

# **Dundee Sustainable Technologies Inc.**

## Condensed Interim Consolidated Financial Statements (Unaudited)

As at and for the three months ended March 31, 2015  
(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<br>March 31,<br>2015<br>\$ | As at<br>December 31,<br>2014<br>\$ |
|--|------|----------------------------------|-------------------------------------|
| <b>Assets</b>                                    |      |                                  |                                     |
| <b>Current assets</b>                            |      |                                  |                                     |
| Cash and cash equivalents                        |      | 208,512                          | 290,488                             |
| Research and development tax credits receivable  |      | 238,066                          | 193,732                             |
| Sales taxes and other receivables                |      | 191,952                          | 174,368                             |
| Prepaid expenses and advances to suppliers       |      | 48,730                           | 41,577                              |
|  |      | <u>687,260</u>                   | <u>700,165</u>                      |
| <b>Non-current assets</b>                        |      |                                  |                                     |
| Property, plant and equipment                    | 4    | 82,332                           | 99,940                              |
| Intangible assets                                |      | 4,613,813                        | 4,613,813                           |
|  |      | <u>4,696,145</u>                 | <u>4,713,753</u>                    |
| <b>Total assets</b>                              |      | <b><u>5,383,405</u></b>          | <b><u>5,413,918</u></b>             |
| <b>Liabilities and Equity (Deficiency)</b>       |      |                                  |                                     |
| <b>Current liabilities</b>                       |      |                                  |                                     |
| Accounts payable and accrued liabilities         |      | 1,124,261                        | 953,141                             |
| Deferred contribution from SDTC                  | 5    | 736,859                          | 1,055,677                           |
| Short-term loan with a related party             | 6    | 7,998,521                        | 6,105,473                           |
| <b>Total liabilities</b>                         |      | <u>9,859,641</u>                 | <u>8,114,291</u>                    |
| <b>Equity (Deficiency)</b>                       |      |                                  |                                     |
| Share capital                                    | 7    | 47,591,598                       | 47,591,598                          |
| Contributed surplus                              |      | 7,884,357                        | 7,860,885                           |
| Deficit  |      | (59,952,191)                     | (58,152,856)                        |
| <b>Total equity (deficiency)</b>                 |      | <u>(4,476,236)</u>               | <u>(2,700,373)</u>                  |
| <b>Total liabilities and equity (deficiency)</b> |      | <b><u>5,383,405</u></b>          | <b><u>5,413,918</u></b>             |
| <b>Going concern</b>                             | 1    |                                  |                                     |
| <b>Commitments</b>                               | 12   |                                  |                                     |
| <b>Subsequent event</b>                          | 14   |                                  |                                     |

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

**Dundee Sustainable Technologies Inc.**  
Interim Consolidated Statements of Comprehensive Loss  
(Unaudited)  
For the three months ended March 31, 2015 and 2014  
(Expressed in Canadian dollars, except number of shares)

|  | Note | 2015<br>\$         | 2014<br>\$         |
|--|------|--------------------|--------------------|
| <b>Expenses</b>  |      |                    |                    |
| Research and development   | 10   | 990,119            | 1,828,528          |
| Professional and consulting fees   |      | 325,269            | 316,391            |
| Wages and compensation   |      | 66,883             | 149,891            |
| Administrative   |      | 139,886            | 73,719             |
| Trustee and registration fees  |      | 19,311             | -                  |
| Investor relation and promotion  |      | 14,411             | -                  |
| Share-based payments   | 8    | 23,472             | -                  |
| Depreciation of property, plant and equipment                            |      | 15,258             | 1,167              |
| Amortization of intangible assets  |      | -                  | 1,625              |
| <b>Total expenses</b>  |      | <b>1,594,609</b>   | <b>2,371,321</b>   |
| <b>Operating loss</b>  |      | <b>(1,594,609)</b> | <b>(2,371,321)</b> |
| Gain on investments  |      | -                  | 1,149,586          |
| Interest income  |      | -                  | 21,904             |
| Interest expense   | 6    | (193,054)          | (61,489)           |
| Gain (loss) on foreign currency exchange                                 |      | (11,672)           | 5,826              |
| <b>Net loss and comprehensive loss</b>                                   |      | <b>(1,799,335)</b> | <b>(1,255,494)</b> |
| <b>Basic and diluted net loss per share</b>                              |      | <b>(0.01)</b>      | <b>(0.01)</b>      |
| <b>Weighted average number of shares outstanding – basic and diluted</b> |      | <b>281,706,201</b> | <b>214,928,724</b> |

