	65,568
Prepaid expenses		35,487	9,000
		1,263,572	1,438,453
<b>Non-current assets</b>			
Investment in a related company		59,250	59,250
Property, plant and equipment	5	1,377,426	-
Intangible assets	6	4,152,431	4,498,468
		5,589,107	4,557,718
<b>Total assets</b>		<b>6,852,679</b>	<b>5,996,171</b>
<b>Liabilities and Deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,480,737	1,715,721
Sales tax payable		-	49,896
Contract liabilities		143,593	61,199
Promissory notes from a related party	8	5,516,092	2,950,905
Short-term loans from a related party	8	13,548,981	12,760,865
		20,689,403	17,538,586
<b>Non-current liabilities</b>			
Lease liability	2	1,432,539	-
Long-term debt	9	253,428	232,430
Convertible debenture	9	5,006,119	4,582,124
<b>Total liabilities</b>		<b>27,381,489</b>	<b>22,353,140</b>
<b>Deficiency</b>			
Share capital	10	55,057,673	55,057,673
Contributed surplus		8,068,668	8,068,668
Deficit		(83,655,151)	(79,483,310)
<b>Total deficiency</b>		<b>(20,528,810)</b>	<b>(16,356,969)</b>
<b>Total liabilities and deficiency</b>		<b>6,852,679</b>	<b>5,996,171</b>
<b>Going concern</b>	1		
<b>Commitments</b>	14		

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

## Dundee Sustainable Technologies Inc.

### Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
		\$	\$	\$	\$
Sale of services		455,334	297,631	1,039,462	1,396,536
<b>Expenses</b>					
Operating expenses related to services		399,889	351,124	893,693	1,095,160
Research and development	13	313,031	335,642	1,147,731	944,282
Professional and consulting fees		8,163	20,463	96,496	143,597
Administrative		119,736	107,499	310,271	364,116
Wages and compensation		109,411	112,045	492,797	488,472
Shareholder communication		11,493	12,798	45,830	50,828
Share-based payments		-	-	-	613,250
Depreciation of property, plant and equipment		919	-	919	-
Amortization of intangible assets		115,345	-	346,036	-
<b>Total expenses</b>		<b>1,077,987</b>	<b>939,571</b>	<b>3,333,773</b>	<b>3,699,705</b>
<b>Operating loss</b>		<b>(622,653)</b>	<b>(641,940)</b>	<b>(2,294,311)</b>	<b>(2,303,169)</b>
Other income		-	-	-	8,000
Finance cost	8,9	(653,581)	(434,782)	(1,855,608)	(1,313,988)
Gain on foreign currency exchange		(24,287)	(9,562)	(21,922)	8,528
<b>Net loss and comprehensive loss</b>		<b>(1,300,521)</b>	<b>(1,086,284)</b>	<b>(4,171,841)</b>	<b>(3,600,629)</b>
<b>Basic and diluted net loss per share</b>		-	-	(0.01)	(0.01)
<b>Weighted average number of shares outstanding – basic and diluted</b>		364,942,521	362,132,784	364,942,521	361,873,768

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

## Dundee Sustainable Technologies Inc.

### Condensed Interim Consolidated Statements of Changes in Deficiency

(Unaudited)

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars, except number of shares)

Note	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Number	\$	Number	\$	\$	\$	\$
<b>Balance – December 31, 2018</b>	<b>50,000,000</b>	<b>3,963,875</b>	<b>314,942,521</b>	<b>51,093,798</b>	<b>8,068,668</b>	<b>(79,483,310)</b>	<b>(16,356,969)</b>
Net loss for the period	-	-	-	-	-	(4,171,841)	(4,171,841)
<b>Balance – September 30, 2019</b>	<b>50,000,000</b>	<b>3,963,875</b>	<b>314,942,521</b>	<b>51,093,798</b>	<b>8,068,668</b>	<b>(83,655,151)</b>	<b>(20,528,810)</b>

