

## FORM 5

### QUARTERLY LISTING STATEMENT

Name of Listed Issuer: Dundee Sustainable Technologies Inc. (the "Issuer").

Trading Symbol: DST

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This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

#### **General Instructions**

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

#### **SCHEDULE A: FINANCIAL STATEMENTS**

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

## **SCHEDULE B: SUPPLEMENTARY INFORMATION**

The supplementary information set out below must be provided when not included in Schedule A.

### **1. Related party transactions- See page 6 of the MD&A.**

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

### **2. Summary of securities issued and options granted during the period.**

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
March 2018	Subordinated voting shares	Exercise of options	600,000	\$0.05 per option	\$30,000	Cash	N/A	N/A

(b) summary of options granted during the period, **N/A**

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

### 3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,  
**Authorized - An unlimited number of subordinate voting shares**  
**An unlimited number of multi-voting shares**
- (b) number and recorded value for shares issued and outstanding,  
**311,976,530 subordinate voting shares - \$50,949,416**  
**50,000,000 multi-voting shares - \$3,963,875**

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

**Warrants**

**14,285,714 0.06 November 23, 2022**

**As at March 31, 2018, outstanding options are as follows:**

<b>962,500</b>	<b>0.09</b>	<b>June 21, 2018</b>
<b>600,000</b>	<b>0.05</b>	<b>November 23, 2018</b>
<b>1,300,000</b>	<b>0.08</b>	<b>December 8, 2018</b>
<b>6,637,500</b>	<b>0.10</b>	<b>December 12, 2018</b>
<b>352,500</b>	<b>0.20</b>	<b>October 2, 2019</b>
<b>11,050,000</b>	<b>0.05</b>	<b>February 3, 2022</b>
<b>1,700,000</b>	<b>0.20</b>	<b>November 27, 2022</b>
<b>22,602,500</b>		

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer. **N/A**
4. **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

**Brahm Gelfand, Director**

**Brian Howlett, President & CEO, Director**

**Mario Jacob, Director**

**John Lindsay, Director**

**Hubert Marleau, Director**

**L. Geoffrey Morphy, Chairman & Director**

**David Lemieux, Executive Vice President**

**Jean-Philippe Mai, Vice President, Business Development**

**Luce Saint-Pierre, Secretary**

**Arved Marin, CFO**

## **SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS**

Provide Interim MD&A if required by applicable securities legislation.  
**The MD&A is attached hereto.**

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated May 9, 2018

Luce L. Saint-Pierre  
Name of Director or Senior Officer

(s) Luce L. Saint-Pierre  
Signature

Corporate Secretary  
Official Capacity

<b>Issuer Details</b>		
Name of Issuer	For Quarter Ended	Date of Report YY/MM/D
Dundee Sustainable Technologies Inc.	March 31, 2018	18/05/09
Issuer Address		
2060 – 1002 Sherbrooke Street West		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
Montreal, Quebec H3A 3L6	(514) 866-6193	(514) 866-6001 ext 230
Contact Name	Contact Position	Contact Telephone No.
Luce L. Saint-Pierre	Corporate Secretary	(514) 866-6001 ext 230
Contact Email Address	Web Site Address	
<a href="mailto:llsp@dundeetechnologies.com">llsp@dundeetechnologies.com</a>	<a href="http://www.dundeetechnologies.com">www.dundeetechnologies.com</a>	

# Dundee Sustainable Technologies Inc.

## Condensed Interim Consolidated Financial Statements (Unaudited)

As at and for the three months ended March 31, 2018  
(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.*

1002 Sherbrooke Street West, Suite 2060, Montréal, QC, H3A 3L6  
Tel.: 514.866.6001 / [www.dundeetechnologies.com](http://www.dundeetechnologies.com)

# Dundee Sustainable Technologies Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	Note	As at March 31, 2018 \$	As at December 31, 2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		302,383	494,799
Accounts receivable	4	1,405,531	866,975
Sales taxes receivables		48,055	20,478
Other assets		66,596	72,812
Prepaid expenses		15,854	16,888
		<u>1,838,419</u>	<u>1,471,952</u>
<b>Non-current assets</b>			
Investment		7,900	7,900
Property, plant and equipment	5	7,050	9,400
Intangible assets	6	4,613,813	4,613,813
		<u>4,628,763</u>	<u>4,631,113</u>
<b>Total assets</b>		<b><u>6,467,182</u></b>	<b><u>6,103,065</u></b>
<b>Liabilities and Deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		2,035,521	1,329,844
Deferred revenue		69,718	36,385
Deferred payment	8	451,231	564,778
Promissory note from a related party	9	943,693	513,808
Short-term loans from a related party	9	11,966,976	11,707,157
		<u>15,467,139</u>	<u>14,151,972</u>
<b>Non-current liabilities</b>			
Long-term debt	10	213,172	207,114
Convertible debenture	10	4,190,153	4,052,043
<b>Total liabilities</b>		<u>19,870,464</u>	<u>18,411,129</u>
<b>Deficiency</b>			
Share capital	11	54,913,291	54,862,847
Contributed surplus		7,487,788	7,508,232
Deficit		(75,804,361)	(74,679,143)
<b>Total deficiency</b>		<u>(13,403,282)</u>	<u>(12,308,064)</u>
<b>Total liabilities and deficiency</b>		<b><u>6,467,182</u></b>	<b><u>6,103,065</u></b>
<b>Going concern</b>	1		
<b>Commitments</b>	14		
<b>Subsequent events</b>	16		

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



## Dundee Sustainable Technologies Inc.

### Condensed Interim Consolidated Statements of Comprehensive Loss

(Unaudited)