**Going concern** 1

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

## Dundee Sustainable Technologies Inc.

### Interim Consolidated Statements of Changes in Equity (Deficiency)

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars, except number of shares)

|  | Note | Multiple voting shares |                  | Subordinate voting shares |                   | Contributed surplus | Deficit             | Total equity (deficiency) |
|--|------|------------------------|------------------|---------------------------|-------------------|---------------------|---------------------|---------------------------|
|  |      | Number                 | \$               | Number                    | \$                | \$                  | \$                  | \$                        |
| <b>Balance – December 31, 2014</b>             |      | <b>50,000,000</b>      | <b>3,963,875</b> | <b>231,706,201</b>        | <b>43,627,723</b> | <b>7,860,885</b>    | <b>(58,152,856)</b> | <b>(2,700,373)</b>        |
| Share-based compensation                       | 8    | -                      | -                | -                         | -                 | 23,472              | -                   | 23,472                    |
| Net loss and comprehensive loss for the period |      | -                      | -                | -                         | -                 | -                   | (1,799,335)         | (1,799,335)               |
| <b>Balance – March 31, 2015</b>                |      | <b>50,000,000</b>      | <b>3,963,875</b> | <b>231,706,201</b>        | <b>43,627,723</b> | <b>7,884,357</b>    | <b>(59,952,191)</b> | <b>(4,476,236)</b>        |

|  | Note | Common shares      | Share capital     | Multiple voting shares |                  | Subordinated voting shares |                   | Contributed surplus | Deficit             | Total equity (deficiency) |
|--|------|--------------------|-------------------|------------------------|------------------|----------------------------|-------------------|---------------------|---------------------|---------------------------|
|  |      | Number             | \$                | Number                 | \$               | Number                     | \$                | \$                  | \$                  | \$                        |
| <b>Balance – December 31, 2013</b>             |      | <b>214,928,724</b> | <b>29,889,629</b> | -                      | -                | -                          | -                 | <b>7,054,955</b>    | <b>(26,974,069)</b> | <b>9,970,515</b>          |
| Capital Reorganization                         |      | (214,928,724)      | (29,889,629)      | 50,000,000             | 3,963,875        | 164,928,724                | 25,925,754        | -                   | -                   | -                         |
| Net loss and comprehensive loss for the period |      | -                  | -                 | -                      | -                | -                          | -                 | -                   | (1,255,494)         | (1,255,494)               |
| <b>Balance – March 31, 2014</b>                |      | <b>-</b>           | <b>-</b>          | <b>50,000,000</b>      | <b>3,963,875</b> | <b>164,928,724</b>         | <b>25,925,754</b> | <b>7,054,955</b>    | <b>(28,229,563)</b> | <b>8,715,021</b>          |

