

## FORM 5

### QUARTERLY LISTING STATEMENT

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

Trading Symbol: DST

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 CNSX 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 CNSX.ca 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 CNSX 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 – *INCLUDED IN THE FINANCIAL STATEMENTS – note 13 and MD&A page 12***

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. Contractual obligations with Related Persons, separate from other contractual obligations.
- (e) 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 |
|----------------|--|--|---------|-------|----------------|--|--|-----------------|
| August 2, 2014 | Subordinate voting shares                                      | Exercise of warrants   | 300,000 | \$.20 | 60,000         | cash   | Non related  | N/A             |
|                |  |  |         |       |                |  |  |                 |

(b) summary of options granted during the period, **No options were granted.**

| 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,-  
**229,206,201 subordinate voting shares - \$43,247,353**  
**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. **See notes 10.5 and 11 to Condensed Interim Consolidated Financial Statements.**

and

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.  
**115,261,647 subordinate voting shares - 45,000,000 multiple voting shares**

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, Chairman and director**  
**Pierre Gauthier, President and CEO and Director**  
**Jean-Marc Lalancette, Vice-President, Research & Development and Director**  
**Ned Goodman, Director**  
**Mark Goodman, Director**  
**Hubert Marleau, Director**  
**Ronald Singer, Director**  
**Vatché Tchakmakian, CFO**  
**Luce Saint-Pierre, Secretary**

#### **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 CNSX 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 CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated November 30, 2014.

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<br>Dundee Sustainable Technologies Inc.  | For Quarter Ended<br>September 30              | Date of Report<br>YY/MM/D<br>14/11/30          |
| Issuer Address<br>2750 – 600 de Maisonneuve West  |  |  |
| City/Province/Postal Code<br>Montréal, Quebec H2V 2V9   | Issuer Fax No.<br>514-866-6193                 | Issuer Telephone No.<br>514-866-6001 ext. 230  |
| Contact Name<br>Luce L. Saint-Pierre  | Contact Position<br>Corporate Secretary        | Contact Telephone No.<br>514-866-6001 ext. 230 |
| Contact Email Address<br><a href="mailto:llsp@dundeetechnologies.com">llsp@dundeetechnologies.com</a> | Web Site Address<br>www/dundeetechnologies.com |  |

# **Dundee Sustainable Technologies Inc.**

(Formerly known as Nichromet Extraction Inc.)

Condensed Interim Consolidated Financial Statements

(Unaudited)

As at and for the three and nine months ended September 30, 2014

(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.*

600 De Maisonneuve Boulevard West, Suite 2750, Montréal, QC, H3A 3J2  
Tel.: 514.940.1046 Fax: 514.866.6193

**Dundee Sustainable Technologies Inc.**  
Interim Consolidated Statements of Financial Position  
(Unaudited)

|   | Note | As at<br>September 30,<br>2014 | As at<br>December 31,<br>2013 |
|---|------|--------------------------------|-------------------------------|
|   |      | \$                             | \$                            |
| <b>Assets</b>                                   |      |                                |                               |
| <b>Current assets</b>                           |      |                                |                               |
| Cash and cash equivalents                       |      | 339,110                        | 1,274,869                     |
| Research and development tax credits receivable |      | 321,380                        | 246,069                       |
| Sales taxes and other receivables               |      | 383,897                        | 634,913                       |
| Promissory notes receivable                     | 4    | -                              | 700,000                       |
| Prepaid expenses and advances to suppliers      |      | 48,975                         | 49,200                        |
|   |      | 1,093,362                      | 2,905,051                     |
| <b>Non-current assets</b>                       |      |                                |                               |
| Investments                                     | 4    | -                              | 2,770,654                     |
| Property, plant and equipment                   | 5    | 117,563                        | 54,916                        |
| Exploration and evaluation assets               | 6    | 22,182,481                     | -                             |
| Intangible assets                               | 7    | 4,613,813                      | 4,616,937                     |
| Other assets                                    |      | -                              | 157,881                       |
|   |      | 26,913,857                     | 7,600,388                     |
| <b>Total assets</b>                             |      | <b>28,007,219</b>              | <b>10,505,439</b>             |
| <b>Liabilities and Equity</b>                   |      |                                |                               |
| <b>Current liabilities</b>                      |      |                                |                               |
| Accounts payable and accrued liabilities        |      | 1,728,720                      | 534,924                       |
| Deferred contribution from SDTC                 | 8    | 473,763                        | -                             |
| Short-term loan with a related party            | 9    | 5,000,000                      | -                             |
| <b>Total liabilities</b>                        |      | <b>7,202,483</b>               | <b>534,924</b>                |
| <b>Equity</b>                                   |      |                                |                               |
| Share capital                                   | 10   | 47,211,228                     | 29,889,629                    |
| Contributed surplus                             |      | 7,779,680                      | 7,054,955                     |
| Deficit   |      | (34,186,172)                   | (26,974,069)                  |
| <b>Total equity</b>                             |      | <b>20,804,736</b>              | <b>9,970,515</b>              |
| <b>Total liabilities and equity</b>             |      | <b>28,007,219</b>              | <b>10,505,439</b>             |
| <b>Going concern</b>                            | 1    |                                |                               |
| <b>Commitments</b>                              | 14   |                                |                               |
| <b>Subsequent events</b>                        | 16   |                                |                               |

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)

(Expressed in Canadian dollars, except number of shares)

|   | Note | Three months ended<br>September 30, |                    | Nine months ended<br>September 30, |                    |
|---|------|-------------------------------------|--------------------|------------------------------------|--------------------|
|   |      | 2014                                | 2013               | 2014                               | 2013               |
|   |      | \$                                  | \$                 | \$                                 | \$                 |
| <b>Expenses</b>   |      |                                     |                    |                                    |                    |
| Research and development  | 12   | 1,751,892                           | 913,320            | 5,230,417                          | 1,885,745          |
| Professional and consulting fees  |      | 394,671                             | 244,189            | 1,047,059                          | 730,868            |
| Wages and compensation  |      | 54,234                              | 41,255             | 262,580                            | 202,311            |
| Administrative  |      | 163,407                             | 129,526            | 386,642                            | 263,271            |
| Trustee and registration fees   |      | 27,113                              | -                  | 47,896                             | -                  |
| Investor relation and promotion   |      | 62,155                              | -                  | 109,692                            | -                  |
| Share-based payments  |      | -                                   | -                  | -                                  | 104,589            |
| Depreciation of property, plant and equipment                                       |      | 721                                 | 1,098              | 3,069                              | 2,273              |
| Amortization of intangible assets   |      | -                                   | 2,473              | 3,124                              | 5,713              |
| <b>Total expenses</b>   |      | <b>2,454,193</b>                    | <b>1,331,861</b>   | <b>7,090,479</b>                   | <b>3,194,770</b>   |
| <b>Operating loss</b>   |      | <b>2,454,193</b>                    | <b>1,331,861</b>   | <b>7,090,479</b>                   | <b>3,194,770</b>   |
| Gain on investments   | 4    | -                                   | 345,485            | 143,109                            | 345,485            |
| Interest income   |      | 15                                  | 24,875             | 23,733                             | 26,742             |
| Interest expense  |      | (136,180)                           | -                  | (292,509)                          | -                  |
| Gain (loss) on foreign currency exchange  |      | (8,736)                             | 12,888             | 4,043                              | 7,283              |
| <b>Net loss and comprehensive loss</b>  |      | <b>2,599,094</b>                    | <b>948,613</b>     | <b>7,212,103</b>                   | <b>2,815,260</b>   |
| <b>Basic and diluted net loss per share</b>   |      | <b>0.01</b>                         | <b>0.01</b>        | <b>0.03</b>                        | <b>0.02</b>        |
| <b>Weighted average number of voting shares<br/>outstanding – basic and diluted</b> |      | <b>279,088,810</b>                  | <b>209,774,201</b> | <b>257,836,205</b>                 | <b>170,923,021</b> |