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars, except number of shares)

	Note	2018	2017
		\$	\$
Sale of services		518,925	211,195
<b>Expenses</b>			
Research and development	13	345,872	261,499
Professional and consulting fees		131,727	174,999
Other operating expenses		436,445	269,707
Administrative		143,468	161,099
Wages and compensation		135,930	93,995
Investor relation and promotions		10,485	3,727
Trustee and registration fees		12,592	9,528
Share-based payments		-	540,000
Total expenses		1,216,519	1,514,554
<b>Operating loss</b>		(697,594)	(1,303,359)
Finance cost	9, 10	(433,871)	(370,898)
Gain (loss) on foreign currency exchange		6,247	(3,753)
<b>Net loss and comprehensive loss</b>		<b>(1,125,218)</b>	<b>(1,678,010)</b>
<b>Basic and diluted net loss per share</b>		-	(0.01)
<b>Weighted average number of shares outstanding – basic and diluted</b>		361,429,863	347,090,816
<b>Going concern</b>	1		

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 months ended March 31, 2018 and 2017

(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, 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	-	-	600,000	50,444	(20,444)	-	30,000
Net loss and comprehensive loss for the period		-	-	-	-	-	(1,125,218)	(1,125,218)
<b>Balance – March 31, 2018</b>		<b>50,000,000</b>	<b>3,963,875</b>	<b>311,976,530</b>	<b>50,949,416</b>	<b>7,487,788</b>	<b>(75,804,361)</b>	<b>(13,403,282)</b>

	Note	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
		Number	\$	Number	\$	\$	\$	\$
<b>Balance – December 31, 2016</b>		<b>50,000,000</b>	<b>3,963,875</b>	<b>297,090,816</b>	<b>50,598,972</b>	<b>6,848,232</b>	<b>(70,231,521)</b>	<b>(8,820,442)</b>
Share based payments	12	-	-	-	-	540,000	-	540,000
Net loss and comprehensive loss for the period		-	-	-	-	-	(1,678,010)	(1,678,010)
<b>Balance – March 31, 2017</b>		<b>50,000,000</b>	<b>3,963,875</b>	<b>297,090,816</b>	<b>50,598,972</b>	<b>7,388,232</b>	<b>(71,909,531)</b>	<b>(9,958,452)</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 months ended March 31, 2018 and 2017  
(Expressed in Canadian dollars)

	Note	2018 \$	2017 \$
<b>Operating activities</b>			
Net loss for the period		(1,125,218)	(1,678,010)
Adjusted for:			
Share-based payments		-	540,000
Depreciation of property, plant and equipment included in research and development	5	2,350	2,350
Amortization of long-term debt discount	10	6,058	4,418
Convertible debenture discount	10	-	(59,824)
Amortization of convertible debenture discount	10	34,844	28,656
Finance cost accrued	9, 10	392,970	337,710
		(688,996)	(824,700)
Changes in non-cash operating working capital items:			
Accounts receivable		(538,556)	(57,566)
Research and development tax credits and grant receivable		-	(58,371)
Sales taxes receivables		(27,577)	(44,694)
Other assets		6,216	329,850
Prepaid expenses		1,034	1,669
Accounts payable and accrued liabilities		705,677	182,520
Deferred revenue		33,333	(75,877)
Deferred payment		(113,547)	-
		66,580	277,531
<b>Net cash used in operating activities</b>		<b>(622,416)</b>	<b>(547,169)</b>
<b>Investing activities</b>			
Disposal of exploration and evaluation assets held for sale		-	200,000
<b>Net cash provided by investing activities</b>		<b>-</b>	<b>200,000</b>
<b>Financing activities</b>			
Net proceeds from exercise of options	12	30,000	-
Repayment of bridge loans		-	(140,000)
Promissory note from a related party	9	400,000	-
Short-term loans from a related party		-	200,000
<b>Net cash provided by financing activities</b>		<b>430,000</b>	<b>60,000</b>
Net change in cash		(192,416)	(287,169)
Cash – beginning		494,799	526,366
<b>Cash – end</b>		<b>302,383</b>	<b>239,197</b>
<b>Going concern</b>	1		
<b>Supplemental information</b>	16		

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 months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Dundee Sustainable Technologies Inc. (the "Corporation") was incorporated under the Canada Business Corporations Act on July 22, 1997. The Corporation's head office is located at 1002 Sherbrooke Street West, Suite 2060, Montréal, Quebec, Canada, H3A 3L6.

The Corporation offers 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, 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 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's has developed new processes to remove and incorporate arsenic into a highly stable glass matrix. The costs of sequestering the arsenic using DST vitrification technology are lower than conventional approaches, such as the formation of scorodite, and produce a stable, insoluble glass residue meeting environmental requirements.

These technologies are subject to all risks inherent in their development and may require significant additional development, testing and investment prior to any final commercialization. There can be no assurance that such technologies will be successfully developed, or that output from any use of the Corporation's technologies could be produced at a commercial level at reasonable costs or be successfully marketed. To date, the Corporation has not earned significant revenues from its patented technologies and is considered to be in the development stage. As at March 31, 2018, Dundee Corporation ("Dundee") was the principal and majority shareholder of the Corporation.

For the three months ended March 31, 2018, the Corporation incurred a loss of \$1,125,218 (\$1,678,010 for the three months ended March 31, 2017) and has negative working capital of \$13,628,720 (2017 – \$12,680,020). Deficit as at March 31, 2018 amounted to \$75,804,361 (\$74,679,143 as at December 31, 2017) and cash flows used in operating activities for the three months ended March 31, 2018 amounted to \$622,416 (\$547,169 for the three months ended March 31, 2017).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to March 31, 2019. 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 unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2018 ("March 2018 Interim Consolidated Financial Statements) have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, the above-noted facts and circumstances cast significant doubt on the Corporation's ability to continue as a going concern.