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

# Dundee Sustainable Technologies Inc.

## Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

|  | Note | 2015               | 2014             |
|--|------|--------------------|------------------|
|  |      | \$                 | \$               |
| <b>Operating activities</b>  |      |                    |                  |
| Net loss for the period  |      | (1,799,335)        | (1,255,494)      |
| Adjusted for:  |      |                    |                  |
| Share-based payments   | 8    | 23,472             | -                |
| Gain on investments  |      | -                  | (1,149,586)      |
| Contribution from SDTC received in excess of amount recognized                     |      | -                  | 1,638,409        |
| Reclassification of SDTC deferred contribution                                     | 5    | (318,818)          | -                |
| Depreciation of property, plant and equipment included in research and development | 4    | 2,350              | 2,350            |
| Depreciation of property, plant and equipment                                      | 4    | 15,258             | 1,167            |
| Amortization of intangible assets  |      | -                  | 1,625            |
| Interest expense accrued   | 6    | 193,048            | -                |
|  |      | (1,884,025)        | (761,529)        |
| Changes in non-cash operating working capital items:                               |      |                    |                  |
| Research and development tax credits receivable                                    |      | (44,334)           | (15,631)         |
| Sales taxes and other receivables  |      | (17,584)           | (139,037)        |
| Prepaid expenses and advances to suppliers   |      | (7,153)            | (170,215)        |
| Accounts payable and accrued liabilities   |      | 189,265            | 1,353,098        |
|  |      | 120,194            | 1,028,215        |
| <b>Net cash used in (provided by) operating activities</b>                         |      | <b>(1,763,831)</b> | <b>266,686</b>   |
| <b>Investing activities</b>  |      |                    |                  |
| Addition to exploration and evaluation assets                                      |      | (18,145)           | -                |
| Additions to other assets  |      | -                  | (144,553)        |
| <b>Net cash used in investing activities</b>                                       |      | <b>(18,145)</b>    | <b>(144,553)</b> |
| <b>Financing activities</b>  |      |                    |                  |
| Short-term loan with a related party   | 6    | 1,700,000          | 3,000,000        |
| <b>Net cash provided by financing activities</b>                                   |      | <b>1,700,000</b>   | <b>3,000,000</b> |
| Net change in cash and cash equivalents  |      | (81,976)           | 3,122,133        |
| Cash and cash equivalents – beginning  |      | 290,488            | 1,274,869        |
| <b>Cash and cash equivalents – end</b>   |      | <b>208,512</b>     | <b>4,397,002</b> |
| Components of cash and cash equivalents are as follows:                            |      |                    |                  |
| Cash   |      | 208,512            | 1,897,002        |
| Cash equivalents   |      | -                  | 2,500,000        |
| <b>Going concern</b>   | 1    |                    |                  |
| <b>Supplemental information</b>  | 13   |                    |                  |

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

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Dundee Sustainable Technologies Inc. (“DST” or the “Corporation”) (formerly known as Nicromet Extraction Inc.) was incorporated under the Canada Business Corporations Act on July 22, 1997. Its articles of incorporation were amended on January 8, 2014, 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. The Corporation’s head office is located at 600 De Maisonneuve Boulevard West, Suite 2750, Montréal, Quebec, Canada, H3A 3J2.

The Corporation has developed metallurgical processes based on a chloride leach 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.

These technologies are subject to all risks inherent to their development and may require significant additional development, testing and investments 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. At March 31, 2015, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the three months ended March 31, 2015, the Corporation incurred a loss of \$1,799,335 (\$31,178,787 for the year ended December 31, 2014) and has a negative working capital of \$9,172,381 (a negative working capital of \$7,414,126 as at December 31, 2014). Deficit as at March 31, 2015 amounted to \$59,952,191 (\$58,152,856 as at December 31, 2014) and cash flow used in operating activities for the three months ended March 31, 2015, amounted to \$1,763,831 (\$6,767,127 for the year ended December 31, 2014).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to March 31, 2016. The Corporation will therefore periodically have to raise additional funds to continue operations. The Corporation is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Corporation will be successful in these actions, management 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 offerings. 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.

Although these unaudited 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 unaudited 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.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

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### 2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2015 (“March 2015 Interim Consolidated Financial Statements”) have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), and with interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”. The March 2015 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, 2014 (“2014 Audited Consolidated Financial Statements”) which were prepared in accordance with IFRS as applicable for annual financial statements. The March 2015 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on April 28, 2015.

The March 2015 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the 2014 Audited Consolidated Financial Statements.

#### **Accounting standards issued but not yet applied**

##### **a) IAS 1, “Presentation of Financial Statements”**

In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016. The Corporation has yet to assess the impact of the amendments to IAS 1 to its consolidated financial statements.