**Going concern** 1

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

## Dundee Sustainable Technologies Inc.

### Interim Consolidated Statements of Changes in Equity

(Unaudited)

Nine months ended September 30, 2014 and 2013

(Expressed in Canadian dollars, except number of shares)

|  | Note | Common<br>shares   | Share<br>capital  | Multiple<br>voting shares |                  | Subordinate voting<br>shares |                   | Contributed<br>surplus | Deficit             | Total<br>equity   |
|--|------|--------------------|-------------------|---------------------------|------------------|------------------------------|-------------------|------------------------|---------------------|-------------------|
|  |      | 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                                   | 10   | (214,928,724)      | (29,889,629)      | 50,000,000                | 3,963,875        | 164,928,724                  | 25,925,754        | -                      | -                   | -                 |
| Issuance of subordinate voting<br>shares for acquisition | 4    | -                  | -                 | -                         | -                | 63,615,477                   | 17,176,178        | -                      | -                   | 17,176,178        |
| Issuance of warrants for<br>acquisition                  | 4    | -                  | -                 | -                         | -                | -                            | -                 | 580,446                | -                   | 580,446           |
| Issuance of options for acquisition                      | 4    | -                  | -                 | -                         | -                | -                            | -                 | 182,300                | -                   | 182,300           |
| Warrants exercised                                       | 10   | -                  | -                 | -                         | -                | 412,000                      | 102,921           | (20,521)               | -                   | 82,400            |
| Options exercised  | 11   | -                  | -                 | -                         | -                | 250,000                      | 42,500            | (17,500)               | -                   | 25,000            |
| Net loss and comprehensive loss<br>for the period        |      | -                  | -                 | -                         | -                | -                            | -                 | -                      | (7,212,103)         | (7,212,103)       |
| <b>Balance – September 30, 2014</b>                      |      | <b>-</b>           | <b>-</b>          | <b>50,000,000</b>         | <b>3,963,875</b> | <b>229,206,201</b>           | <b>43,247,353</b> | <b>7,779,680</b>       | <b>(34,186,172)</b> | <b>20,804,736</b> |

|  | Note | Number of<br>common<br>shares | Share<br>capital  | Contributed<br>surplus | Deficit             | Total<br>equity   |
|--|------|-------------------------------|-------------------|------------------------|---------------------|-------------------|
|  |      |                               | \$                | \$                     | \$                  | \$                |
| <b>Balance – December 31, 2012</b>             |      | <b>147,614,214</b>            | <b>23,573,018</b> | <b>5,513,049</b>       | <b>(22,987,666)</b> | <b>6,098,401</b>  |
| Proceeds from private placement of units       | 10   | 50,000,000                    | 5,000,000         | -                      | -                   | 5,000,000         |
| Fair value of warrants                         | 10   | -                             | (1,036,125)       | 1,036,125              | -                   | -                 |
| Acquisition of investments                     | 10   | 9,889,510                     | 644,470           | -                      | -                   | 644,470           |
| Exercise of warrants                           | 10   | 7,125,000                     | 1,657,570         | (232,570)              | -                   | 1,425,000         |
| Exercise of options                            | 11   | 300,000                       | 50,696            | (20,696)               | -                   | 30,000            |
| Share-based compensation                       | 11   | -                             | -                 | 104,589                | -                   | 104,589           |
| Net loss and comprehensive loss for the period |      | -                             | -                 | -                      | (2,815,260)         | (2,815,260)       |
| <b>Balance – September 30, 2013</b>            |      | <b>214,928,724</b>            | <b>29,889,629</b> | <b>6,400,497</b>       | <b>(25,802,926)</b> | <b>10,487,200</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)

Nine months ended September 30, 2014 and 2013

(Expressed in Canadian dollars)

|  | Note | 2014<br>\$         | 2013<br>\$         |
|--|------|--------------------|--------------------|
| <b>Operating activities</b>  |      |                    |                    |
| Net loss for the period  |      | (7,212,103)        | (2,815,260)        |
| Adjusted for:  |      |                    |                    |
| Share-based payments   | 11   | -                  | 104,589            |
| Gain on investments  | 4    | (143,109)          | (345,485)          |
| Contribution from SDTC received in excess of amount recognized and classified as deferred revenue on the statement of financial position | 8    | 473,763            | 384,993            |
| Depreciation of property, plant and equipment  |      | 3,069              | 2,273              |
| Depreciation of property, plant and equipment included in research and development   |      | 7,050              | -                  |
| Amortization of intangible assets  | 7    | 3,124              | 5,713              |
|  |      | (6,868,206)        | (2,663,177)        |
| Changes in non-cash operating working capital items:   |      |                    |                    |
| Research and development tax credits receivable  |      | (75,311)           | (414)              |
| Sales taxes and other receivables  |      | 297,978            | (234,103)          |
| Prepaid expenses and advances to suppliers   |      | 5,541              | (11,491)           |
| Accounts payable and accrued liabilities   |      | 778,875            | 151,738            |
|  |      | 1,007,083          | (94,270)           |
| <b>Net cash used in operating activities</b>   |      | <b>(5,861,123)</b> | <b>(2,757,447)</b> |
| <b>Investing activities</b>  |      |                    |                    |
| Promissory note disbursement   | 4    | -                  | (500,000)          |
| Acquisition of property, plant and equipment   |      | -                  | (8,574)            |
| Addition to exploration and evaluation assets  |      | (57,659)           | -                  |
| Acquisition of intangible assets   |      | -                  | (9,810)            |
| Transaction costs paid for the acquisition of Creso  |      | (212,838)          | -                  |
| Cash acquired through acquisition  | 4    | 88,461             | -                  |
| <b>Net cash used in investing activities</b>   |      | <b>(182,036)</b>   | <b>(518,384)</b>   |
| <b>Financing activities</b>  |      |                    |                    |
| Private placement of units and shares  | 10   | -                  | 5,000,000          |
| Exercise of warrants   | 10   | 82,400             | 1,425,000          |
| Exercise of options  | 11   | 25,000             | 30,000             |
| Short-term loan  | 9    | 5,000,000          | -                  |
| <b>Net cash provided by financing activities</b>   |      | <b>5,107,400</b>   | <b>6,455,000</b>   |
| Net change in cash and cash equivalents  |      | (935,759)          | 3,179,169          |
| Cash and cash equivalents – beginning of period  |      | 1,274,869          | 1,376,903          |
| <b>Cash and cash equivalents – end of period</b>   |      | <b>339,110</b>     | <b>4,556,072</b>   |
| Components of cash and cash equivalents are as follows:  |      |                    |                    |
| Cash   |      | 339,110            | 556,072            |
| Cash equivalents   |      | -                  | 4,000,000          |
| <b>Going concern</b>   | 1    |                    |                    |
| <b>Supplemental information</b>  | 15   |                    |                    |

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

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2014 and 2013

(Expressed in Canadian dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Dundee Sustainable Technologies Inc. ("DST" or the "Corporation") was incorporated under the Canada Business Corporations Act on July 22, 1997. 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, Montreal, 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 September 30, 2014, Dundee Corporation ("Dundee") was the principal and majority shareholder of the Corporation.

In addition, the Corporation has interest in mineral properties located in Canada which are presently at the exploration and evaluation stage. Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation assets.

