

# **Dundee Sustainable Technologies Inc.**

(Formerly known as Nichromet Extraction Inc.)

## Management's Discussion and Analysis

For the six months ended June 30, 2014

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

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FOR THE SIX MONTHS ENDED JUNE 30, 2014

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# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### BACKGROUND

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of August 25, 2014 and provides an update on matters discussed in, and 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, 2013 (the "2013 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 six months ended June 30, 2014 (the "June 2014 Interim Consolidated Financial Statements"), all of which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise specified.

### INCORPORATION AND NATURE OF OPERATIONS

#### Incorporation

Dundee Sustainable Technologies Inc. ("DST" or the "Corporation") was incorporated under the Canada Business Corporations Act on July 22, 1997. On January 8, 2014, the following amendments to the article of the Corporation became effective.

- a) to change the name of the Corporation to "Dundee Sustainable Technologies Inc." in the English language and "Dundee Technologies Durables Inc." in the French language;
- b) to change the designation of the common shares to "subordinated voting shares" and change the rights, privileges, restrictions and conditions attaching thereto; and
- c) to create and authorize the issuance of an unlimited number of multiple voting shares, each multiple voting share having 10 votes.

#### Amalgamation and ownership

On April 1, 2014, the Corporation completed a three cornered amalgamation with Creso Exploration Inc. ("Creso"), a mineral resource company with its principal mining exploration holdings located at the Shining Tree mining camp in northern Ontario, following which the Corporation indirectly acquired all of the issued and outstanding common shares of Creso that it did not already own.

On April 8, 2014, the subordinate voting shares of the Corporation began trading on the Canadian Securities Exchange (CSE: DST).

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 June 30, 2014, and following completion of the amalgamation as outlined above, Dundee owned 128.1 million subordinate voting shares and 50.0 million multiple voting shares of the Corporation giving Dundee a 64% equity interest and a 86% voting interest in the Corporation.

#### Nature of Operations

Since 2006, the Corporation has developed proprietary hydrometallurgical processes (the "Processes") for the extraction of base and precious metals from ores, concentrates and tailings, which cannot be exploited with conventional processes because of internal refractoriness or environmental considerations.

The Processes are based on a chloride leach technology, 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 developed at pilot level is very broad and can involve either oxide or sulfide ores. It enables the recovery of nickel and cobalt from oxide type ores such as serpentinite, laterites and other siliceous metal bearing ores and the extraction of precious metals from refractory ores with content of sulfides and arsenic.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### INCORPORATION AND NATURE OF OPERATIONS (Cont'd)

The processes developed by DST has been recognized as a "green technology", for which it has been awarded a \$5.7 million grant for the construction of a demonstration plant, including \$0.7 million from the Government of Quebec and \$5.0 million from the Government of Canada through its Sustainable Development Technology Fund ("SDTC").

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

### CORPORATE OVERVIEW

#### *Metallurgy Processes Development*

Cyanidation, a commonly used energy-intensive way of processing gold, produces a large amount of highly contaminated tailings. DST has developed a chlorination approach 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 process allows the exploitation of gold deposits that are not extractable using conventional methods. The primary benefits of this new technology are shorter processing times; reduced emissions due to lower energy consumption; and increased mining productivity by reclaiming process waste and remediating tailings.

In the period 2006-2008, the technique related to the oxides (serpentinic ores, laterites) was successfully piloted for the extraction of nickel from laterites as established by engineering studies.

The piloting of the oxide ores has been a fruitful exercise for the valuation of the sulfide ores which started in 2009. The DST process applied to the sulfide ores includes an oxidation stage in order to remove the sulfur and other impurities such as arsenic in the starting sulfide ore. The completion of this oxidative 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 completed, the new oxide is submitted to the DST treatment, using acid leaching to collect base metals (Cu, Zn, Ni) and hypochlorite to collect the precious metals (Au, Ag). The piloting of the sulfides (batch size of 1 ton per day ("TPD")) was completed in 2012.