##### **b) IFRS 9, “Financial Instruments”**

In July 2014, the IASB issued final amendments to IFRS 9, replacing earlier versions of IFRS 9 already adopted by the Corporation. These amendments to IFRS 9 introduce a single, forward-looking ‘expected loss’ impairment model for financial assets which will require more timely recognition of expected credit losses, and a fair value through other comprehensive income category for financial assets that are debt instruments. Other previously issued amendments to IFRS 9 that have not yet been adopted by the Corporation include a substantially reformed approach to hedge accounting and requirements to recognize gains or losses that relate to the effect of a company’s own credit risk in measuring liabilities elected to be measured at fair value outside of net income or loss. The amendments to IFRS 9 that are not yet adopted by the Corporation are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Corporation has yet to assess the full impact of the amendment to IFRS 9 to its consolidated financial statements, and it has not yet determined whether the new amendments will be adopted earlier than at the required date of implementation.

##### **c) IFRS 15, “Revenue from Contracts with Customers”**

In May 2014, the IASB issued IFRS 15, which supersedes IAS 18, “Revenue”, IAS 11, “Construction Contracts” and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. The adoption of IAS 15 is not expected to have a material impact on the Corporation’s consolidated financial statements.

**Dundee Sustainable Technologies Inc.**  
Notes to Condensed Interim Consolidated Financial Statements  
(Unaudited)  
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**2. BASIS OF PRESENTATION (CONT'D)**

**d) IAS 16, “Property, Plant and Equipment” and IAS 38, “Intangible Assets”**

In May 2014, the IASB issued amendments to IAS 16 and IAS 38 to clarify acceptable methods of depreciation and amortization. The amended IAS 16 eliminates the use of a revenue-based depreciation method for items of property, plant and equipment. Similarly, amendments to IAS 38 eliminate the use of a revenue-based amortization model for intangible assets except in certain specific circumstances. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The amendment is not expected to have a material impact on the Corporation’s consolidated financial statements.

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

Many of the amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continually evaluated and are based on management’s experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the March 2015 Consolidated Interim Financial Statements include the following.

**3.1 Significant judgments**

**a) Impairment of intangible assets**

Intangible assets are reviewed for an indication of impairment at each statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, the expiration of the Corporation intellectual rights or patents or if such rights and/or patents will expire in the near future and are not expected to be renewed; the Corporation’s failure to raise the required funds to continue its development activity; if development activities have failed in demonstrating that DST’s technology is effective or if the entity has decided to discontinue such activities in the specific area; if sufficient data exists to indicate that, although the Corporation is able to demonstrate that it’s technology is effective, the carrying amount of the assets is unlikely to be recovered in full from successful exploitation or by sale, significant negative industry or economic trends and a significant drop in commodity prices.

**b) Going concern**

The assessment of the Corporation’s ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**c) Research and development tax credits receivable**

The calculation of research and development tax credits receivable on qualified expenditures incurred involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been issued by the relevant taxation authority and payment has been received. Differences arising between the actual results following final resolution of some of these items and the assumptions made could necessitate adjustments in future periods.



# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

### 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

#### 3.2 Significant estimations

##### a) Fair value of financial instruments

Certain financial instruments are recorded in the Corporation's consolidated statements of financial position at values that are representative of, or approximate fair value. The fair value of a financial instrument that is traded in active markets at each reporting date is determined by reference to its quoted market price or dealer price quotations. For all other financial instruments carried at fair value, the fair value is determined using valuation techniques. Such techniques may reflect recent arm's length transactions in equity trading of the underlying financial instrument, or reference to the current fair value of another instrument that has substantially the same terms and discounted cash flow analysis. By their nature, these valuation models require the use of assumptions. Changes in the underlying assumptions of these models could materially impact the determination of the fair value of a financial instrument. Imprecision in determining fair value using these valuation techniques may affect the amount of net earnings recorded for a particular investment in a particular period.