For the nine months ended September 30, 2014, the Corporation incurred a loss of \$7,212,103 (\$3,986,403 for the year ended December 31, 2013). Deficit as at September 30, 2014 amounted to \$34,186,172 (\$26,974,069 as at December 31, 2013) and cash flow used by operating activities for the nine months ended September 30, 2014, amounted to \$5,861,123 (\$5,726,082 used in operating activities for the year ended December 31, 2013).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to September 30, 2015. The Corporation will therefore periodically have to raise additional funds to continue operations. The Corporation is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Corporation will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of debt or new equity in public or privately negotiated equity offering. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

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 the Condensed Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2014 and 2013

(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 and nine months ended September 30, 2014 ("September 2014 Interim Consolidated Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("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 September 2014 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, 2013 ("2013 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements. The September 2014 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on November 21, 2014.

The September 2014 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the 2013 Audited Consolidated Financial Statements, except as described below.

#### **Changes in Accounting Policies Implemented During the Nine Months Ended September 30, 2014:**

The Corporation has adopted the following new and revised accounting standards, including any consequential amendments thereto, effective January 1, 2014. Changes in accounting policies adopted by the Corporation were made in accordance with the applicable transitional provisions as provided in those standards and amendments.

##### **IAS 32, "Financial Instruments: Presentation"**

On January 1, 2014, the Corporation implemented certain amendments to IAS 32 which require the Corporation to provide clarification on the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The implementation of amendments to IAS 32 had no impact to the Corporation's September 2014 Interim Consolidated Financial Statements.

##### **IAS 36, "Impairment of Assets"**

On January 1, 2014, the Corporation implemented certain amendments to IAS 36 which require that the Corporation disclose, if appropriate, the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal or value-in-use of the asset, when an impairment loss is recognized or when an impairment loss is subsequently reversed. The implementation of amendments to IAS 36 had no impact to the Corporation's September 2014 Interim Consolidated Financial Statements.

##### **IFRIC 21, "Levies"**

On January 1, 2014, the Corporation implemented IFRIC 21 which provides an interpretation on IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. The implementation of IFRIC 21 had no impact to the Corporation's September 2014 Interim Consolidated Financial Statements.

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2014 and 2013

(Expressed in Canadian dollars)

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### 2. BASIS OF PRESENTATION (Cont'd)

#### **Changes or Adoption of Accounting Principles Following the Acquisition of Creso Exploration Inc. ("Creso"):**

##### **Principles of consolidation**

The September 2014 Interim Consolidated Financial Statements include the accounts of the Corporation, Creso (100%) and the Corporation's foreign subsidiaries: Nichromet Guatemala, S.A. ("Nichromet Guatemala") (99.99%); Rio Nickel S.A. ("Rio Nickel") (99.99%); and Nichromet Dominicana, S.A. ("Nichromet Dominicana") (99.99%). Creso is incorporated under the *Canada Business Corporations Act*, Nichromet Guatemala and Rio Nickel are both incorporated in Guatemala and Nichromet Dominicana is incorporated in the Dominican Republic. All intercompany transactions have been eliminated in the September 2014 Interim Consolidated Financial Statements. Creso is fully consolidated from the date on which control was obtained by the Corporation.

##### **Exploration and evaluation assets**

Exploration and evaluation ("E&E") assets are comprised of mineral properties and deferred exploration expenditures. Expenditures incurred on activities that precede exploration for and evaluations of mineral resources, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately.

E&E assets includes rights to explore in mineral properties ("mining rights"), paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits.

Mining rights are recorded at acquisition cost or at fair value in the case of a devaluation caused by an impairment of value. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

From time to time, the Corporation may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

E&E expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration or acquired through a business combination or asset acquisition. E&E expenditures include overhead expenses directly attributable to the related activities.

When a mine project moves into the development phase following the demonstration of the technical feasibility and commercial viability of extracting a mineral resource, E&E expenditures capitalized are transferred to mine development costs in property, plant and equipment.

Cash flows attributable to capitalized E&E costs are classified as investing activities in the consolidated statement of cash flows under the heading addition to exploration and evaluation assets.

Proceeds on the sale of evaluation and exploration assets are first applied by property in reduction of the mineral properties and then in reduction of the E&E expenditures. Any residual is recorded in the consolidated statement of comprehensive loss.

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 2. BASIS OF PRESENTATION (Cont'd)

#### **Accounting Standards Interpretations and Amendments to Existing Standards Not Yet Effective:**

##### **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 Corporation is in the process of evaluating the impact that IFRS 15 may have on the Corporation's consolidated financial statements.

##### **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

The preparation of the September 2014 Interim Consolidated Financial Statements requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, revenues and other items in net earnings, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the September 2014 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Note 3 to the 2013 Audited Consolidated Financial Statements, except as described below.

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd)

#### *Impairment of exploration and evaluation assets*

Pursuant to the Corporation's significant accounting policies, after the legal right to undertake exploration and evaluation activities on a project is acquired, the cost of acquiring mining rights, expenditures, directly related to the exploration and evaluation of mining properties are capitalized to E&E assets. After capitalization, E&E assets are reviewed for impairment on an ongoing basis and if there is any indication that the carrying amount may not be recoverable.

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases. Determining whether to test for impairment E&E assets requires management's judgment, among others, regarding the following:

- a) The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- b) Substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned;
- c) Exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- d) Sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Additional external factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trend and significant drop in ore prices.

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 E&E assets nor reversal of impairment losses has been recognized for the reporting period.

### 4. ACQUISITION OF CRESO EXPLORATION INC.

On April 1, 2014, a wholly-owned subsidiary of the Corporation amalgamated with Creso pursuant to which the Corporation, indirectly, acquired all of the issued and outstanding common shares, options and warrants of Creso which it didn't already own. On that date, the Corporation already owned 19,779,000 common shares and 9,500,000 warrants of Creso.



# Dundee Sustainable Technologies Inc.

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### 4. ACQUISITION OF CRESO EXPLORATION INC. (Cont'd)

The shareholders of Creso received 63,615,477 subordinate voting shares of the Corporation on the basis of one subordinate voting share of the Corporation in exchange for two common shares of Creso. Holders of options and warrants of Creso received 2,545,000 options and 12,456,566 warrants, as applicable, of the Corporation based upon the same exchange ratio.

The amount recorded for the subordinate voting shares issued in the transaction was determined using the average 30-days closing quoted market price of the Corporation's share on the Canadian Securities Exchange using trading data at the start of listing on April 8, 2014.

The fair value of warrants issued was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 1.08%, average projected volatility of 64%, dividend yield of nil, expected life of warrants of 0.68 year and fair value per subordinate voting share of \$0.27.

The fair value of options issued was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk-free interest rate of 1.15%, average projected volatility of 64%, dividend yield of nil, expected life of options of 1.82 years and fair value per subordinate voting share of \$0.27.

The transaction is accounted for as a purchase of Creso's net identifiable assets by the Corporation. The assets and liabilities acquired are recorded at their estimated fair values as at the transaction date. The excess of the purchase price over the net monetary assets is allocated to exploration and evaluation assets.

The following table presents the total consideration paid and the Corporation's allocation of the consideration paid to the acquired assets and liabilities of Creso:

#### Purchase price:

|   |    |                   |
|---|----|-------------------|
| 63,615,477 subordinate voting shares of the Corporation                               | \$ | 17,176,178        |
| 12,456,566 warrants of the Corporation issued   |    | 580,446           |
| 2,545,000 options of the Corporation issued   |    | 182,300           |
| Fair value of the Creso common shares already owned by the Corporation <sup>(1)</sup> |    | 2,670,165         |
| Fair value of the Creso warrants already owned by the Corporation <sup>(1)</sup>      |    | 243,598           |
| Transaction costs of the Corporation  |    | 278,408           |
|   | \$ | <b>21,131,095</b> |

#### Net assets acquired:

|  |    |                   |
|--|----|-------------------|
| Cash   | \$ | 88,461            |
| Sales taxes receivable                                   |    | 46,962            |
| Prepaid expenses   |    | 5,316             |
| Property, plant and equipment                            |    | 101,871           |
| Exploration and evaluation assets                        |    | 22,084,828        |
| Accounts payables and accrued liabilities <sup>(2)</sup> |    | (496,343)         |
| Short-term loan due to the Corporation <sup>(3)</sup>    |    | (700,000)         |
|  | \$ | <b>21,131,095</b> |

(1) Refer to Note 10.4 *Acquisition of investments*

(2) Accounts payable and accrued liabilities include \$132,013 due to the Corporation.