The March 2018 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 May 7, 2018, these condensed interim consolidated financial statements were approved by the Board of Directors.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the months ended March 31, 2018 and 2017

(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

The March 2018 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 2018 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, 2017 (“2017 Audited Consolidated Financial Statements”) which were prepared in accordance with IFRS as applicable for annual financial statements.

The March 2018 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the 2017 Audited Consolidated Financial Statements.

#### 2.2 Changes in accounting policies

Effective January 1, 2018, the following new standards have been applied when preparing these condensed interim consolidated financial statements. The Corporation adopted IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. The Corporation adopted these new standards retrospectively without restating comparatives. The impact of applying the standards is described below.

##### a) IFRS 9, “Financial Instruments”

In July 2014, the IASB issued final amendments to IFRS 9, replacing International Accounting Standard (“IAS”) 39, Financial Instruments: Recognition and Measurement, already adopted by the Corporation. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument.

Based on the Corporation’s detailed assessment of the classification and measurement of financial assets, its financial instrument currently measured at fair value with any resulting gains or losses recognized through profit or loss would continue to be measured on the same basis under IFRS 9. Accordingly, the new standard do not have a significant impact on the classification and measurement of its financial assets.

There is no impact on the Corporation’s accounting for financial liabilities, as the Corporation does not have financial liabilities designated at fair value through profit or loss and does not have any material debt modifications.

The Corporation does not have any hedging instrument at the time of the transition.

The Corporation’s new accounting policies for financial instruments under IFRS 9 are as follow:

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

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

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

#### Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and liabilities are initially measured and recognized at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in net loss.

Classification of financial instruments in the Corporation's consolidated financial statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

#### a) Financial assets

Financial assets are subsequently measured at amortized cost when the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at fair value unless they are measured at amortized cost. Financial instruments subsequently measured at fair value can be carried at fair value with changes in fair value recorded in profit or loss, or in other comprehensive income if they are not held for trading and are designated as such on initial recognition.

The impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses and applies to financial assets measured at amortized cost. The financial asset of the Corporation measured at amortized cost are cash and accounts receivable. The Corporation elected to apply the simplified approach of impairment under IFRS 9 which accounts for the expected lifetime loss at the initial recognition of financial asset. The impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and it can be verified.

#### b) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for:

- Financial liabilities at FVTPL. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognizing or when the continuing involvement approach applies.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

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

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

##### b) 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 establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

IFRS 15 is based on the general principle that revenue is recognized when control of a good or service transfers to a customer rather than when the significant risks and rewards of ownership are transferred as is the case under IAS 18.

The implementation of IFRS did not have a material impact on the Corporation's revenue recognition policy.

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

##### 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 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted for entities that also adopt IFRS 15. The Corporation is currently assessing the impact of this standard on its consolidated financial statements.

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

The preparation of the March 2018 Interim Consolidated Financial Statements in accordance with IFRS requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, and items in net earnings or loss, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis.

Such estimates are based on various assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the March 2018 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in note 3 to the 2017 Audited Consolidated Financial Statements.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

### 4. ACCOUNTS RECEIVABLE

The accounts receivable includes the technical 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 third party (Note 8).

	As at March 31, 2018	As at December 31, 2017
	\$	\$
Technical services	477,300	441,613
Other receivables	928,231	425,362
	<b>1,405,531</b>	<b>866,975</b>

### 5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Office furniture and computer equipment	Total
	\$	\$	\$
<b>Gross carrying amount</b>			
Balance – January 1 and March 31, 2018	47,000	134,085	181,085
<b>Accumulated depreciation</b>			
Balance – January 1, 2018	37,600	134,085	171,685
Depreciation	2,350	-	2,350
Balance – March 31, 2018	39,950	134,085	174,035
<b>Net carrying amount – March 31, 2018</b>	<b>7,050</b>	<b>-</b>	<b>7,050</b>
<b>Net carrying amount – December 31, 2017</b>	<b>9,400</b>	<b>-</b>	<b>9,400</b>

### 6. INTANGIBLE ASSETS

	As at March 31, 2018 and December 31, 2017
	\$
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)
	<b>4,613,813</b>

### 7. GOVERNMENT ASSISTANCE

In January 2018, the Corporation was awarded funding by the Government of Canada through Sustainable Development Technology Canada Foundation ("SDTC") for continued development of its patented arsenic vitrification technology. This funding will assist the Corporation in constructing and operating a demonstration scale arsenic vitrification plant to a metals processing facility. The construction of the plant is expected to be completed in the second half of 2018 and after commissioning, is expected to be operational in late 2018 or early 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 (Note 16).



**Dundee Sustainable Technologies Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Unaudited)  
For the months ended March 31, 2018 and 2017  
(Expressed in Canadian dollars)

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**8. DEFERRED PAYMENT**

In September 2017, the Corporation entered into a collaboration agreement with a third party for the construction and operation of an onsite demonstration plant using the Corporation's proprietary arsenic stabilization technology (the "arsenic demonstration plant project"). The plant, to be funded by the third party, has an estimated capital cost of US\$3.1 million and will be constructed in Thetford Mines and delivered to the third party's metal processing facility in 2018.

In January 2018, the Government of Canada awarded funding in the amount of \$1.25 million through the SDTC (Note 7). This funding will assist the Corporation in delivering the arsenic demonstration plant project to the third party.