The Corporation believes that its estimates of fair value are reasonable and appropriate. The Corporation reviews assumptions relating to financial instruments on an ongoing basis to ensure that the basis for the determination of fair value is appropriate.

##### b) Impairment of non-financial assets

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs must be determined. Identifying the cash generating units requires considerable management judgment. In testing an individual asset or cash generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Corporation's assets and losses may occur during the next period.

No impairment charge of the intangible assets nor reversal of impairment losses of the exploration and evaluation assets and intangible assets has been recognized for the reporting period.

### 4. PROPERTY, PLANT AND EQUIPMENT

|  | Camp and infrastructure | Vehicles and equipment | Office furniture and computer equipment | Total         |
|--|-------------------------|------------------------|---|---------------|
| <b>Gross carrying amount</b>                   | \$                      | \$                     | \$                                      | \$            |
| Balance - January 1, 2015                      | 101,871                 | 47,000                 | 134,085                                 | 282,956       |
| Acquisition                                    | -                       | -                      | -                                       | -             |
| Balance - March 31, 2015                       | 101,871                 | 47,000                 | 134,085                                 | 282,956       |
| <b>Accumulated depreciation</b>                |                         |                        |   |               |
| Balance - January 1, 2015                      | 43,658                  | 9,400                  | 129,958                                 | 183,016       |
| Depreciation                                   | 14,553                  | 2,350                  | 705                                     | 17,608        |
| Balance - March 31, 2015                       | 58,211                  | 11,750                 | 130,663                                 | 200,624       |
| <b>Net carrying amount - March 31, 2015</b>    | <b>43,660</b>           | <b>35,250</b>          | <b>3,422</b>                            | <b>82,332</b> |
| <b>Net carrying amount - December 31, 2014</b> | <b>58,213</b>           | <b>37,600</b>          | <b>4,127</b>                            | <b>99,940</b> |

**Dundee Sustainable Technologies Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

**5. GOVERNMENT ASSISTANCE**

In June 2013, the Corporation entered into a 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 chloride leach 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.

|   | <b>Three months<br/>ended<br/>March 31,<br/>2015</b> |
|---|--|
| <b>Deferred contribution from SDTC</b>  | <b>\$</b>  |
| Balance – beginning   | 1,055,677  |
| SDTC grant received   | -  |
| Reclassification of deferred contribution through profit or loss<br>as per eligible expenditures incurred during the period | (318,818)  |
| <b>Balance – end</b>  | <b>736,859</b>                                       |

**6. SHORT-TERM LOAN (NOTE 14)**

On January 8, 2014, Dundee agreed to loan \$3,000,000 to the Corporation (the “First 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. The interest is payable concurrently with the repayment of 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.

On July 3, 2014, Dundee agreed to make available, under certain conditions, an additional \$3,000,000 to the Corporation (“the “Second Bridge Loan”) in increments of no less than \$250,000 under the same terms as the Bridge Loan of January 8, 2014. From July 4 to December 31, 2014 an aggregate of \$2,650,000 was advanced by Dundee to the Corporation.

On July 10, 2014, Dundee sold, transferred, assigned and conveyed the Bridge Loans to its wholly-owned subsidiary, Dundee Resources Limited.

On February 19, 2015, the principal amount of the Second Bridge Loan was increased to \$4,650,000 and the maturity dates of the First and Second Bridge Loans were extended to the earlier of November 30, 2015 and the date at which the Corporation raises the sum of \$10,000,000 or greater by way of debt or equity. An additional amount of \$1,700,000 was advanced during the three months ended March 31, 2015. The Corporation has the option to repay the Bridge Loan at any time.

| <b>Short-term loan</b> | <b>Three months ended<br/>March 31,</b> |                  |
|------------------------|---|------------------|
|                        | <b>2015</b>                             | <b>2014</b>      |
|                        | <b>\$</b>                               | <b>\$</b>        |
| Balance – beginning    | 6,105,473                               | -                |
| Principal amount       | 1,700,000                               | 3,000,000        |
| Interest accrued       | 193,048                                 | 61,489           |
| <b>Balance – end</b>   | <b>7,998,521</b>                        | <b>3,061,489</b> |