#### *Corporate Strategy*

The current stage of the DST's chlorination extraction technology is the result of 10 years of effort in combined laboratory development and pilot plant scale validation. The results obtained at a laboratory scale led to the construction of a pilot plant installation in 2011 and 2012 in order to pursue the development of DST's chlorination extraction technology. With successful pilot results, the next stage is to finalize the development of the chlorination extraction technology at a pre-commercial stage. This first requires the construction of a pre-commercialization demonstration plant operating on a continuous production basis.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### CORPORATE OVERVIEW (Cont'd)

The pre-commercialization demonstration plant will have a capacity of 15 TPD in order to assess on a pre-industrial scale DST's chlorination extraction technology under continuous operating conditions. The demonstration plant will offer the first test of the DST's chlorination extraction technology in an operating environment with near industrial conditions. The scale-up factor is in the order of 15:1 compared to the pilot installation. Although the size of the pre-commercialization 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 pre-commercialization demonstration plant will serve as 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, is budgeted at \$27 million. The commissioning of the demonstration facilities is scheduled for completion by the end of 2014. At June 30, 2014, the Corporation has expended \$7.5 million towards completion of the demonstration plant.

In the medium term, the DST business model is expected to be the licensing of its technology to third parties. Rights to DST's chlorination extraction technology would be licensed to companies wishing to use DST's chlorination extraction technology in return for royalties. Cyanide has been banned for usage by most countries and there are many gold ore bodies that are lying idle for lack of a process that can extract the gold without cyanide and that may represent potential users of the DST technology. The technology is of particular interest for gold mining companies and therefore the price of gold will be a significant factor in the Corporation's business development. Refer to "Risks and Uncertainties" section.

Research and development activities at both laboratory and pilot levels are carried out in house except for the verification of certain results which are referred to an independent laboratory and in parallel with the construction of the demonstration plant.

#### *Intellectual Property*

DST's technology is protected by patents filed during the development of the technology to reinforce the level of protection.

### HIGHLIGHTS

January 1<sup>st</sup>, 2014 to date:

- As part of the Contribution Agreement, the Corporation received in March 2014, \$2.2 million from the SDTC corresponding to the eligible activities to be incurred from January 1, 2014 to September 30, 2014;
- The following milestones have been achieved for the construction of the demonstration plant:
  - Completion of the structural engineering and building reinforcement;
  - Installation of most of the major pieces of equipment such as scrubbers, filter, bag house, reactors, fluid bed, bucket elevator, holding tanks, feeding bins, etc.
  - Completion of the installation of the effluent treatment plant;
  - Completion of the installation of some of the plant services such as compressed air, chiller, process water holding tank;
  - Installation of the electrical room and the control room;
  - Installation of the instrumentation control panels;
  - Development of the start-up sequence and required labor.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### HIGHLIGHTS (Cont'd)

- Development work in the laboratory of the Corporation has been dedicated to the following aspects during this period:
  - Optimisation of the arsenic vitrification technology with flue dusts;
  - Design and preparation of a pilot plant for stabilizing arsenic from residues;
  - Optimisation of a process for recovering Zinc, Silver and Copper in a high arsenical material;
  - Development of a new technique for recovering silver in high grades ores;
  - Development and filing a patent for cost savings in the DST gold extraction process, by replacement of sodium by calcium;
  - Successful gold extraction from amalgamation tailings and in high grade material;
  - Copper recovery from a pyrite tailings by electrodeposition;

### INFORMATION ON EQUITY

On January 8, 2014, the amendments to the article of the Corporation became effective. Following the amendments, the authorized capital of the Corporation consists of an unlimited number of subordinated 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 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 the same rights and restrictions.

	<b>August 25, 2014</b>
Subordinated voting shares issued	229,206,201
Options	23,720,000
Warrants	61,964,566
<b>Total – fully diluted subordinated voting shares</b>	<b>314,890,767</b>

<b>Multiple voting shares issued</b> (each multiple voting shares have 10 votes)	<b>50,000,000</b>
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(1) At August 25, 2014, Dundee owned 128,068,497 subordinated voting shares of the Corporation (56%), all of the outstanding multiple voting shares and 50,000,000 warrants at an exercise price of \$0.10 until July 9, 2015.

