Dundee Sustainable Technologies Inc.

(Formerly known as Nichromet Extraction Inc.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

As at and for the three and six months ended June 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.

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

	Note	As at June 30, 2014	As at December 31, 2013
		$	$
Assets			
Current assets			
Cash and cash equivalents		1,078,003	1,274,869
Research and development tax credits receivable		281,545	246,069
Sales taxes and other receivables		510,535	634,913
Promissory notes receivable	4	-	700,000
Prepaid expenses and advances to suppliers		159,971	49,200
		2,030,054	2,905,051
Non-current assets			
Investments	4	-	2,770,654
Property, plant and equipment	5	135,186	54,916
Exploration and evaluation assets	6	22,129,865	-
Intangible assets	7	4,613,813	4,616,937
Other assets		-	157,881
		26,878,864	7,600,388
Total assets		**28,908,918**	**10,505,439**
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities		1,568,405	534,924
Deferred contribution from SDTC	8	996,683	-
Short-term loan with a related party	9	3,000,000	-
Total liabilities		5,565,088	534,924
Equity			
Share capital	10	47,136,615	29,889,629
Contributed surplus		7,794,293	7,054,955
Deficit		(31,587,078)	(26,974,069)
Total equity		23,343,830	9,970,515
Total liabilities and equity		**28,908,918**	**10,505,439**

Going concern	1
Commitments	14
Subsequent events	15

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 June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
		$	$	$	$
Expenses					
Research and development	12	1,649,997	378,294	3,478,525	972,425
Professional and consulting fees		335,997	249,020	652,388	486,679
Wages and compensation		58,455	91,837	208,346	161,056
Administrative		149,516	58,544	223,235	133,745
Trustee and registration fees		20,783	-	20,783	-
Investor relation and promotion		47,537	-	47,537	-
Share-based payments		-	-	-	104,589
Depreciation of property, plant and equipment		1,181	615	2,348	1,175
Amortization of intangible assets		1,499	2,446	3,124	3,240
Total expenses		2,264,965	780,756	4,636,286	1,862,909
Operating loss		2,264,965	780,756	4,636,286	1,862,909
Gain (loss) on investments	4	(1,006,477)	-	143,109	-
Interest income		1,814	556	23,718	1,867
Interest expense		(94,840)	-	(156,329)	-
Gain (loss) on foreign currency exchange		6,953	(5,482)	12,779	(5,605)
Net loss and comprehensive loss		**3,357,515**	**785,682**	**4,613,009**	**1,866,647**
Basic and diluted net loss per share		0.01	0.01	0.02	0.01
Weighted average number of common shares outstanding – basic and diluted		278,082,976	153,704,049	246,680,309	151,432,999

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)

Six months ended June 30, 2014 and 2013

(Expressed in Canadian dollars, except number of shares)

	Note	Common shares	Share capital	Multiple voting shares		Subordinated voting shares		Contributed surplus	Deficit	Total equity
		Number	$	Number	$	Number	$	$	$	$
Balance – December 31, 2013		**214,928,724**	**29,889,629**	**-**	**-**	**-**	**-**	**7,054,955**	**(26,974,069)**	**9,970,515**
Capital Reorganization	10	(214,928,724)	(29,889,629)	50,000,000	3,963,875	164,928,724	25,925,754	-	-	-
Issuance of subordinated voting shares for acquisition	4	-	-	-	-	63,615,477	17,176,178	-		17,176,178
Issuance of warrants for acquisition	4	-	-	-	-	-	-	580,446	-	580,446
Issuance of options for acquisition	4	-	-	-	-	-	-	182,300	-	182,300
Warrants exercised	10	-	-	-	-	112,000	28,308	(5,908)	-	22,400
Options exercised	11	-	-	-	-	250,000	42,500	(17,500)	-	25,000
Net loss and comprehensive loss for the period		-	-	-	-	-	-	-	(4,613,009)	(4,613,009)
Balance – June 30, 2014		**-**	**-**	**50,000,000**	**3,963,875**	**228,906,201**	**43,172,740**	**7,794,293**	**(31,587,078)**	**23,343,830**

	Note	Number of common shares	Share capital	Contributed surplus	Deficit	Total equity
			$	$	$	$
Balance – December 31, 2012		**147,614,214**	**23,573,018**	**5,513,049**	**(22,987,666)**	**6,098,401**
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		-	-	-	(1,866,647)	(1,866,647)
Balance – June 30, 2013		**155,039,214**	**25,281,284**	**5,364,372**	**(24,854,313)**	**5,791,343**

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)
Six months ended June 30, 2014 and 2013
(Expressed in Canadian dollars)