(3) Short term loan include \$500,000 according to an agreement dated July 10, 2013 and \$200,000 according to an agreement dated December 20, 2013. The unsecured notes were due on July 10, 2014 and bear an annual interest rate of 6% payable at maturity.

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 5. PROPERTY, PLANT AND EQUIPMENT

|   | Camp and<br>infrastructure | Vehicles and<br>equipment | Office<br>furniture<br>and<br>computer<br>equipment | Total          |
|---|----------------------------|---------------------------|---|----------------|
| <b>Gross carrying amount</b>                    | \$                         | \$                        | \$  | \$             |
| Balance - January 1, 2014                       | -                          | 47,000                    | 134,085   | 181,085        |
| Acquisition of Creso                            | 101,871                    | -                         | -   | 101,871        |
| Balance – September 30, 2014                    | 101,871                    | 47,000                    | 134,085   | 282,956        |
| <b>Accumulated depreciation</b>                 |                            |                           | 126,169   | 126,169        |
| Balance - January 1, 2014                       | -                          | -                         | -   | -              |
| Depreciation <sup>(1)</sup>                     | 29,105                     | 7,050                     | 3,069   | 39,224         |
| Balance – September 30, 2014                    | 29,105                     | 7,050                     | 129,238   | 165,393        |
| <b>Net carrying amount - September 30, 2014</b> | <b>72,766</b>              | <b>39,950</b>             | <b>4,847</b>  | <b>117,563</b> |
| <b>Net carrying amount - December 31, 2013</b>  | <b>-</b>                   | <b>47,000</b>             | <b>7,916</b>  | <b>54,916</b>  |

(1) Depreciation charges related to specific exploration and evaluation projects are capitalized as exploration and evaluation assets.

### 6. EXPLORATION AND EVALUATION ASSETS

|                                    | As at<br>December 31,<br>2013 | Creso<br>acquisition | Additions     | As at<br>September 30,<br>2014 |
|------------------------------------|-------------------------------|----------------------|---------------|--------------------------------|
|                                    | \$                            | \$                   | \$            | \$                             |
| <b><u>Mineral properties</u></b>   |                               |                      |               |                                |
| <b>Ontario, Canada</b>             |                               |                      |               |                                |
| Shining Tree                       | -                             | 22,084,828           | -             | 22,084,828                     |
| <b><u>E&amp;E expenditures</u></b> |                               |                      |               |                                |
| Shining Tree                       | -                             | -                    | 97,653        | 97,653                         |
|                                    | -                             | <b>22,084,828</b>    | <b>97,653</b> | <b>22,182,481</b>              |

#### a) Shining Tree properties

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

# Dundee Sustainable Technologies Inc.

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### 6. EXPLORATION AND EVALUATION ASSETS (Cont'd)

#### b) Net Smelter Royalties

Franco-Nevada Corporation holds an option ("NSR Option") to purchase a perpetual 2% NSR royalty on gold and other minerals produced from the Shining Tree property within one of three defined sectors. The NSR Option may be exercised within sixty days following the date on which (i) a decision is made to construct a mine by the Corporation and (ii) the planned mine is fully financed either with cash on hand or a firm commitment of bank financing.

The NSR Option may be exercised at a purchase price equal to the after-tax net present value of the royalty revenue calculated using a 6.5% discount rate applied to the base case model assumptions in the feasibility study used to make the decision to construct and finance the mine.

In addition, some of the exploration properties are subject to NSR royalty agreements with other parties, between 1% and 3% once mine production commences subject to partial buy-back by the Corporation under certain conditions.

### 7. INTANGIBLE ASSETS

|                                 | As at<br>December 31,<br>2013 | Amortization   | As at<br>September,<br>30,<br>2014 |
|---------------------------------|-------------------------------|----------------|------------------------------------|
|                                 | \$                            | \$             | \$                                 |
| Intellectual properties – Oxide | 605,000                       | -              | 605,000                            |
| Patent application fees – Oxide | 129,474                       | -              | 129,474                            |
| Software                        | 3,124                         | (3,124)        | -                                  |
| Development cost – Oxide        | 5,809,233                     | -              | 5,809,233                          |
| Less: SR&ED tax credit          | (1,929,894)                   | -              | (1,929,894)                        |
|                                 | <b>4,616,937</b>              | <b>(3,124)</b> | <b>4,613,813</b>                   |

### 8. 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.

As part of the Contribution Agreement, the Corporation received, from SDTC:

| Date received  | \$               | Eligible activities to be incurred   |
|----------------|------------------|--------------------------------------|
| July 17, 2013  | 656,543          | June 1, 2013 to December 31, 2013    |
| March 27, 2014 | 2,219,429        | January 1, 2014 to December 31, 2014 |
|                | <b>2,875,972</b> |                                      |

# Dundee Sustainable Technologies Inc.

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### 8. GOVERNMENT ASSISTANCE (Cont'd)

|   | Nine months ended |                |
|---|-------------------|----------------|
|   | September 30,     |                |
|   | 2014              | 2013           |
|   | \$                | \$             |
| Balance – beginning   | -                 | -              |
| SDTC grant received   | 2,219,429         | 656,543        |
| Reclassification of deferred contribution through profit or loss<br>as per eligible expenditures incurred during the period | (1,745,666)       | (271,550)      |
| <b>Balance – end</b>  | <b>473,763</b>    | <b>384,993</b> |

For further details, also refer to Note 12 Research and Development and Note 14, Commitments.

### 9. SHORT-TERM LOAN (Note 16)

On January 8, 2014, Dundee agreed to loan \$3,000,000 to the Corporation (the "Bridge Loan"). The funds from the Bridge Loan were disbursed on January 31, 2014. The Bridge Loan is secured by the Corporation's assets, bears interest at the rate of 12.68% per annum and matures on April 30, 2014. The Corporation has the option to repay the Bridge Loan at any time but must use the proceeds from the sale of any assets in excess of \$250,000 or any financing in excess of \$3,000,000 to repay the Bridge loan. The Bridge Loan shall only be used to fund (i) the building of a demonstration plant and (ii) for general corporate purposes. The maturity date of the Bridge Loan was extended to November 14, 2014.

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

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

### 10. SHARE CAPITAL

#### 10.1 Authorized

On June 30, 2014, 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 the same rights and restrictions.

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### 10. SHARE CAPITAL (Cont'd)

#### 10.2 Reorganization and Amalgamation

On October 3, 2013, the Board of directors of the Corporation approved a reorganization of the capital structure of the Corporation (the "Capital Reorganization") by amending its articles of incorporation as follows:

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

On November 14, 2013, the Board of directors also approved the management proxy circular in connection with a special meeting of the shareholders of the Corporation to be held on December 5, 2013 (the "Meeting"). At the Meeting, the shareholders of the Corporation approved, amongst other, the Capital Reorganization.

On January 8, 2014, the amendments to the article of the Corporation became effective.

#### 10.3 Private placement

On July 9, 2013, the Corporation closed a non-brokered private placement with Dundee for gross proceeds of \$5,000,000. The financing consisted of the issuance of 50,000,000 units at a price of \$0.10 per unit. Each unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.10 for a two-year period following closing. The fair value of the warrants included in the units was estimated at \$1,036,125 using the Black-Scholes model based on the following weighted average assumptions: dividend yield of 0%, estimated volatility of 60%, risk-free interest rate of 1.17%, and expected life of warrants of two years.