As part of the collaboration agreement, the Corporation received an advance payment of \$639,876 (US\$500,000) from the third party, which will be applied to reduce cost recoveries from the third party until September 2018.

<b>Deferred payment</b>	<b>Three months ended March 31, 2018</b>
	\$
Balance – beginning of period	564,778
Recognition of contribution through comprehensive loss as per eligible expenditures incurred during the period	(124,991)
Loss on foreign exchange	11,444
<b>Balance – end of period</b>	<b>451,231</b>

**9. PROMISSORY NOTE AND SHORT-TERM LOANS FROM A RELATED PARTY**

**9.1 Promissory note**

In November 2017 and February 2018, the Corporation signed two promissory notes in the principal amount of \$500,000 and \$400,000 respectively, payable on demand to a wholly owned subsidiary of Dundee along with interest at a rate of 18% per annum. As at March 31, 2018, the principal amount of the promissory note totals \$900,000 and the finance cost accrued during the period amounted to \$29,885.

**9.2 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 2017, the maturity date of the loans were extended to the earlier of May 31, 2018 and the date at which the Corporation raises the sum of \$10,000,000 or greater by way of debt or equity. The Corporation has the option to repay the loans at any time.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

### 9. PROMISSORY NOTE AND SHORT-TERM LOANS FROM A RELATED PARTY (CONT'D)

#### 9.2 Short term loans (Cont'd)

As at March 31, 2018, the principal amount of the loans totaled \$8,310,000 (\$8,310,000 – as at December 31, 2017).

Short-term loans	Three months ended March 31,	
	2018	2017
	\$	\$
Balance – beginning of period	11,707,157	10,299,685
Principal amount	-	200,000
Finance costs accrued	259,819	255,250
<b>Balance – end of period</b>	<b>11,966,976</b>	<b>10,754,935</b>

### 10 CONVERTIBLE DEBENTURE AND LOANS

#### 10.1 Convertible debenture

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

The IQ Loan, which is evidenced by a secured convertible debenture, will mature in five years, bear interest at a rate of 8% per annum, payable quarterly, and can be converted after one year at the holder's option into subordinate voting shares of the Corporation at a conversion price equal to the closing market price of the shares on the day prior to conversion. 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 three months ended March 31, 2018, the Corporation capitalized \$103,267 in interest (\$80,493 during the three months ended March 31, 2017).

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 component 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.

	Three months ended March 31,	
	2018	2017
	\$	\$
Carrying amount of the liability component – beginning of period	4,052,043	3,608,207
Capitalized interest expense	103,267	80,493
Debt discounted at fair value	-	(59,824)
Accretion expense	34,843	28,656
<b>Carrying amount of the liability component – end of period</b>	<b>4,190,153</b>	<b>3,657,532</b>

**Dundee Sustainable Technologies Inc.**  
**Notes to Condensed Interim Consolidated Financial Statements**  
(Unaudited)  
For the months ended March 31, 2018 and 2017  
(Expressed in Canadian dollars)

**10 CONVERTIBLE DEBENTURE AND LOANS (CONT'D)**

**10.2 CED contribution agreement**

Under an amended agreement dated October 12, 2016, the Corporation received from CED a \$397,000 repayable contribution (the "CED Contribution"). The CED Contribution was used by the Corporation for the acquisition of equipment for its demonstration plant (the "Project") in Theftord 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 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.

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
Balance– beginning	207,114	151,049
Accretion expense	6,058	4,418
<b>Balance – end</b>	<b>213,172</b>	<b>155,467</b>

**11. SHARE CAPITAL**

**11.1 Authorized**

On March 31, 2018 and December 31, 2017, 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.

## Dundee Sustainable Technologies Inc.

### Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

#### 11.2 Warrants

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

	Three months ended			
	2018		March 31, 2017	
	Number of warrants	Carrying amount	Number of warrants	Carrying amount
		\$		\$
<b>Balance – Beginning and end</b>	<b>14,285,714</b>	<b>200,000</b>	<b>-</b>	<b>-</b>

#### 12. STOCK OPTION PLAN

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

	Three months ended March 31,			
	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – beginning	23,802,500	0.08	10,877,500	0.13
Granted	-	-	13,500,000	0.05
Exercised <sup>(1)</sup>	(600,000)	0.05	-	-
Expired	(600,000)	0.20	(475,000)	0.20
<b>Balance – end</b>	<b>22,602,500</b>	<b>0.08</b>	<b>23,902,500</b>	<b>0.08</b>

<sup>(1)</sup> The weighted average share price was \$0.10.

As at March 31, 2018, outstanding and exercisable options are as follows:

Number of options	Weighted average exercise price	Expiry date
	\$	
962,500	0.09	June 21, 2018
600,000	0.05	November 23, 2018
1,300,000	0.08	December 8, 2018
6,637,500	0.10	December 12, 2018
352,500	0.20	October 2, 2019
11,050,000	0.05	February 3, 2022
1,700,000	0.20	November 27, 2022
<b>22,602,500</b>		

The residual weighted average contractual term of outstanding options was 2.53 years as at March 31, 2018.

# Dundee Sustainable Technologies Inc.

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited)

For the months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

### 13. RESEARCH AND DEVELOPMENT

	Three months ended March 31,	
	2018	2017
	\$	\$
Research and development	1,405,181	379,695
Recognition of net contribution receivable through comprehensive loss as per eligible expenditures incurred during the period (Note 8)	(1,059,309)	-
SDTC contribution	-	(58,371)
Government subsidy on long-term debt	-	(59,825)
	<b>345,872</b>	<b>261,499</b>

### 14. COMMITMENTS

#### Lease payments

On July 1, 2013, the Corporation entered into a ten 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 March 9, 2018, the Corporation entered into a lease extension for its head office until August 31, 2019. The annual rent is \$51,000.