### 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 purpose of the stock option plan is to serve as an incentive for the 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.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### FINANCING ACTIVITIES

#### Six-months ended June 30, 2014

##### **Short term loan**

On January 8, 2014, Dundee agreed to loan \$3,000,000 to the Corporation (the "Bridge Loan"). The funds from the Bridge Loan were disbursed on January 31, 2014. The Bridge Loan is secured by the Corporation's assets, bears interest at the rate of 12.68% per annum and matures on April 30, 2014. The Corporation has the option to repay the Bridge Loan at any time but must use the proceeds from the sale of any assets in excess of \$250,000 or any financing in excess of \$3 million to repay the Bridge loan. The Bridge Loan shall only be used to fund (i) the building of a demonstration plant and (ii) for general corporate purposes. Dundee agreed on April 30, 2014 to extend the maturity date of the Bridge Loan to September 30, 2014.

##### **Exercise of warrants and options**

Following the exercise of 112,000 warrants to purchase the same number of subordinated voting shares, the Corporation received proceeds of \$22,400. In addition, 250,000 options were exercised for proceeds of \$25,000.

#### Six-months ended June 30, 2013

##### **Exercise of warrants and options**

Following the exercise of 7,125,000 warrants to purchase the same number of common shares by Dundee, the Corporation received proceeds of \$1,425,000. In addition, 300,000 options were exercised for proceeds of \$30,000.

### INVESTING ACTIVITIES

#### Transaction costs – Acquisition of Creso

The transaction costs incurred in connection with the acquisition of Creso consisted mainly of legal and auditors' fees, trustee fees and printing expenses. These costs were originally capitalized in the "Other Assets" (\$157,881 – December 31, 2013) and were considered as part of the purchase price paid on April 1, 2014.

#### Exploration and Evaluation assets

The Corporation's mineral exploration holdings, consisting of 100% owned Minto, Tyranite, Duggan and Mann properties, are located in the Shining Tree mining camp of Northern Ontario.

DST's accounting policy is to capitalize the exploration and evaluation ("E&E") costs of non-producing mineral properties. E&E assets are comprised of mineral properties and deferred E&E expenditures. From the acquisition date of Creso on April 1, 2014 until June 30, 2014, DST incurred E&E expenditures of \$45,037 on its Shining Tree properties consisting of logistic expenditures of \$30,484 and depreciation charges of \$14,553 related to camp and infrastructure assets.

#### Consortium Agreement

In 2012, the gold extraction by DST of a 5.5 tonne bulk sample taken from the Minto property, using its patented chloride leach process achieved better than 90% recovery. Using cyanide on the same starting material resulted in only 35% gold recovery. The cyanide tests showed very poor extraction results and confirmed the refractory behavior of the gold in this deposit as predicted by the mineralogical studies performed by SGS Lakefield in 2011.

In June 2013, Creso signed a consortium agreement with the Corporation to develop the Minto gold deposit using DST's technological processes (the "Project").

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### **INVESTING ACTIVITIES (Cont'd)**

The Project will use an open pit mining method to extract a 30,000 tonne bulk sample, at a projected rate of 1,200 TPD at an estimated cost of \$2 million. Crushing and stockpiling for processing will be done onsite. The modular processing plant to be constructed by the Corporation, will include grinding and flotation and is planned to operate at a rate of 300 TPD. The concentrate product will be transported to the Corporation's demonstration plant in Thetford Mines. The construction of the concentrator and the processing at an estimated cost of \$4.5 million is part of the \$27 million demonstration plant.

Operations are scheduled to begin once the permitting process is completed, and are anticipated to last for approximately eight months, during which time, the site will be prepared, a concentrator will be built and the bulk sample will be mined and processed.

The following work was conducted since June 2013:

- a) a site visit, scoping workshop and work plan to define the required baseline and field studies related to geotechnical, hydrogeological, aquatic, and terrestrial aspects by AMEC Environment & Infrastructure, a division of AMEC Americas Limited (AMEC) (work completed);
- b) a terrestrial and aquatic baseline environmental study to undertake an inventory of biophysical and biological features present on the site and surrounding areas by WSP Genivar Inc. ("Genivar") (work completed); and
- c) A baseline and field studies related to geotechnical, and tailing management, environmental assessment, mining and closure plan, along with permitting and consultation with the public and First Nations at a cost of \$300,000 (approximately 20% of the work completed as of August 25, 2014).