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

### 7. SHARE CAPITAL

#### 7.1 Authorized

On March 31, 2015, the authorized capital of the Corporation consists of an unlimited number of subordinate voting shares and multiple voting shares, without nominal or par value. The holders of subordinate voting shares are entitled to one vote for each subordinate voting share and the holders of multiple voting shares are entitled to ten votes for each multiple voting share. The holders of subordinate voting shares and multiple voting shares shall be entitled to receive and to participate equally as to dividends, share for share, in an equal amount on all the subordinate voting shares and multiple voting shares at the time outstanding. The holder of multiple voting shares shall be entitled at any time and from time-to-time to have any or all of the multiple voting shares converted into subordinate voting shares 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.

#### 7.2 Warrants

Changes in the Corporation's outstanding common share purchase warrants were as follows:

|                      | Three months ended March 31, |                  |                    |                  |
|----------------------|------------------------------|------------------|--------------------|------------------|
|                      | 2015                         |                  | 2014               |                  |
|                      | Number of warrants           | Carrying Amount  | Number of warrants | Carrying amount  |
|                      |                              | \$               |                    | \$               |
| Balance – beginning  | 52,570,000                   | 1,188,056        | 50,000,000         | 1,036,125        |
| Expired              | (2,570,000)                  | (151,930)        | -                  | -                |
| <b>Balance – end</b> | <b>50,000,000</b>            | <b>1,036,126</b> | <b>50,000,000</b>  | <b>1,036,125</b> |

A summary of outstanding warrants entitling their holders to subscribe for an equivalent number of common shares, as at March 31, 2015, is as follows:

| Number of Warrants | Exercise price | Expiry date  |
|--------------------|----------------|--------------|
| 50,000,000         | \$ 0.10        | July 9, 2015 |

### 8. STOCK OPTION PLAN

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

|                      | Three months ended March 31, |                                 |                   |                                 |
|----------------------|------------------------------|---------------------------------|-------------------|---------------------------------|
|                      | 2015                         |                                 | 2014              |                                 |
|                      | Number of options            | Weighted average exercise price | Number of options | Weighted average exercise price |
|                      |                              | \$                              |                   | \$                              |
| Balance - beginning  | 22,652,500                   | 0.16                            | 21,425,000        | 0.12                            |
| Expired              | (500,000)                    | 0.20                            | -                 | -                               |
| <b>Balance – end</b> | <b>22,152,500</b>            | <b>0.16</b>                     | <b>21,425,000</b> | <b>0.12</b>                     |

## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

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

As at March 31, 2015 outstanding and exercisable options are as follows:

| Number of options | Exercise price | Expiry date        |
|-------------------|----------------|--------------------|
|                   | \$             |                    |
| 175,000           | 0.20           | June 30, 2015      |
| 700,000           | 0.80           | July 9, 2015       |
| 200,000           | 1.74           | September 29, 2015 |
| 300,000           | 0.10           | October 18, 2015   |
| 5,200,000         | 0.10           | June 8, 2016       |
| 975,000           | 0.20           | February 20, 2017  |
| 100,000           | 0.20           | July 23, 2017      |
| 600,000           | 0.20           | February 6, 2018   |
| 10,050,000        | 0.10           | December 12, 2018  |
| 1,502,500         | 0.20           | October 2, 2019    |
| 2,350,000         | 0.20           | November 27, 2022  |
| <b>22,152,500</b> |                |                    |

The residual weighted average contractual term of outstanding options was 3.27 years as at March 31, 2015 (December 31, 2014 – 3.44 years).

Share based compensation cost amounting to \$23,472 during the three months period ended March 31, 2015 relates to stock options granted the prior year but vested during the present period.

#### 9. ESCROW AGREEMENT

As at March 31, 2015, 97,926,373 subordinate voting shares, 37,500,000 multiple voting shares, 37,500,000 warrants and 6,900,000 options of the Corporation, are subject to an escrow agreement with one-fifth of these escrowed securities being releasable in April 2015, October 2015, April 2016, October 2016 and April 2017.