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

	As at March 31, 2018
	\$
Less than 1 year	268,746
Between 1 and 5 years	928,697
More than 5 years	58,203

### 15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31,	
	2018	2017
	\$	\$
Finance cost paid	-	2,802

### 16. SUBSEQUENT EVENTS

#### Government assistance

As part of the SDTC Contribution Agreement, the Corporation received in April 2018, \$562,500 from SDTC as part of the agreement to assist with the construction and operation of the arsenic vitrification plant.

# **Dundee Sustainable Technologies Inc.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**(Unaudited)**

For the months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

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### **16. SUBSEQUENT EVENTS (CONT'D)**

#### **Stock options**

In April 2018, the Corporation granted a total of 7,750,000 stock options to its directors, officers, employees and one consultant. These options are exercisable at \$0.10 per share, vest fully at the grant date and expire on April 2023.

# **Dundee Sustainable Technologies Inc.**

## Management's Discussion and Analysis

For the three months ended March 31, 2018

1002 Sherbrooke Street West, Suite 2060, Montréal, QC, H3A 3L6  
Tel.: 514.866 6001 / [www.dundeetechnologies.com](http://www.dundeetechnologies.com)

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

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FOR THE THREE MONTHS ENDED MARCH 31, 2018

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# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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### BACKGROUND

This Management's Discussion and Analysis ("MD&A") of Dundee Sustainable Technologies Inc. ("DST" or the "Corporation") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three months ended March 31, 2018.

This MD&A 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, 2017 (the "2017 Audited Consolidated Financial Statements"), together with the accompanying MD&A for the year then ended, and with the unaudited condensed interim consolidated financial statements of the Corporation as at and for the three months ended March 31, 2018 (the "March 2018 Interim Consolidated Financial Statements"), all of which have been prepared using International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all figures are in Canadian dollars, the presentation and functional currency.

### INCORPORATION AND NATURE OF OPERATIONS

#### Incorporation

The Corporation was incorporated under the Canada Business Corporations Act on July 22, 1997. The Corporation's head office is located at 1002 Sherbrooke West, Suite 2060, Montréal, Quebec, Canada, H3A 3L6.

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

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

At March 31, 2018, Dundee owned 178.1 million subordinate voting shares and 50.0 million multiple voting shares of the Corporation giving Dundee a 63% equity interest and an 84% voting interest in the Corporation.

#### Nature of Operations

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

#### *Gold Extraction by Chlorination*

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

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

The Corporation has received from Environment Canada, through the Canadian Environmental Technology Verification Program ("ETV"), an independent certification of the performance of its cyanide-free gold extraction process.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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### *Arsenic Stabilization by Vitrification*

DST has constructed a pilot plant to demonstrate its arsenic stabilization process, which is designed for the sequestration of this contaminant in a stable glass form. This process is an attractive technique to permanently segregate arsenic and presents therefore opportunities to process materials considered too toxic to be exploited or stabilized using conventional mining methods.

The Corporation has protected its intellectual property by filing patents during the development of its technologies. To date, the Corporation has patents granted or published on 13 different processes, and it has 57 patents granted, published, pending or filed in 16 different countries. These patents expire between 2022 and 2034.

Inherent in the commercialization of these processes is significant technology development risk. Each of these processes may require significant additional development, testing and investment prior to final commercialization. There can be no assurance that such technologies will be successfully developed, or that output from any use of the Corporation's processes could be produced at a commercial level at reasonable costs or successfully marketed.

## **OPERATIONS DURING THE FIRST QUARTER OF 2018**

### Gold Chlorination Technology

During the second quarter of 2017, the Corporation completed the audit with Sustainable Technology Development Canada and finalized the project with them and received the payment of the final holdback. The intention is to initiate an independent technical-economic study, designed with the objective of building DST's first commercial plant in partnership with a strategic partner.

### Arsenic Stabilization Technology

During the fourth quarter, the Corporation began construction of a demonstration scale vitrification plant that is expected to be completed in the third quarter of 2018. Commissioning will begin immediately thereafter. This plant will be financed through a collaboration arrangement with a third party and will provide proof of the arsenic technology in an operating industrial environment. The Corporation also announced that SDTC has awarded a grant of \$1.25 million to offset some of the costs associated with this plant.

### Arsenopyrite Process

In February 2017, Dundee Technologies entered into a contract with Radisson Mining to conduct a pilot scale program on samples from their gold project located in the Abitibi region of Quebec. Under the terms of this contract, the Corporation received a five tonne sample of representative material. The objective of the program was to confirm that complex refractory gold concentrates can undergo a pre-treatment to create an arsenic depleted mineral concentrate, and subsequently undergo gold and base metals extraction using DST's chlorination process or be sold on the concentrate market. This test program was overseen by an independent consulting firm, with the view of providing the necessary data to Radisson to update its preliminary economic assessment. DST successfully removed 92.2% of the arsenic from this highly refractory material.

### Cobaltite Process

In December 2017, the Corporation was engaged by eCobalt Solutions Inc. for the testing of a new method for the treatment of a cobaltite concentrate. The Corporation was able to reduce the arsenic content in the concentrate from 18% to 0.15% at the laboratory scale. The tests were encouraging enough for eCobalt to begin a seven (7) tonne bulk sample that will be completed in the second quarter of 2018.

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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### Technical Services

The Corporation continued to sign a number of technical services contracts in the first quarter of 2018 with companies in the graphite, cobalt, gold, magnesium and lithium spaces. This business is expected to continue to grow throughout 2018.