### **LIQUIDITY AND WORKING CAPITAL**

On June 30, 2014, the working capital of the Corporation was at negative \$3,535,034. This working capital deficiency includes a \$3 million short-term loan from Dundee with a maturity dated September 30, 2014.

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to June 30, 2014. 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 is confident 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 it will be able to do so in the future.

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

The Corporation's objective is to finalize the development of the chlorination technology to extract precious metals such as gold, at a pre-commercial stage through the construction of a demonstration plant of 15 TPD that will operate on a continuous mode under industrial conditions.

In connection with the agreement reached with the SDTC, the Corporation filed consortium agreements regarding the global financing of demonstration plant and the procurement of mineral concentrates. Consortium agreements were signed with Creso, Dundee Precious Metals and a privately held gold mining company for the procurement of mineral concentrates.

Of the \$27 million demonstration plant projected budget, the Corporation has spent in total \$7,526,274 from which a total of \$3,077,533 was incurred in 2013 and the difference of \$4,448,741 was incurred during the six months ended June 30, 2014 and included in our interim Consolidated Statements of Comprehensive Loss in the "Research and development" line item.



# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### DISCUSSION AND ANALYSIS OF OPERATIONS (Cont'd)

The Corporation reported a loss of \$3,357,515 and \$4,613,009 during the three and six months ended June 30, 2014 respectively versus a loss of \$785,682 and \$1,866,647 in the same period of the prior year.

Following are the details of research and development:

	Three-month period ended June 30		Six-month period ended June 30,	
	2014	2013	2014	2013
			\$	\$
Wages and compensation	347,812	237,584	683,058	476,063
Contractors	423,128	132,161	769,876	288,267
Building maintenance	154,915	68,570	457,681	163,761
Equipment	1,092,911	1,607	2,492,150	7,730
Consumables	69,984	69,006	152,282	127,133
Other	222,818	74,739	281,450	114,844
	<b>2,311,568</b>	<b>583,667</b>	<b>4,836,497</b>	<b>1,177,798</b>
SDTC contribution and tax credits	(661,571)	(205,373)	(1,357,972)	(205,373)
<b>Research and development expenses</b>	<b>1,649,997</b>	<b>378,294</b>	<b>3,478,525</b>	<b>972,425</b>

Research and development expenses during the six months ended June 30, 2014 include \$4.4 million of costs for the demonstration plant. The remaining expenses relate to research activities conducted in the pilot plant. In the same period of the prior year, the expenses relate to research activities conducted in the pilot plant.

During the three months ended June 30, 2014, research and development expenses of \$2.1 million relate to the cost of the demonstration plant. The remaining expenses relate to research activities conducted in the pilot plant. In the same period of the prior year, the expenses relate to research activities conducted in the pilot plant.

During the three and six months period ended June 30, 2014, SDTC contribution recognised through the Consolidated Statement of Comprehensive Loss amounted to \$641,726 and \$1,222,746 respectively. The remaining balance of the tax credits is composed of the Quebec reimbursable scientific research and experimental development credits. In the same periods of the prior year, the government assistance was composed of the Quebec reimbursable scientific research and experimental development credits.

Following are the details of professional and consulting fees:

	Three-month period ended June 30		Six months ended June 30,	
	2014	2013	2014	2013
			\$	\$
Legal	87,170	45,370	146,754	93,136
Audit	22,000	10,240	90,500	85,589
Accounting	114,491	4,566	155,803	4,566
Consulting administration	45,000	52,236	94,236	106,556
Professional fees	16,582	106,153	76,610	140,326
Consulting geology	50,754	30,455	88,485	56,506
<b>Professional and consulting fees</b>	<b>335,997</b>	<b>249,020</b>	<b>652,388</b>	<b>486,679</b>

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### DISCUSSION AND ANALYSIS OF OPERATIONS (Cont'd)

Legal fees include corporate secretarial services and other legal fees. The increase in the three and six months ended June 30, 2014 as compared to the same period of last year is mainly due to the listing of the Corporation on the CSE.