#### 10. RESEARCH AND DEVELOPMENT

|                          | Three months ended |                  |
|--------------------------|--------------------|------------------|
|                          | March 31,          |                  |
|                          | 2015               | 2014             |
|                          | \$                 | \$               |
| Research and development | 1,353,271          | 2,524,929        |
| Tax credit               | (44,334)           | (115,381)        |
| SDTC contribution        | (318,818)          | (581,020)        |
|                          | <b>990,119</b>     | <b>1,828,528</b> |

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

### 11. RELATED PARTY TRANSACTIONS

Details of related party transactions with the directors and officers of the Corporation and companies controlled by directors and officers not otherwise disclosed in these consolidated financial statements are as follows:

|   | Three months ended<br>March 31, |                |
|---|---------------------------------|----------------|
|   | 2015                            | 2014           |
|   | \$                              | \$             |
| Directors or corporations held by directors |                                 |                |
| Professional and consulting fees            | 42,540                          | 132,440        |
| Officers or corporations held by officers   |                                 |                |
| Professional fees                           | 138,832                         | 125,183        |
|   | <b>181,372</b>                  | <b>257,623</b> |

#### Compensation of key management

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

|  | Three months ended<br>March 31, |                |
|--|---------------------------------|----------------|
|  | 2015                            | 2014           |
|  | \$                              | \$             |
| Officers and directors' professional and consulting fees | 168,358                         | 247,323        |
| Share-based payments                                     | -                               | -              |
|  | <b>168,358</b>                  | <b>247,323</b> |

### 12. COMMITMENTS

#### 12.1 Construction of a demonstration plant

In connection with the agreement reached with the SDTC, the Corporation had to file consortium agreements with third parties regarding the global financing of a demonstration plant and the procurement of mineral concentrates. As of June 1, 2013, consortium agreements were signed with Creso Exploration Inc. and Dundee Precious Metals. Dundee had earlier confirmed to the SDTC its intention to arrange the required financing of the construction of the demonstration plan from its own or from third parties.

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 tonnes per day that will operate on a continuous mode under industrial conditions.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the three months ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

### 12. COMMITMENTS (CONT'D)

Of the \$25 million demonstration plant projected budget, the Corporation has spent in total \$12,195,017 from which a total of \$10,934,486 was incurred in 2013 and 2014; and the difference of \$1,260,531 was incurred in the three months ended March 31, 2015 and included in our Consolidated Statements of Comprehensive Loss in the Research and Development line item. As at March 31, 2015, the Corporation has a firm purchasing commitment for \$210,244 (\$369,101 in 2014) towards equipment and services relating to the demonstration plant.

As part of the Contribution Agreement, the Corporation received an aggregate amount of \$3,821,270 from SDTC corresponding to the eligible activities to be incurred by August 31, 2015.

#### 12.2 Lease payments

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

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

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

|                       | As at<br>March 31,<br>2015 | As at<br>December 31<br>2014 |
|-----------------------|----------------------------|------------------------------|
|                       | \$                         | \$                           |
| Less than 1 year      | 262,368                    | 239,355                      |
| Between 1 and 5 years | 881,150                    | 864,589                      |
| More than 5 years     | 743,829                    | 799,490                      |

### 13. SUPPLEMENTAL CASH FLOW INFORMATION

|  | Three months ended<br>March 31 |        |
|--|--------------------------------|--------|
|  | 2015                           | 2014   |
|  | \$                             | \$     |
| Addition to other assets included in accounts payables and accrued liabilities | -                              | 74,000 |

### 14. SUBSEQUENT EVENT

#### Short-term loan from Dundee Resources Limited

On April 17, 2015, an additional amount of \$300,000 was advanced to the Corporation.

#### Short-term loan from a non-related party

On April 22, 2015, an unsecured bridge loan, payable on demand, of \$200,000 was advanced to the Corporation.