Note	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Number	\$	Number	\$	\$	\$	\$
<b>Balance – December 31, 2017</b>	<b>50,000,000</b>	<b>3,963,875</b>	<b>311,376,530</b>	<b>50,898,972</b>	<b>7,508,232</b>	<b>(74,679,143)</b>	<b>(12,308,064)</b>
Exercise of options	12	-	1,550,000	130,314	(52,814)	-	77,500
Share-based payments	12	-	-	-	613,250	-	613,250
Net loss and comprehensive loss for the period						(3,600,629)	(3,600,629)
<b>Balance – September 30, 2018</b>	<b>50,000,000</b>	<b>3,963,875</b>	<b>312,926,530</b>	<b>51,029,286</b>	<b>8,068,668</b>	<b>(78,279,772)</b>	<b>(15,217,943)</b>

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

## Dundee Sustainable Technologies Inc.

### Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

For the nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

	Note	2019	2018
		\$	\$
<b>Operating activities</b>			
Net loss for the period		(4,171,841)	(3,600,629)
Adjusted for:			
Share-based payments	12	-	613,250
Depreciation of property, plant and equipment		919	-
Depreciation of property, plant and equipment included in research and development		102,818	7,050
Amortization of intangible assets	6	346,036	-
Amortization of long-term debt discount	9	20,998	18,711
Amortization of convertible debenture discount	9	132,175	109,698
Finance cost accrued	8,9	1,581,123	1,227,838
		(1,987,772)	(1,624,082)
Changes in non-cash operating working capital items:			
Accounts receivable		644,983	(99,028)
Sales taxes receivables		(70,556)	46,272
Other assets		863	5,265
Prepaid expenses		(26,487)	(4,326)
Investments		-	(51,530)
Accounts payable and accrued liabilities		(234,984)	261,748
Contract liabilities		82,394	18,621
Lease liability		(48,624)	-
Deferred payment		-	(500,301)
		347,589	(323,099)
<b>Net cash used in operating activities</b>		<b>(1,640,183)</b>	<b>(1,947,181)</b>
<b>Financing activities</b>			
Exercise of options	12	-	77,500
Promissory note from a related party	8	2,064,000	1,550,000
<b>Net cash provided by financing activities</b>		<b>2,064,000</b>	<b>1,627,500</b>
Net change in cash during the period		423,817	(319,681)
Cash – beginning of period		116,185	494,799
<b>Cash – end of period</b>		<b>540,002</b>	<b>175,118</b>
<b>Going concern</b>	1		
<b>Supplemental information</b>	15		

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

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(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, Montreal, 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, since the Corporation is in advanced discussions with several gold companies about including the CLEVR Process™ as part of new projects, management has made the decision to begin amortizing the intangible assets as at October 1, 2018. At September 30, 2019, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the nine months ended September 30, 2019, the Corporation incurred a loss of \$4,171,841 (\$3,600,629 for the nine months ended September 30, 2018) and has negative working capital of \$19,425,831 (2018 – \$16,100,133). The deficit as at September 30, 2019 amounted to \$83,655,151 (2018 – \$79,483,310) and cash flows used in operating activities for the nine months ended September 30, 2019 amounted to \$1,640,183 (\$1,947,181 for the nine months ended September 30, 2018).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures for the twelve months through to September 30, 2020. 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.

Although these condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, the above-noted facts and circumstances cast significant doubt on the Corporation’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

On November 11, 2019, these consolidated financial statements were approved by the Board of Directors.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are described below.

#### 2.1 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), 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". These condensed interim Consolidated Financial Statements should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2018 which were prepared in accordance with IFRS as applicable for annual financial statements.

The condensed interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the audited consolidated financial statements as at and for the year ended December 31, 2018.

#### 2.2 Changes in accounting policies

Effective January 1, 2019, the following new standard have been applied when preparing these condensed interim consolidated financial statements. The Corporation adopted IFRS 16, *Leases*. The Corporation adopted this new standard retrospectively. The impact of applying the standard is described below.