Accounting: Remuneration of the newly appointed Chief Financial Officer is paid to a private company controlled by him. In addition his company charges fees for support staff in respect of accounting, bookkeeping and administration fees (Please refer to the section entitled Related Parties Transactions for more details). The employment of the Controller was terminated at the end of Q1-2014. His remuneration is included in the "Wages and compensation" in the statement of comprehensive loss. During the three month period ended June 30, 2014, he provided service for the transition at a cost of \$17,800.

Consulting administration fees are fees and expenses paid to a company controlled by the Chairman, CEO and President of the Corporation. Please refer to the section entitled Related Parties Transactions for more details.

Professional fees consist of business development activities in Guatemala and also include certain audit related fees and tax compliance services performed in 2013. The variance is due to audit work performed in 2013 regarding R&D credit claims and other services related to the SDTC grant.

Consulting geology fees are paid to a company controlled by the General Manager of Nichromet Dominicana for services rendered in relation with the testing of minerals from Central America.

Following are the details of the administrative expenses:

	Three-month period ended June 30		Six months ended June 30,	
	2014	2013	2014	2013
			\$	\$
Insurance	29,775	22,146	52,430	44,724
Rent	30,172	17,177	47,961	35,326
Website and technical support	12,607	3,020	20,989	17,812
Transportation	7,458	1,265	19,110	8,999
Others	69,504	14,936	82,745	26,884
<b>Administrative expenses</b>	<b>149,516</b>	<b>58,544</b>	<b>223,235</b>	<b>133,745</b>

Subsequent to the acquisition of Creso, the Corporation began consolidating the operating results, cash flows and net assets of Creso effective April 1, 2014. The increase in administrative expenses is mainly due to the consolidation of Creso's results.

The total share-based payment expense totaled nil in the six months ended June 30, 2014 as compared to \$104,589 in the same period of the prior year relating to a grant of 700,000 stock options to its employees. Options vested at the grant date.

Additional expenses were incurred relating to trustee fees, registration fees, investor relation and promotion following the listing of the Corporation on the Exchange in April 2014.

Interest expense relates to the \$3 million Dundee Bridge Loan.

In addition, an unrealized gain of \$143,109 was recorded in the six months ended June 30, 2014 on the investment in Creso. This unrealized gain reflects the change in the fair value of the Creso common shares and warrants already owned by the Corporation from December 31, 2013 (\$2,770,654) to April 1, 2014, date on which control was obtained by the Corporation (\$2,913,763).

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 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 condensed interim consolidated financial.

	Q2-14	Q1-14	Q4-13	Q3-13
	\$	\$	\$	\$
Total revenue	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	3,357,515	1,255,494	1,170,277	948,613
Basic and diluted net loss per share	0.012	0.006	0.005	0.005

	Q2-13	Q1-13	Q4-12	Q3-12
	\$	\$	\$	\$
Total revenue	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	785,682	1,080,965	1,596,903	505,831
Basic and diluted net loss per share	0.005	0.007	0.011	0.004

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 and a unrealized gain of \$1.1 million, \$1.8 million and \$0.3 million was recorded in Q1-2014, Q4-2013 and Q3-2013 respectively on the investment in Creso.

### OUTLOOK

The construction and operation of the demonstration plant, which commenced in June 2013, is budgeted at \$27 million and includes \$4.5 million for the construction of the concentrator on Creso's Minto gold deposit. The design of the plant has been completed and the commissioning of the demonstration facilities is scheduled for completion by the end of 2014. \$4 million has been allocated for the importation and processing of materials from Dundee Precious Metals during the first six month period following the commissioning of the plant. The processing of this material is to establish the proof of concept of the Corporation's hydrometallurgical processes.

### OFF BALANCE SHEET ARRANGEMENTS

The Corporation did not enter into any off-balance sheet arrangements in Q2-2014 and Q2-2013.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

At June 30, 2014, the Corporation has firm purchasing commitments of equipment and services relating to the demonstration plant totalling \$1.4 million.