### **BUSINESS STRATEGY**

The growing pressure from communities and government authorities over the use of cyanide in various jurisdictions around the world is forcing developing gold projects to seek alternative processes that can extract the gold without the environmental liabilities associated with cyanide, while maintaining control over the deleterious elements such as arsenic, mercury and antimony.

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

DST's business plan is focused on controlling both of its technologies and leveraging them to become a major player in the industry. The Corporation has a unique opportunity to emerge as a major stakeholder in multiple mining projects. In the immediate term, DST is focused on advancing its discussions with major gold and copper producing companies on building alternative processing and stabilization processes. The Corporation is currently processing test material for a number of customers. Assuming successful results, the next step is to negotiate the business terms with those customers for commercializing its technologies.

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

### **INFORMATION ON EQUITY**

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

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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	<b>May 7, 2018</b>
Subordinate voting shares issued	311,976,530
Options	30,352,500
Warrants	14,285,714
<b>Total – fully diluted subordinate voting shares</b>	<b>356,614,744</b>

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<b>Multiple voting shares issued</b> (each multiple voting share has 10 votes)	<b>50,000,000</b>
--	-------------------

(1) At May 7, 2018, Dundee owned 178,068,497 subordinate voting shares of the Corporation (63%) and all of the outstanding multiple voting shares.

### STOCK OPTION PLAN

The Board of Directors of the Corporation has full and final discretion to designate the persons who are to be granted options and to determine such number of options as well as their exercise price and vesting period. The exercise price shall not be less than that permitted under the rules of any stock exchange on which the subordinate voting shares are listed. The purpose of the stock option plan is to serve as an incentive for the directors, officers, employees and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan.

### FINANCING ACTIVITIES

#### Three months ended March 31, 2018

##### *Options Exercise*

In March 2018, 600,000 options have been exercised for an equal number of subordinate voting shares at a price of \$0.05 per option, for aggregate proceeds to the Corporation of \$30,000.

##### *Promissory note from a Related Party*

In February 2018, the Corporation signed a promissory note in the principal amount of \$400,000 payable on demand to a wholly-owned subsidiary of Dundee along with interest at a rate of 18% per annum.

As at March 31, 2018, the principal amount of the promissory note totalled \$900,000 and the finance cost accrued during the period amounted to \$29,885.

#### Three months ended March 31, 2017

##### *Short-term Loans from a Related Party*

In 2014, Dundee Resources Limited, a wholly owned subsidiary of Dundee, agreed to loan (the "Short-term Loans") up to \$6,000,000 to the Corporation. During 2015 and 2016, the aggregate amount of the loans was increased by \$1,650,000 and \$500,000 respectively for a total of \$8,150,000.

During the three months ended March 31, 2017, an amount of \$200,000 was advanced bringing the total advance to \$8,150,000 as at March 31, 2017.

The secured loans bear interest at the rate of 12.68% per annum and mature on the earlier of May 31, 2018 and the date at which the Corporation raises the sum of \$10 million or greater by way of debt or equity.

##### *Bridge Loan*

In October 2016, an unsecured bridge loan, payable on demand, of \$300,000 was advanced to the Corporation. The loan was partially reimbursed in December 2016 for a total amount of \$160,000 including interest of \$3,360. The outstanding bridge loan of \$140,000 and accrued interest of \$6,580 was reimbursed in January 2017.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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### INVESTING ACTIVITIES

#### Shining Tree properties

The Shining Tree properties consist of 14 mining leases and 37 mining claims. The Corporation sold the mining claims for an amount of \$400,000. In March 2017, the Corporation received \$200,000 and the closing of the sale of the mining leases for an additional \$200,000 was completed in the second quarter of 2017.

### LIQUIDITY AND WORKING CAPITAL

On March 31, 2018, the working capital of the Corporation was at negative \$13,628,720 (at negative \$12,680,020 as at December 31, 2017). This working capital deficiency includes a \$12,910,669 (\$12,220,965 as at December 31, 2017) short-term loan (principal and accrued interest) from Dundee. Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to March 31, 2019. The Corporation will therefore periodically have to raise additional funds to continue operations. The Corporation is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Corporation will be successful in these actions, management believes, based on previous fund-raising experience, that it will be able to secure the necessary financing through the issuance of debt or new equity in public or privately negotiated equity offering. While it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

### DISCUSSION AND ANALYSIS OF OPERATIONS

The Corporation reported a loss of \$1,125,218 during the three months ended March 31, 2018, compared with a loss of \$1,678,010 in the same period of the prior year.

Revenues totalled \$528,825 during the three months ended March 31, 2018 with related cost of \$436,445 recorded under other operating expenses. The Corporation reported revenues of \$211,195 with related cost of \$269,707 in the same period of the prior year.

The Corporation's total operating expenses amounted to \$1,216,519 during the three months ended March 31, 2018 as compared to \$1,514,554 during the same period in 2017.

#### Revenues

During the first quarter of 2018, the Corporation processed test material for a number of customers including major gold producers for testing of ores and concentrates using the Corporation's technologies. As well, exploration and development companies in other commodities including cobalt, nickel, graphite and lithium utilized the Corporation's facilities for advancement of their projects.

DST provided its technical expertise and its facilities to these companies to evaluate the development of their projects using the Corporation's Thetford Mines facility including its chlorination process for precious metal extraction and/or its arsenic stabilization process. The technical services may serve to demonstrate the efficiency of the Corporation's technologies at the laboratory and/or pilot scales on specific projects in need of viable processing alternative and initiate engineering studies required for an industrial implementation.