##### **IFRS 16, Leases**

IFRS 16, issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a right of use ("ROU") asset and a lease liability calculated using a prescribed methodology, except for short-term leases and leases with low-value underlying assets. In addition, the nature and timing of expenses related to leases has changed, as IFRS 16 replaces the straight-line operating leases expense with the depreciation expense for the ROU assets and interest expense on the lease liabilities. Effective January 1, 2019, the Corporation adopted IFRS 16 and the impact of the transition is shown below. The Corporation's new accounting policy under IFRS 16 is as follows:

##### *Leases*

At the beginning of a lease contract, the Corporation assesses if the contract gives the right to control the identified asset for a period of time in exchange for a consideration. A ROU asset and a lease liability is recognized at the beginning of the lease contract. The ROU is initially recognized at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU asset is depreciated using the straight-line method from the beginning to the end of the lease term, including any option to extend the lease if the Corporation is reasonably certain to exercise that option. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the future lease payments. These payments are discounted using the Corporation's incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method whereby the balance is increased by interest expense and decreased by lease payments. It is remeasured when there is a change in future lease payments, or if the Corporation changes its assessment of whether it will exercise a extension or termination option.

**Dundee Sustainable Technologies Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Unaudited)  
For the three and nine months ended September 30, 2019 and 2018  
(Expressed in Canadian dollars)

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.2 Changes in accounting policies (Cont'd)**

The Corporation recognizes ROU assets within property, plant and equipment and lease liabilities in non-current liabilities in the consolidated balance sheets.

**Transition**

At the transition date, the Corporation only had one long-term lease classified as operating leases under IAS 17. A lease liability was measured at the present value of the remaining lease payments discounted at the incremental borrowing rate as at January 1, 2019. ROU assets were measured at their carrying amount, discounted using the incremental borrowing rate as at January 1, 2019. The Corporation's incremental borrowing rate applied is 11.7%. On transition to IFRS 16, the Corporation recognized \$1.4 million of ROU assets and its related lease liabilities.

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

The preparation of the condensed interim consolidated financial statements for the nine months ended September 30, 2019, in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, and items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis.

Such estimates are based on various assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of these condensed interim consolidated financial statements from those judgments, estimates and assumptions disclosed in note 3 to the audited consolidated financial statements as at and for the year ended December 31, 2018.

**4. ACCOUNTS RECEIVABLE**

The accounts receivable includes the technical services, unbilled services and other receivables. Technical services receivable is generated from customers to evaluate processing alternatives using the Corporation's processing facility. Other receivables are the reimbursements of project expenses generated under the collaboration agreement with a related party (note 7).

	<b>As at September 30, 2019</b>	<b>As at December 31, 2018</b>
	\$	\$
Core services	348,850	768,857
Unbilled revenues	35,178	50,380
Technical services	218,689	428,463
	<b>602,717</b>	<b>1,247,700</b>

As at September 30, 2019, accounts receivable from related parties amounted to \$331,251 (2018 – \$455,847).

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Right to use asset	Total
<b>Gross carrying amount</b>	\$	\$	\$
Balance – January 1, 2019	47,000		47,000
Initial asset recognition IFRS 16	-	1,481,163	1,481,163
Balance – September 30, 2019	47,000	1,481,163	1,528,163
<b>Accumulated depreciation</b>			
Balance – January 1, 2019	47,000	-	47,000
Depreciation	-	103,737	103,737
Balance – September 30, 2019	47,000	103,737	150,737
<b>Net carrying amount – September 30, 2019</b>	-	<b>1,377,426</b>	<b>1,377,426</b>
Net carrying amount – December 31, 2018	-	-	-

### 6. INTANGIBLE ASSETS

	Intangible assets
<b>Gross carrying amount</b>	\$
Balance – January 1 and June 30, 2019:	
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
<b>Accumulated amortization</b>	
Balance – January 1, 2019	115,345
Amortization	346,037
Balance – September 31, 2019	461,382
<b>Net carrying amount – September 30, 2019</b>	<b>4,152,431</b>
Net carrying amount – December 31, 2018	4,498,468