#### 10.4 Acquisition of investments

On July 9, 2013, Dundee and a company controlled by an executive of Dundee sold to the Corporation 19,779,000 common shares of Creso and 9,500,000 common share purchase warrants of Creso and in exchange, the Corporation issued 9,889,510 of its common shares. Each Creso share purchase warrant entitled the Corporation to purchase one Creso common share at an exercise price of \$0.10 per common share until July 14, 2014 for 5,000,000 of such warrants and until December 21, 2014 for the remaining 4,500,000 of such share purchase warrants. The Corporation issued shares were accounted for at the fair value of the counterpart received at the acquisition date.

The fair value of Creso common shares of \$593,370, at the acquisition date, was determined using the quoted market price of Creso shares on the TSX Venture Exchange. The fair value of Creso warrants of \$51,100, at the acquisition date, was determined using the Black-Scholes option pricing model using the following assumptions: dividend yield of 0%, estimated volatility of 112.2%, risk-free interest rate of 1.17%, and using a weighted expected life of 1.23 years.

# Dundee Sustainable Technologies Inc.

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### 10. SHARE CAPITAL (Cont'd)

#### 10.5 Warrants

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

|   | Nine months ended September 30, |                    |                       |                    |
|---|---------------------------------|--------------------|-----------------------|--------------------|
|   | 2014                            |                    | 2013                  |                    |
|   | Number of<br>warrants           | Carrying<br>amount | Number of<br>warrants | Carrying<br>amount |
|   |                                 | \$                 |                       | \$                 |
| Balance – beginning                           | 50,000,000                      | 1,036,125          | 10,535,000            | 311,852            |
| Issued for Creso acquisition                  | 12,456,566                      | 580,446            | -                     | -                  |
| Issued for cash as part of private placements | -                               | -                  | 50,000,000            | 1,036,125          |
| Exercised                                     | (412,000)                       | (20,521)           | (7,125,000)           | (232,570)          |
| Expired                                       | (2,072,334)                     | (81,054)           | (3,410,000)           | (79,282)           |
| <b>Balance – end</b>                          | <b>59,972,232</b>               | <b>1,514,996</b>   | <b>50,000,000</b>     | <b>1,036,125</b>   |

The weighted average exercise price was \$0.20 per share (nine months ended September 30, 2013 – \$0.20).

A summary of outstanding warrants entitling their holders to subscribe for an equivalent number of common shares, as at September 30, 2014, is as follows:

| Number of<br>warrants | Exercise<br>price | Expiry date                     |
|-----------------------|-------------------|---------------------------------|
|                       | \$                |                                 |
| 1,525,000             | 0.20              | October 31, 2014 <sup>(1)</sup> |
| 502,232               | 0.30              | December 1, 2014                |
| 2,500,000             | 0.30              | December 8, 2014                |
| 2,800,000             | 0.20              | December 21, 2014               |
| 75,000                | 0.20              | December 31, 2014               |
| 2,570,000             | 0.20              | February 22, 2015               |
| 50,000,000            | 0.10              | July 9, 2015                    |
| <b>59,972,232</b>     |                   |                                 |

(1) unexercised at expiry date

## Dundee Sustainable Technologies Inc.

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#### 11. STOCK OPTION PLAN

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

|                              | Nine months ended September 30, |                                 |                   |                                 |
|------------------------------|---------------------------------|---------------------------------|-------------------|---------------------------------|
|                              | 2014                            |                                 | 2013              |                                 |
|                              | Number of options               | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance – beginning          | 21,425,000                      | \$ 0.12                         | 8,625,000         | \$ 0.13                         |
| Issued for Creso acquisition | 2,545,000                       | 0.51                            | -                 | -                               |
| Awarded                      | -                               | -                               | 700,000           | 0.20                            |
| Expired                      | (570,000)                       | 0.29                            | -                 | -                               |
| Exercised                    | (250,000) <sup>(1)</sup>        | 0.10                            | (300,000)         | 0.10                            |
| <b>Balance – end</b>         | <b>23,150,000</b>               | <b>0.16</b>                     | <b>9,025,000</b>  | <b>0.14</b>                     |

(1) The weighted average share price was \$0.19.

As at September 30, 2014, outstanding and exercisable options are as follows:

| Number of options | Exercise price | Expiry date        |
|-------------------|----------------|--------------------|
|                   | \$             |                    |
| 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   |
| 100,000           | 0.20           | March 22, 2018     |
| 12,550,000        | 0.10           | December 12, 2018  |
| 2,425,000         | 0.20           | November 27, 2022  |
| <b>23,150,000</b> |                |                    |

The residual weighted average contractual term of outstanding options was 3.77 years as at September 30, 2014

#### 12. RESEARCH AND DEVELOPMENT

|                          | Three months ended September 30, |                | Nine months ended September 30, |                  |
|--------------------------|----------------------------------|----------------|---------------------------------|------------------|
|                          | 2014                             | 2013           | 2014                            | 2013             |
|                          | \$                               | \$             | \$                              | \$               |
| Research and development | 2,314,647                        | 1,184,870      | 7,151,144                       | 2,358,364        |
| Tax credit               | (39,835)                         | -              | (175,061)                       | (201,069)        |
| SDTC contribution        | (522,920)                        | (271,550)      | (1,745,666)                     | (271,550)        |
|                          | <b>1,751,892</b>                 | <b>913,320</b> | <b>5,230,417</b>                | <b>1,885,745</b> |

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 13. RELATED PARTY TRANSACTIONS

Details of related party transactions not otherwise disclosed in the September 2014 Interim Consolidated Financial Statements are as follows:

|   | Three months ended |                | Nine months ended |                |
|---|--------------------|----------------|-------------------|----------------|
|   | September 30,      |                | September 30,     |                |
|   | 2014               | 2013           | 2014              | 2013           |
|   | \$                 | \$             | \$                | \$             |
| Directors or corporations held by directors |                    |                |                   |                |
| Professional and consulting fees            | 98,067             | 128,275        | 330,532           | 356,148        |
| Officers or corporations held by officers   |                    |                |                   |                |
| Professional fees                           | 147,783            | 48,006         | 403,971           | 132,917        |
|   | <b>245,850</b>     | <b>176,281</b> | <b>734,503</b>    | <b>489,065</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 |                | Nine months ended |                |
|--|--------------------|----------------|-------------------|----------------|
|  | September 30,      |                | September 30,     |                |
|  | 2014               | 2013           | 2014              | 2013           |
|  | \$                 | \$             | \$                | \$             |
| Officers and directors' professional and consulting fees | 234,524            | 211,280        | 730,692           | 553,231        |
| Share-based payments                                     | -                  | 44,824         | -                 | 44,824         |
|  | <b>234,524</b>     | <b>256,104</b> | <b>730,692</b>    | <b>598,055</b> |

### 14. COMMITMENTS

#### 14.1 Construction of a \$27 million 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 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 liquidity 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.

Of the \$27 million demonstration plant projected budget, the Corporation has spent in total \$9,590,306 from which a total of \$3,077,533 was incurred in 2013 and the difference of \$6,512,773 was incurred in 2014 and included in the interim Consolidated Statements of Comprehensive Loss in the Research and development line item. As at September 30, 2014, the Corporation has a firm purchasing commitment for \$583,504 towards equipment and services relating to the demonstration plant.

As part of the Contribution Agreement, the Corporation received on March 27, 2014, \$2,219,429 from SDTC corresponding to the eligible activities to be incurred from January 1, 2014 to December 31, 2014.



# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2014 and 2013

(Expressed in Canadian dollars)

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### 14. COMMITMENTS (Cont'd)

#### 14.2 Lease payments

There were no substantive changes to the description and nature of the Corporation's lease commitment from those described in Note 12 to the Corporation's 2013 Audited Consolidated Financial Statements.

### 15. SUPPLEMENTAL CASH FLOW INFORMATION

|  | Nine months ended<br>September 30 |      |
|--|-----------------------------------|------|
|  | 2014                              | 2013 |
|  | \$                                | \$   |
| Amount of additions to exploration and evaluation assets included in payable and accrued liabilities | 10,890                            | -    |
| Depreciation of property, plant and equipment included in exploration and evaluation assets          | 29,105                            | -    |
| Interest expense included in payables and accrued liabilities  | 292,508                           | -    |

### 16. SUBSEQUENT EVENTS

#### Short-term loan

On November 21, 2014, the maturity date of the Bridge Loans were extended to the earlier of December 31, 2104 and the date in which the Corporation raises the sum of \$5,000,000 or greater by way of debt or equity.

#### Options

On Oct 1, 2014, a director of the Corporation exercised 2,500,000 options at a price of \$0.10. The share price at the acquisition date was \$0.19.

# **Dundee Sustainable Technologies Inc.**

(Formerly known as Nichromet Extraction Inc.)

## Management's Discussion and Analysis

For the nine months ended September 30, 2014

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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### BACKGROUND

This Management's Discussion and Analysis ("MD&A") has been prepared with an effective date of November 21, 2014 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's audited consolidated financial statements, including the notes thereto, as at and for the year ended December 31, 2013 (the "2013 Audited Consolidated Financial Statements"), together with the accompanying MD&A for the year then ended, and with the unaudited condensed interim consolidated financial statements of the Corporation as at and for the nine months ended September 30, 2014 (the "September 2014 Interim Consolidated Financial Statements"), all of which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise specified.

### INCORPORATION AND NATURE OF OPERATIONS

#### Incorporation

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

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

#### Amalgamation and ownership

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

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

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

At September 30, 2014, Dundee owned 128.1 million subordinate voting shares and 50.0 million multiple voting shares of the Corporation giving Dundee a 64% equity interest and an 86% voting interest in the Corporation.

#### Nature of Operations

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

The Processes are based on a chloride leach technology, a method of treating and extracting gold and/or silver and other base metals by creating a chloride with either chlorine or hydrochloric acid. The approach developed at pilot level is very broad and can involve either oxide or sulfide ores. It enables the recovery of nickel and cobalt from oxide type ores such as serpentinite, laterites and other siliceous metal bearing ores and the extraction of precious metals from refractory ores with content of sulfides and arsenic.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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

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

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

### CORPORATE OVERVIEW

#### *Metallurgy Processes Development*

Cyanidation, a commonly used way of processing gold, produces a large amount of highly contaminated tailings. DST has developed a chlorination approach for the recovery of base and precious metals from two broad categories of ores namely the oxides (metals combined with oxygen) and the sulfides (metals combined with sulfur). In addition to environmental benefits, the cyanide-free process allows the exploitation of gold deposits that are not extractable using conventional methods. The primary benefits of this new technology are shorter processing times; reduced emissions due to lower energy consumption; and increased mining productivity by reclaiming process waste and remediating tailings.

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

The piloting of the oxide ores has been a fruitful exercise for the valuation of the sulfide ores which started in 2009. The DST process applied to the sulfide ores includes an oxidation stage in order to remove the sulfur and other impurities such as arsenic in the starting sulfide ore. The completion of this oxidative step transforms the sulfide into an oxide with the removal of the sulfur from the metal and its replacement by oxygen. When this transformation is completed, the new oxide is submitted to the DST treatment, using acid leaching to collect base metals (Copper, Zinc and Nickel) and hypochlorite to collect the precious metals (Gold and Silver). The piloting of the sulfides (batch size of 1 ton per day ("TPD")) was completed in 2012.

#### *Corporate Strategy*

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

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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### CORPORATE OVERVIEW (Cont'd)

The pre-commercialization demonstration plant will have a capacity of 15 TPD in order to assess on an industrial scale DST's chlorination extraction technology under continuous operating conditions. The demonstration plant will offer the first test of the DST's chlorination extraction technology in an operating environment with industrial conditions. The scale-up factor is in the order of 15:1 compared to the pilot installation. Although the size of the pre-commercialization demonstration plant seems modest according to references in the mining industry, it is large enough to establish the credibility of the process on an industrial scale. This pre-commercialization demonstration plant will serve as reference for the establishment of full scale plants operating with the same technology.

The construction and operation of the demonstration plant, which commenced in June 2013, is budgeted at \$27 million. The commissioning of the demonstration facilities is scheduled for completion by the end of March 2015. At September 30, 2014, the Corporation has expended \$9.5 million towards completion of the demonstration plant.

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

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

#### *Intellectual Property*

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

### HIGHLIGHTS

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

- As part of the Contribution Agreement, the Corporation received in March 2014, \$2.2 million from the SDTC corresponding to the eligible activities to be incurred from January 1, 2014 to December 31, 2014.
- The following milestones have been achieved for the construction of the demonstration plant:
  - Completion of the structural engineering and building reinforcement;
  - Modification of warehouse for loading-unloading station and products storage;
  - Installation of most of the major pieces of equipment such as scrubbers, filter, bag house, reactors, fluid bed, bucket elevator, holding tanks, feeding bins, etc.
  - Completion of the construction and commissioning of the effluent treatment plant;
  - Completion of the construction and commissioning of most of the plant services such as compressed air, chiller, process water, cooling water;
  - Construction of the electrical room, the control room and wiring of many electrical components (motors, instruments, lighting system, etc.);
  - Installation of the instrumentation and control panels;
  - Programming of the automation system (DCS);
  - Completion of most of the commissioning for the oxidation circuit;
  - Development of the operation procedures and operation manual.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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### HIGHLIGHTS (Cont'd)

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

### INFORMATION ON EQUITY

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

|  | <b>November 21,<br/>2014</b> |
|--|------------------------------|
| Subordinate voting shares issued   | 231,706,201                  |
| Options  | 20,652,500                   |
| Warrants   | 58,447,232                   |
| <b>Total – fully diluted subordinate voting shares</b>                           | <b>310,805,933</b>           |
| <b>Multiple voting shares issued</b> (each multiple voting shares have 10 votes) | <b>50,000,000</b>            |

(1) At November 21, 2014, Dundee owned 128,068,497 subordinate voting shares of the Corporation (55%), all of the outstanding multiple voting shares and 50,000,000 warrants at an exercise price of \$0.10 until July 9, 2015.

### Stock Option Plan

The Board of Directors of the Corporation has full and final discretion to designate the persons who are to be granted options and to determine such number of options as well as their exercise price and vesting period. The purpose of the stock option plan is to serve as an incentive for the directors, officers, employees and service providers who will be motivated by the Corporation's success as well as to promote ownership of common shares of the Corporation by these people. There is no performance indicator relating to profitability or risk attached to the plan.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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### FINANCING ACTIVITIES

#### Nine-months ended September 30, 2014

##### **Short term loan** (Refer to the *Subsequent Events* section)

On January 8, 2014, Dundee agreed to loan \$3,000,000 to the Corporation (the "Bridge Loan"). The funds from the Bridge Loan were disbursed on January 31, 2014. The Bridge Loan is secured by the Corporation's assets, bears interest at the rate of 12.68% per annum and matures on November 14, 2014.

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

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

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

Following the exercise of 412,000 warrants to purchase the same number of subordinate voting shares, the Corporation received proceeds of \$82,400. In addition, 250,000 options were exercised for proceeds of \$25,000.