#### Operating expenses

The major components of the operating expenses are as follows:

#### Research and development

During the first three months of 2018, the Corporation incurred \$1,405,181 (\$379,695 in the same period of 2017) in research and development expenses in respect of its chlorination and arsenic stabilization processes. These costs relate to the construction of the arsenic demonstration plant, research activities conducted in the arsenic technology pilot plant and the laboratory. The remaining expenses relate to the operation of the chlorination process demonstration plant.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

The Corporation periodically receives reimbursements of project expenses generated under collaboration agreement with a third party and financial assistance under government incentive programs. These compensates DST for expenses incurred are normally recognized as a reduction to research and development expense on a systematic basis in the same periods in which the expenses are incurred. On a net-of-assistance basis, research and development costs represented \$345,872 (\$261,499 during the same period in 2017).

	Three months ended March 31,	
	2018	2017
	\$	\$
Chlorination process	253,624	328,101
Arsenic stabilization process	1,151,557	51,594
Research and development expenses	1,405,181	379,695
Recognition of net contribution receivable	(1,059,309)	-
Government subsidy on convertible debenture	-	(59,825)
SDTC Contribution	-	(58,371)
<b>Research and development expenses, net</b>	<b>345,872</b>	<b>261,499</b>

	Three months ended March 31,			
	2018		2017	
	Chlorination	Arsenic	Chlorination	Arsenic
	\$	\$	\$	\$
Wages and compensation	90,524	177,534	157,328	50,157
Contractors	11,134	220,696	63,804	987
Building maintenance	76,954	18,468	3,896	450
Equipment	-	723,785	567	-
Consumables	40,150	11,074	64,460	-
Other	35,132	-	38,046	-
<b>Research and development expenses</b>	<b>253,624</b>	<b>1,152,557</b>	<b>328,101</b>	<b>51,594</b>

### *Professional and consulting fees*

	Three months ended March 31,	
	2018	2017
	\$	\$
Legal	10,587	16,021
Audit, audit related work and tax compliance	73,640	90,000
Accounting	-	31,770
Consulting administration	47,500	37,208
<b>Professional and consulting fees</b>	<b>131,727</b>	<b>174,999</b>

Accounting includes the remuneration of the former Chief Financial Officer that was recorded as an accounting expense and beginning in June 2017, the controller of the Corporation took the position as Chief Financial Officer and his remuneration is now recorded under Wages and Compensation.

Consulting administration fees relates to the President and Chief Executive Officer's (CEO) compensation. The remuneration of the President and CEO is based on a monthly rate of \$15,833.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

### Administrative expenses

	Three months ended March 31,	
	2018	2017
	\$	\$
Insurance	42,469	55,833
Rent	54,158	49,422
Website and technical support	6,325	15,680
Travel and accommodations	19,707	20,821
Telecommunications and others	20,809	19,343
<b>Administrative expenses</b>	<b>143,468</b>	<b>161,099</b>

### Wages and compensation

	Three months ended March 31,	
	2018	2017
	\$	\$
Employees	127,930	84,995
Director fees	8,000	9,000
<b>Administrative expenses</b>	<b>135,930</b>	<b>93,995</b>

Starting in June 2017, the remuneration of the Chief Financial Officer is now recorded under Wages and Compensation.

### Other Gains and Losses

During the three months ended March 31, 2018, finance costs relates to interest expenses capitalized on the Dundee short-term loan (\$289,703), the IQ Loan (\$103,267 capitalized and \$34,843 accretion expense) and the CED contribution agreement (\$6,058 accretion expense). During the same period of 2017, finance costs relates to interest expenses capitalized on the Dundee short-term loan (\$255,250), the IQ Loan (\$80,493 capitalized and \$28,656 accretion expense), the CED contribution agreement (\$4,418 accretion expense), the bridge loan (\$1,967) and other (\$114).

## SELECTED QUARTERLY INFORMATION

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

	Q1-18	Q4-17	Q3-17	Q2-17
	\$	\$	\$	\$
Total revenue	518,925	869,034	681,161	662,196
Net loss and comprehensive loss	1,125,218	742,163	1,142,908	884,541
Basic and diluted net loss per share	0.003	0.002	0.003	0.003
	Q1-17	Q4-16	Q3-16	Q2-16
	\$	\$	\$	\$
Total revenue	211,195	34,499	610,680	553,752
Net loss and comprehensive loss	1,678,010	237,461	1,068,247	1,365,395
Basic and diluted net loss per share	0.005	0.001	0.003	0.004

The variation in net loss and comprehensive loss is mainly attributable to the level of research and development activities from one quarter to the other.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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### OUTLOOK FOR 2018

The Company continues to move towards the commercialization of its Technologies and seeking to maximize the value of all of its assets to accelerate this growth. The Corporation has five initiatives that it will execute to ensure success.

#### *Chlorination Process:*

The Corporation completed the second of two gold chlorination campaigns through the processing of a complex concentrate from Chile in December 2016 and the Corporation finalized the Demonstration Campaign Report during the first quarter of 2017. The processing of these materials continued to establish the proof of concept of the Corporation's chlorination process for different ore and concentrate streams. The intention is to initiate an independent technical-economic study, designed with the objective of building DST's first commercial plant in partnership with a strategic partner. The Company is in discussions with several properties to test and pilot their ores and concentrates using the chlorination technology.

#### *Arsenic Stabilization Process:*

The Corporation completed the engineering of an onsite industrial scale demonstration plant to be delivered to a third party. Construction commenced in the fourth quarter of 2017. The plant, to be funded by the third party, has an estimated cost of US\$3.1 million and will be constructed in Thetford Mines and delivered to the third party's metal processing facility in 2018.