### 7. GOVERNMENT ASSISTANCE

In September 2017, the Corporation entered into a collaboration agreement with a related party for the construction and operation of an onsite demonstration plant using the Corporation's proprietary arsenic stabilization technology (the "GlassLock™ demo plant"). The construction of the GlassLock™ demo plant was funded by this related party with capital cost of US\$3.1 million and was erected at the related party's metals processing facility. As at September 30, 2019, the GlassLock™ demo plant was nearing completion of its mandate

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 will assist the Corporation in constructing and operating the GlassLock™ demo plant for metals processing facility. The construction of the Arsenic demo plant was completed in the fourth quarter of 2018, and it has started operations in the first quarter of 2019. Under the terms of the agreement, the SDTC will contribute up to the lesser of 20.7% of eligible project costs or \$1.25 million.

As part of the SDTC contribution agreement, the Corporation has received a total of \$734,155 in 2018 from the SDTC to assist with the construction and operation of the GlassLock™ demo plant. The contribution was recognized through comprehensive loss.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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

#### 8.1 Promissory notes

The Corporation signed eight promissory notes payable on demand to a wholly owned subsidiary of Dundee along with interest at a rate of 18% per annum. As at September 30, 2019, the principal amount of the promissory notes totaled \$4,739,000 (2018 – \$2,675,000) and the finance cost accrued during the nine months ended September 30, 2019 amounted to \$501,187 (\$153,987 during the same period of last year).

Promissory notes	Nine months ended September 30,	
	2019	2018
	\$	\$
Balance – beginning of period	2,950,905	513,808
Principal amount	2,064,000	1,550,000
Finance costs accrued	501,187	153,987
<b>Balance – end of period</b>	<b>5,516,092</b>	<b>2,217,795</b>

#### 8.2 Short-term loans

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. In 2018, the maturity date of the loans was extended to the earlier of November 30, 2019 and the date at which the Corporation raises the sum of \$10,000,000 or greater by way of issuing debt or equity. The Corporation has the option to repay the loans at any time.

As at September 30, 2019, the principal amount of the loans totaled \$8,310,000 (2018 – \$8,310,000).

Short-term loans	Nine months ended September 30,	
	2019	2018
	\$	\$
Balance – beginning of period	12,760,865	11,707,157
Finance costs accrued	788,116	788,116
<b>Balance – end of period</b>	<b>13,548,981</b>	<b>12,495,273</b>

### 9 CONVERTIBLE DEBENTURE AND LOANS

#### 9.1 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 July 2020, bears interest at a rate of 8% per annum, is 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. The Corporation has the right to redeem the IQ Loan subject to a 10% premium. Starting October 1, 2016, interest has been capitalized. During the nine months ended September 30, 2019, the Corporation capitalized \$291,820 in interest (\$285,735 during the nine months ended September 30, 2018).

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 9 CONVERTIBLE DEBENTURE AND LOANS (CONT'D)

#### 9.1 Convertible debenture (Cont'd)

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.

The fair value of the debt components advanced in 2016 and 2015 was estimated at \$1,857,543 and \$1,642,950, respectively, 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.

	Nine months ended September 30,	
	2019	2018
	\$	\$
Carrying amount of the liability component – beginning of period	4,582,124	4,052,043
Capitalized interest expense	291,820	285,735
Amortization of convertible debenture discount	132,175	109,698
<b>Carrying amount of the liability component – end of period</b>	<b>5,006,119</b>	<b>4,447,476</b>

#### 9.2 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. CED advanced \$324,575 in December 2016 and the remaining balance of \$72,425 in May 2017.

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

The CED Contribution is secured by a hypothec, *pari passu* with Dundee's and IQ's loans, over all of the Corporation's property other than its intellectual property.