In addition, the contractual obligations of the Corporation include lease payments for the Thetford Mines facilities and the head office. There were no substantive changes to the description and nature of the Corporation's lease commitment from those described in Note 12 to the Corporation's 2013 Audited Consolidated Financial Statements.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 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-month period ended June 30		Six months ended June 30,	
	2014	2013	2014	2013
			\$	\$
Professional and consulting fees				
Administration <sup>(1)</sup>	45,000	45,000	90,000	90,000
Legal <sup>(2)</sup>	30,263	37,942	82,872	67,004
Accounting fees <sup>(3)</sup>	94,578	-	116,868	-
Geology <sup>(4)</sup>	22,173	21,750	51,019	43,500
Professional <sup>(5)</sup>	23,520	13,834	52,040	27,440
Research and development <sup>(6)</sup>	50,497	44,520	95,855	84,840
	<b>266,031</b>	<b>163,046</b>	<b>488,654</b>	<b>312,784</b>

- (1) Fees paid to a private company controlled by Pierre Gauthier, Chairman, President and Chief Executive Officer.
- (2) Fees paid to a private company controlled by Luce Saint-Pierre, Corporate Secretary for a total amount of \$65,108 (\$57,472 in Q2-2013) and an amount of \$17,764 (\$9,532 in Q2-2013) for legal fees paid to a law firm of which a director is a counsel.
- (3) Starting in March 2014, remuneration of Vatche Tchakmakian, the newly appointed Chief Financial Officer, in the amount of \$54,382 was paid to a private company controlled by him. In addition his company charged fees of \$62,486 for support staff in respect of accounting, bookkeeping and administrative services.
- (4) Fees paid to a company controlled by the President of Nichromet Dominicana and Nichromet Guatemala for his services in relation with the testing of minerals from Central America.
- (5) Fees paid to the General Manager of Nichromet Guatemala for business development in Guatemala.
- (6) Fees paid to a company controlled by a director who is also Vice-President, Research and Development for a total amount of \$95,855 (\$84,840 in Q2-2014).

### SUBSEQUENT EVENTS AFTER JUNE 30, 2014

#### Short-term loan

On July 3, 2014, Dundee agreed to make available, under certain conditions, an additional \$3,000,000 to the Corporation in increments of no less than \$250,000 under the same terms as the Bridge Loan of January 8, 2014. An initial advance of \$500,000 was made on July 4, 2014. An additional advance of \$1,500,000 was made on August 13, 2014.

### ACCOUNTING POLICY AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the June 2014 Interim Consolidated Financial Statements 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, revenues and other items in net earnings, 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 historical experience and on various other 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 revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### **ACCOUNTING POLICY AND CRITICAL ACCOUNTING ESTIMATES (Cont'd)**

There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the June 2014 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 3 to the 2013 Audited Consolidated Financial Statements except additional accounting judgments, estimates and assumptions related to the impairment of exploration and evaluation assets following the acquisition of Creso. The additional accounting judgments, estimates and assumptions is disclosed in Note 3 to the June 2104 Interim Consolidated Financial Statements.

Other than as disclosed in Note 2 to the June 2014 Interim Consolidated Financial Statements, there have been no changes in the accounting policies adopted in the preparation of the Corporation's June 2014 Interim Consolidated Financial Statements from those detailed in Note 2 to the Corporation's 2013 Audited Consolidated Financial Statements. The changes in accounting policies implemented during the six months ended June 30, 2014 did not have a material impact to the June 2014 Interim Consolidated Financial Statements.

### **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 13 to the the 2013 Audited Consolidated Financial Statements.

### **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 as described in Creso's Management Information Circular in respect to the acquisition of Creso by the Corporation. The risks and uncertainties are disclosed under "Risks Associated with the Resulting Issuer" and the document dated January 31th, 2014 is available on SEDAR at [www.sedar.com](http://www.sedar.com). 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 2014 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.

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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### **FORWARD LOOKING STATEMENTS (Contd')**

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).

Montreal, Quebec  
August 25, 2014