#### *Arsenopyrite:*

The Corporation has recently signed a contract to further validate its technologies on more complex ores and is pilot testing a five-tonne sample of complex refractory ore. Successful completion of this project, expected in the second quarter of 2018, will open up a number of deposits to development that were previously stranded.

#### *Cobaltite:*

In February 2018, the Corporation began processing a seven (7) tonne sample of concentrate from eCobalt Solutions Inc. The Corporations' approach to the processing of arsenic contaminated cobaltite is expected to make a significant improvement to the economics of the processing of the concentrate. In March 2018, the Company began metallurgical testing of tailings from First Cobalt Corporation's property in Cobalt, Ontario.

#### *Technical Services:*

With the completion of the two gold chlorination demonstration campaigns, the Corporation owns a state of the art crushing, grinding, mineral processing (hydrometallurgy and pyrometallurgy) facility which is being made available for test programs from the lab scale up to the thousands of tonnes scale. Management is in discussions with numerous parties with respect to specific projects that could maximize the value of our Thetford facility.

Management estimates that the Corporation will have to raise approximately \$2 million to fund its operations and to continue its activities in 2018. Although there is no assurance that the Corporation will be successful in these actions, management believes, based on previous fund-raising experience, that it will be able to secure the necessary financing through the issuance of debt or new equity in public or privately negotiated equity offering. While it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

### OFF BALANCE SHEET ARRANGEMENTS

The Corporation did not enter into any off-balance sheet arrangements during the three months ended March 31, 2018 and 2017

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The contractual obligations of the Corporation include lease payments for the Thetford Mines facilities and the head office in Montreal (Refer to Note 14 to the financial statements for the three months ended March 31, 2018).



# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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### SUBSEQUENT EVENTS

#### *Government assistance*

As part of the SDTC Contribution Agreement, the Corporation received in April 2018, \$562,500 from SDTC as part of the agreement to assist with the construction and operation of the arsenic vitrification plant.

#### *Stock options*

In April 2018, the Corporation granted a total of 7,750,000 stock options to its directors, officers, employees and one consultant. These options are exercisable at \$0.10 per share, vest fully at the grant date and expire on April 2023.

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Corporation's critical accounting policies, estimates, judgments, assumptions in the financial statements as at December 31, 2017 in notes 1, 2 and 3.

#### *Changes in accounting policies*

Effective January 1, 2018, the following new standards have been applied when preparing the March 2018 Interim Consolidated Financial Statements. The Corporation adopted IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. The Corporation adopted these new standards retrospectively without restating comparatives. The impact of applying the standards is described below.

#### *a) IFRS 9, "Financial Instruments"*

In July 2014, the IASB issued final amendments to IFRS 9, replacing International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement, already adopted by the Corporation. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument.

Based on the Corporation's detailed assessment of the classification and measurement of financial assets, its financial instrument currently measured at fair value with any resulting gains or losses recognized through profit or loss would continue to be measured on the same basis under IFRS 9. Accordingly, the new standard do not have a significant impact on the classification and measurement of its financial assets.

There is no impact on the Corporation's accounting for financial liabilities, as the Corporation does not have financial liabilities designated at fair value through profit or loss and does not have any material debt modifications.

The Corporation does not have any hedging instrument at the time of the transition.

The Corporation's new accounting policies for financial instruments under IFRS 9 are as follow:

#### **Financial instruments**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and liabilities are initially measured and recognized at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in net loss.

Classification of financial instruments in the Corporation's consolidated financial statements depends on the purpose for which the financial instruments were acquired or incurred. Management determines the classification of financial instruments at initial recognition.

### a) Financial assets

Financial assets are subsequently measured at amortized cost when the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are subsequently measured at fair value unless they are measured at amortized cost. Financial instruments subsequently measured at fair value can be carried at fair value with changes in fair value recorded in profit or loss, or in other comprehensive income if they are not held for trading and are designated as such on initial recognition.

The impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses and applies to financial assets measured at amortized cost. The financial asset of the Corporation measured at amortized cost are cash and accounts receivable. The Corporation elected to apply the simplified approach of impairment under IFRS 9 which accounts for the expected lifetime loss at the initial recognition of financial asset. The impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and it can be verified.

### b) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for:

- Financial liabilities at FVTPL. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognizing or when the continuing involvement approach applies.

### b) 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 establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

IFRS 15 is based on the general principle that revenue is recognized when control of a good or service transfers to a customer rather than when the significant risks and rewards of ownership are transferred as is the case under IAS 18.

The implementation of IFRS did not have a material impact on the Corporation's revenue recognition policy.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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### ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

#### *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 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted for entities that also adopt IFRS 15. The Corporation is currently assessing the impact of this standard on its 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 20 to the annual consolidated financial statements for the years ended December 31, 2017 and 2016.

### RISKS AND UNCERTAINTIES

Except as otherwise disclosed in this MD&A, there have been no significant changes to the nature and scope of the risks faced by the Corporation from those described in the 2017 MD&A of the Corporation. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

### FORWARD LOOKING STATEMENTS

DST's public communications may include written or oral forward-looking statements. Statements of this type are included in this MD&A and may be included in other filings with the Canadian regulators, stock exchanges or in other communications. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of applicable securities laws. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Corporation's objectives and priorities for 2018 and beyond, and strategies or further actions with respect to the Corporation, its products and services, business operations, financial performance and condition. Forward looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Corporation's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and those affecting the technology and resources industries generally. The forward-looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

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

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

**DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE THREE MONTHS ENDED MARCH 31, 2018

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**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).

May 7, 2018

*(s) Brian Howlett*

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Brian Howlett  
President and CEO

*(s) Arved Marin*

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Arved Marin  
CFO