	Nine months ended September 30,	
	2019	2018
	\$	\$
Balance – beginning of period	232,430	207,114
Amortization of long-term debt discount	20,998	18,711
<b>Balance – end of period</b>	<b>253,428</b>	<b>225,825</b>

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL

#### Authorized

On September 30, 2019 and December 31, 2018, the authorized capital of the Corporation consisted of an unlimited number of subordinate voting shares and multiple voting shares, without nominal or par value. The holders of subordinate voting shares are entitled to one vote for each subordinate voting share, and the holders of multiple voting shares are entitled to 10 votes for each multiple voting share. The holders of subordinate voting shares and multiple voting shares shall be entitled to receive and to participate equally as to dividends, share for share, in an equal amount on all the subordinate voting shares and multiple voting shares outstanding at year-end. The holders of multiple voting shares shall be entitled at any time and from time to time to have any or all of the multiple voting shares converted into subordinate voting shares on the basis of one subordinate voting share for each multiple voting share. In all other respects, the holders of subordinate voting shares and multiple voting shares shall rank equally and have the same rights and restrictions.

### 11. WARRANTS

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

	Nine months ended September 30,			
	2019		2018	
	Number of warrants	Carrying amount	Number of warrants	Carrying amount
		\$		\$
<b>Balance – Beginning and end of period</b>	<b>14,285,714</b>	<b>200,000</b>	<b>14,285,714</b>	<b>200,000</b>

As at September 30, 2019, outstanding and exercisable warrants are as follows:

Number of Warrants	Exercise price	Expiry date
14,285,714	\$ 0.06	November 23, 2022
<b>14,285,714</b>		

The residual average contractual term of outstanding warrants was 3.15 years as at September 30, 2019.

### 12. STOCK OPTION PLAN

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

	Nine months ended September 30,			
	2019		2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – beginning of period	21,352,500	0.08	23,802,500	0.08
Granted	-	-	8,250,000	0.10
Exercised <sup>(1)</sup>	-	-	(1,550,000)	0.05
Forfeited	(1,575,000)	0.08	(1,212,500)	0.16
<b>Balance – end of period</b>	<b>19,777,500</b>	<b>0.08</b>	<b>29,290,000</b>	<b>0.09</b>

<sup>(1)</sup> The weighted average market price of the shares was \$0.08 at the time of exercise.

## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

#### 12. STOCK OPTION PLAN (CONT'D)

As at September 30, 2019, outstanding and exercisable options are as follows:

Number of options	Weighted average exercise price	Expiry date
	\$	
302,500	0.20	October 2, 2019
10,050,000	0.05	February 3, 2022
1,625,000	0.20	November 27, 2022
6,800,000	0.10	April 18, 2023
500,000	0.10	April 26, 2023
500,000	0.10	June 18, 2023
<b>19,777,500</b>		

The residual weighted average contractual term of outstanding options was 2.86 years as at September 30, 2019.

#### 13. RESEARCH AND DEVELOPMENT

	Nine months ended September 30,	
	2019	2018
	\$	\$
Research and development	2,137,841	3,909,025
Recognition of a related party contribution through comprehensive loss as per eligible GlassLock™ demo plant expenditures incurred during the period	(990,110)	(2,964,743)
	<b>1,147,731</b>	<b>944,282</b>

#### 14. COMMITMENTS

##### Lease payments

On July 1, 2013, the Corporation entered into a 10-year lease for the Thetford Mines facility at an annual rent of \$204,380 that is subject to a yearly increase of 1.5%.

On September 1, 2019, the Corporation entered into a lease extension for its head office until September 30, 2023. The annual rent is \$34,644.

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

	As at September 30, 2019
	\$
Less than 1 year	258,122
Between 1 and 5 years	732,718

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three and nine months ended September 30, 2019 and 2018

(Expressed in Canadian dollars)

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### 15. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended September 30,	
	2019	2018
	\$	\$
Finance cost paid	1,712	9,093