#### Nine-months ended September 30, 2013

##### **Private placement**

On July 9, 2013, the Corporation closed a non-brokered private placement with Dundee for gross proceeds of \$5,000,000. The financing consisted of the issuance of 50,000,000 units at a price of \$0.10 per unit. Each unit comprises one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one common share at a price of \$0.10 for a two-year period following closing

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

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

### INVESTING ACTIVITIES

#### Transaction costs – Acquisition of Creso

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

#### Exploration and Evaluation assets

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

DST's accounting policy is to capitalize the exploration and evaluation ("E&E") costs of non-producing mineral properties. E&E assets are comprised of mineral properties and deferred E&E expenditures. From the acquisition date of Creso on April 1, 2014 until September 30, 2014, DST incurred E&E expenditures of \$97,653 on its Shining Tree properties consisting of assays (\$2,087), geology (\$3,780), logistic expenditures (\$62,680) and depreciation charges (\$29,106) related to camp and infrastructure assets.



# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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### INVESTING ACTIVITIES (Cont'd)

#### Consortium Agreement

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

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

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

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

At the present time, DST is expecting to install the concentrator on Minto's property in the summer of 2015. DST delayed the Minto project to allow some time for the evaluation of a concentrator owned by Dundee in Mexico. DST performed recently a mechanical inspection of the concentrator and concluded that the equipment is in conformity to DST's design requirement. DST would like to acquire this equipment for its owned usage as part of the overall demonstration plant budget.

The following work was conducted since June 2013:

- a) a site visit, scoping workshop and work plan to define the required baseline and field studies related to geotechnical, hydrogeological, aquatics, and terrestrial aspects by AMEC Environment & Infrastructure, a division of AMEC Americas Limited (AMEC) (work completed);
- b) a terrestrial and aquatic baseline environmental study to undertake an inventory of biophysical and biological features present on the site and surrounding areas by WSP Genivar Inc. ("Genivar") (work completed); and
- c) A baseline and field studies related to geotechnical, and tailing management, environmental assessment, mining and closure plan, along with permitting and consultation with the public and First Nations at a cost of \$300,000 (approximately 20% of the work completed as of November 21, 2014).

### LIQUIDITY AND WORKING CAPITAL

On September 30, 2014, the working capital of the Corporation was at negative \$6,109,121. This working capital deficiency includes a \$5 million short-term loan from Dundee.

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to September 30, 2014. The Corporation will therefore periodically have to raise additional funds to continue operations. The Corporation is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Corporation will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of debt or new equity in public or privately negotiated equity offering. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

### DISCUSSION AND ANALYSIS OF OPERATIONS

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

In connection with the agreement reached with the SDTC in June 2013, the Corporation filed consortium agreements regarding the global financing of demonstration plant and the procurement of mineral concentrates. Consortium agreements were signed with Creso, Dundee Precious Metals and a privately held gold mining company for the procurement of mineral concentrates.

Of the \$27 million demonstration plant projected budget, the Corporation has spent in total \$9,590,306 from which a total of \$3,077,533 was incurred in 2013 and the difference of \$6,512,773 was incurred during the nine months ended September 30, 2014 and included in our interim Consolidated Statements of Comprehensive Loss in the "Research and development" line item.

The Corporation reported a loss of \$2,599,094 and \$7,212,103 during the three and nine months ended September 30, 2014 respectively versus a loss of \$948,613 and \$2,815,260 in the same period of the prior year.

Following are the details of research and development:

|  | Three-month period<br>ended September 30 |                  | Nine-month period<br>ended September 30, |                  |
|--|--|------------------|--|------------------|
|  | 2014                                     | 2013             | 2014                                     | 2013             |
|  |  |                  | \$                                       | \$               |
| Wages and compensation                   | 377,835                                  | 343,751          | 1,060,893                                | 819,814          |
| Contractors                              | 335,972                                  | 403,874          | 1,105,848                                | 692,141          |
| Building maintenance                     | 120,918                                  | 106,815          | 578,599                                  | 270,576          |
| Equipment                                | 1,253,256                                | 241,464          | 3,745,406                                | 249,194          |
| Consumables                              | 63,047                                   | 46,243           | 215,329                                  | 173,376          |
| Other                                    | 163,619                                  | 42,723           | 445,069                                  | 153,263          |
|  | <b>2,314,647</b>                         | <b>1,184,870</b> | <b>7,151,144</b>                         | <b>2,358,364</b> |
| SDTC contribution and tax credits        | (562,755)                                | (271,550)        | (1,920,727)                              | (472,619)        |
| <b>Research and development expenses</b> | <b>1,751,892</b>                         | <b>913,320</b>   | <b>5,230,417</b>                         | <b>1,885,745</b> |

Research and development expenses during the nine months ended September 30, 2014 include \$6.5 million of costs for the demonstration plant of which \$2.1 million was incurred during the third quarter of 2014. The remaining expenses relate to research activities conducted in the pilot plant. In the same period of the prior year, these expenses include \$1.1 million of costs for the demonstration plant incurred exclusively during the third quarter of 2013 with the remaining expenses relating to research activities conducted in the pilot plant.

During the three and nine months period ended September 30, 2014, SDTC contribution recognised through the Consolidated Statement of Comprehensive Loss amounted to \$522,920 and \$1,745,666 respectively. The remaining balance is composed of the Quebec reimbursable scientific research and experimental development tax credits. In the same periods of the prior year, the government assistance was composed of the SDTC contribution amounting to \$271,550 and the Quebec reimbursable scientific research and experimental development tax credits for the remaining balance.

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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

Following are the details of professional and consulting fees:

|   | Three-month period<br>ended September 30 |                | Nine months ended<br>September 30, |                |
|---|--|----------------|------------------------------------|----------------|
|   | 2014                                     | 2013           | 2014                               | 2013           |
|   |  |                | \$                                 | \$             |
| Legal                                   | 37,852                                   | 102,076        | 184,606                            | 195,212        |
| Audit                                   | 43,618                                   | 73,501         | 134,118                            | 159,090        |
| Accounting                              | 104,164                                  | 11,386         | 259,967                            | 15,952         |
| Consulting administration               | 45,000                                   | 43,508         | 139,236                            | 150,064        |
| Professional fees                       | 130,518                                  | (20,588)       | 207,128                            | 119,738        |
| Consulting geology                      | 33,519                                   | 34,306         | 122,004                            | 90,812         |
| <b>Professional and consulting fees</b> | <b>394,671</b>                           | <b>244,189</b> | <b>1,047,059</b>                   | <b>730,868</b> |

Legal fees include corporate secretarial services and other legal fees. The decrease in legal fees in the three months ended September 30, 2014 as compared to the same period of last year is mainly due to the acquisition and amalgamation activities of Creso initiated during the third quarter of 2013.

Accounting: Remuneration of the newly appointed Chief Financial Officer in March 2014 is paid to a private company controlled by him. In addition his company charges fees for support staff in respect of accounting, bookkeeping and administration fees (Please refer to the section entitled Related Parties Transactions for more details). The employment of the former Controller was terminated at the end of Q1-2014. His remuneration is included in the "Wages and compensation" in the statement of comprehensive loss. During the nine month period ended September 30, 2014, he provided service for the transition at a cost of \$44,475.

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

Professional fees consist of business development activities in South America and also include certain audit related fees and tax compliance services performed in 2013. The variance is due to the engagement of a consulting firm in Argentina in April 2014.

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

Following are the details of the administrative expenses:

|                                | Three-month period<br>ended September 30 |                | Nine months ended<br>September 30, |                |
|--------------------------------|--|----------------|------------------------------------|----------------|
|                                | 2014                                     | 2013           | 2014                               | 2013           |
|                                |  |                | \$                                 | \$             |
| Insurance                      | 42,219                                   | 22,114         | 94,649                             | 66,838         |
| Rent                           | 34,093                                   | 17,562         | 82,054                             | 52,888         |
| Website and technical support  | 13,708                                   | 8,050          | 34,697                             | 25,862         |
| Transportation                 | 29,242                                   | 484            | 48,352                             | 9,483          |
| Others                         | 44,145                                   | 81,316         | 126,890                            | 108,200        |
| <b>Administrative expenses</b> | <b>163,407</b>                           | <b>129,526</b> | <b>386,642</b>                     | <b>263,271</b> |

# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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

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

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

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

Interest expense relates to the \$5 million Dundee Bridge Loan.

In addition, an unrealized gain of \$143,109 was recorded in the nine months ended September 30, 2014 on the investment in Creso (\$345,485 – nine-months ended September 30, 2013). This unrealized gain reflects the change in the fair value of the Creso common shares and warrants already owned by the Corporation from December 31, 2013 (\$2,770,654) to April 1, 2014, date on which control was obtained by the Corporation (\$2,913,763).

### SELECTED QUARTERLY INFORMATION

The following table sets forth selected historical financial information for the Corporation from the last eight quarters. Such information is derived from the Corporation's condensed interim consolidated financial.

|                                      | Q3-14     | Q2-14     | Q1-14     | Q4-13     |
|--------------------------------------|-----------|-----------|-----------|-----------|
|                                      | \$        | \$        | \$        | \$        |
| Total revenue                        | Nil       | Nil       | Nil       | Nil       |
| Net loss and comprehensive loss      | 2,599,094 | 3,357,515 | 1,255,494 | 1,170,277 |
| Basic and diluted net loss per share | 0.009     | 0.012     | 0.006     | 0.005     |

|                                      | Q3-13   | Q2-13   | Q1-13     | Q4-12     |
|--------------------------------------|---------|---------|-----------|-----------|
|                                      | \$      | \$      | \$        | \$        |
| Total revenue                        | Nil     | Nil     | Nil       | Nil       |
| Net loss and comprehensive loss      | 948,613 | 785,682 | 1,080,965 | 1,596,903 |
| Basic and diluted net loss per share | 0.005   | 0.005   | 0.007     | 0.011     |

The variation in Net loss and comprehensive loss is attributable to the level of research and development activities from one quarter to the other. In addition, an unrealized loss of \$1 million in Q2-2014 and a unrealized gain of \$1.1 million, \$1.8 million and \$0.3 million was recorded in Q1-2014, Q4-2013 and Q3-2013 respectively on the investment in Creso.

### OUTLOOK

The construction, which commenced in June 2013, and operation of the demonstration plant is budgeted at \$27 million and includes \$6 million for the processing of materials from Dundee Precious Metals and/or other materials from third parties and \$4.5 million for the construction or acquisition of the concentrator and processing of the ore on Creso's Minto gold deposit. The design of the plant has been completed and the commissioning of the demonstration facilities is now scheduled for completion by the end of March 2015. The processing of materials from Dundee Precious Metals or other parties is scheduled during the first six month period of operations followed by the processing of Creso's ore. The processing of these materials is to establish the proof of concept of the Corporation's hydrometallurgical processes.

## DUNDEE SUSTAINABLE TECHNOLOGIES INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

#### OFF BALANCE SHEET ARRANGEMENTS

The Corporation did not enter into any off-balance sheet arrangements in Q3-2014 and Q3-2013.

#### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

At September 30, 2014, the Corporation has firm purchasing commitments of equipment and services relating to the demonstration plant totalling \$583,504.

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

#### RELATED PARTY TRANSACTIONS

In addition to the transactions discussed in the financing and investing sections, details of related party transactions with the officers and directors of the Corporation and companies they control are as follows:

|   | Three-month period<br>ended September 30 |                | Nine months ended<br>September 30, |                |
|---|--|----------------|------------------------------------|----------------|
|   | 2014                                     | 2013           | 2014                               | 2013           |
|   |  |                | \$                                 | \$             |
| Professional and consulting fees        |  |                |                                    |                |
| Administration <sup>(1)</sup>           | 45,000                                   | 45,000         | 135,000                            | 135,000        |
| Legal <sup>(2)</sup>                    | 24,921                                   | 47,781         | 107,793                            | 114,785        |
| Accounting fees <sup>(3)</sup>          | 86,357                                   | -              | 203,225                            | -              |
| Geology <sup>(4)</sup>                  | 23,307                                   | 21,750         | 74,325                             | 65,250         |
| Professional <sup>(5)</sup>             | 23,520                                   | 13,870         | 75,560                             | 41,310         |
| Research and development <sup>(6)</sup> | 42,745                                   | 47,880         | 138,600                            | 132,720        |
|   | <b>245,850</b>                           | <b>176,281</b> | <b>734,503</b>                     | <b>489,065</b> |

- (1) Fees paid to a private company controlled by Pierre Gauthier, President and Chief Executive Officer.
- (2) Fees paid to a private company controlled by Luce Saint-Pierre, Corporate Secretary for a total amount of \$79,706 (\$91,607 in Q3-2013) and an amount of \$28,087 (\$23,178 in Q3-2013) for legal fees paid to a law firm of which a director is a counsel.
- (3) Starting in March 2014, remuneration of Vatche Tchakmakian, the newly appointed Chief Financial Officer, in the amount of \$94,413 was paid to a private company controlled by him. In addition his company charged fees of \$108,812 for support staff in respect of accounting, bookkeeping and administrative services.
- (4) Fees paid to a company controlled by the President of Nichromet Dominicana and Nichromet Guatemala for his services in relation with the testing of minerals from Central America.
- (5) Fees paid to the General Manager of Nichromet Guatemala for business development in Guatemala.
- (6) Fees paid to a company controlled by a director who is also Vice-President, Research and Development.

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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### **SUBSEQUENT EVENTS AFTER SEPTEMBER 30, 2014**

#### Short-term loan

On November 21, 2014, the maturity date of the bridge loans were extended to the earlier of December 31, 2104 and the date in which the Corporation raises the sum of \$5,000,000 or greater by way of debt or equity.

#### Options

On Oct 1, 2014, a director of the Corporation exercised 2,500,000 options at a price of \$0.10. The share price at the acquisition date was \$0.19.

### **ACCOUNTING POLICY AND CRITICAL ACCOUNTING ESTIMATES**

The preparation of the September 2014 Interim Consolidated Financial Statements requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, revenues and other items in net earnings, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

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

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

### **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Corporation is exposed to various financial risks resulting from both its operations and its investments activities. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are disclosed in Note 13 to the the 2013 Audited Consolidated Financial Statements.

### **RISKS AND UNCERTAINTIES**

Except as otherwise disclosed in this MD&A, there have been no significant changes to the nature and scope of the risks faced by the Corporation as described in Creso's Management Information Circular in respect to the acquisition of Creso by the Corporation. The risks and uncertainties are disclosed under "Risks Associated with the Resulting Issuer" and the document dated January 31th, 2014 is available on SEDAR at [www.sedar.com](http://www.sedar.com). These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

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### **FORWARD LOOKING STATEMENTS**

DST's public communications may include written or oral forward looking statements. Statements of this type are included in this MD&A, and may be included in other filings with the Canadian regulators, stock exchanges or in other communications. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of applicable securities laws. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Corporation's objectives and priorities for 2014 and beyond, and strategies or further actions with respect to the Corporation, its products and services, business operations, financial performance and condition. Forward looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions concerning matters that are not historical facts. Such statements are based on current expectations of the Corporation's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and those affecting the technology and resources industries generally. The forward looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

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

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

### **INFORMATION CONCERNING DUNDEE SUSTAINABLE TECHNOLOGIES**

Additional information relating to Dundee Sustainable Technologies, may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.dundee technologies.com](http://www.dundee technologies.com).

Montreal, Quebec  
November 21, 2014