	Note	2014	2013
		$	$
Operating activities			
Net loss for the period		(4,613,009)	(1,866,647)
Adjusted for:			
Share-based payments	11	-	104,589
Gain on investments	4	(143,109)	-
Contribution from SDTC received in excess of amount recognized and classified as deferred revenue on the statement of financial position		996,683	-
Depreciation of property, plant and equipment		2,348	1,175
Depreciation of property, plant and equipment included in research and development		4,700	-
Amortization of intangible assets	7	3,124	3,240
		(3,749,263)	(1,757,643)
Changes in non-cash operating working capital items:			
Research and development tax credits receivable		(35,476)	(6,467)
Sales taxes and other receivables		171,340	(112,864)
Prepaid expenses and advances to suppliers		(105,455)	(29,152)
Accounts payable and accrued liabilities		620,664	81,284
		651,073	(67,199)
Net cash used in operating activities		**(3,098,190)**	**(1,824,842)**
Investing activities			
Acquisition of property, plant and equipment		-	(8,574)
Addition to exploration and evaluation assets		(21,699)	-
Acquisition of intangible assets		-	(9,809)
Transaction costs paid for the acquisition of Creso		(212,838)	-
Cash acquired through acquisition	4	88,461	-
Net cash used in investing activities		**(146,076)**	**(18,383)**
Financing activities			
Exercise of warrants	10	22,400	1,425,000
Exercise of options	11	25,000	30,000
Short-term loan	9	3,000,000	-
Net cash provided by financing activities		**3,047,400**	**1,455,000**
Net change in cash and cash equivalents		(196,866)	(388,225)
Cash and cash equivalents – beginning of period		1,274,869	1,376,903
Cash and cash equivalents – end of period		**1,078,003**	**988,678**
Components of cash and cash equivalents are as follows:			
Cash		1,078,003	288,678
Cash equivalents		-	700,000
Supplemental information			
Amount of additions to exploration and evaluation assets included in payable and accrued liabilities		8,785	-
Depreciation of property, plant and equipment included in exploration and evaluation assets		14,553	-

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

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 June 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 six months ended June 30, 2014, the Corporation incurred a loss of $4,613,009 ($3,986,403 for the year ended December 31, 2013). Deficit as at June 30, 2014 amounted to $31,587,078 ($26,974,069 as at December 31, 2013) and cash flow used by operating activities for the six months ended June 30, 2014, amounted to $3,098,190 ($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 June 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 new equity. 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.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements of the Corporation as at and for the three and six months ended June 30, 2014 ("June 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 June 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 June 2014 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on August 25, 2014.

The June 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.

<u>Changes in Accounting Policies Implemented During the Six Months Ended June 30, 2014:</u>

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 June 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 June 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 June 2014 Interim Consolidated Financial Statements.

2. BASIS OF PRESENTATION (Cont'd)

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

Principles of consolidation

The June 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 June 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.

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

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. ACQUISTION 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.

(Expressed in Canadian dollars)

4. ACQUISTION OF CRESO EXPLORATION INC. (Cont'd)

The shareholders of Creso received 63,615,477 subordinated 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 subordinated 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 subordinated 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		2,670,165
Fair value of the Creso warrants already owned by the Corporation		243,598
Transaction costs of the Corporation		278,408
	$	**21,131,095**
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 (1)		(496,343)
Short-term loan due to the Corporation		(700,000)
	$	**21,131,095**

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

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Camp and infrastructure	Vehicles and equipment	Office furniture and computer equipment	Total
Gross carrying amount	$	$	$	$
Balance - January 1, 2014	-	47,000	134,085	181,085
Acquisition of Creso	101,871	-	-	101,871
Balance – June 30, 2014	101,871	47,000	134,085	282,956
Accumulated depreciation			126,169	126,169
Balance - January 1, 2014	-	-		
Depreciation (1)	14,553	4,700	2,348	21,601
Balance – June 30, 2014	14,553	4,700	128,517	147,770
Net carrying amount - June 30, 2014	**87,318**	**42,300**	**5,568**	**135,186**
Net carrying amount - December 31, 2013	**-**	**47,000**	**7,916**	**54,916**

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

6. EXPLORATION AND EVALUATION ASSETS

	As at December 31, 2013	Creso acquisition	Additions	As at June 30, 2014
	$	**$**	**$**	**$**
Mineral properties				
Ontario, Canada				
Shining Tree	-	22,084,828	-	22,084,828
E&E expenditures				
Shining Tree	-	-	45,037	45,037
	-	**22,084,828**	**45,037**	**22,129,865**

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.

(Expressed in Canadian dollars)

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 December 31, 2013	Amortization	As at June, 30, 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)
	4,616,937	**(3,124)**	**4,613,813**

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 September 30, 2014
	2,875,972	

(Expressed in Canadian dollars)

8. GOVERNMENT ASSISTANCE (Cont'd)

	Six months ended June 30,	
	2014	**2013**
	$	$
Balance – beginning	-	-
SDTC grant received	2,219,429	-
Reclassification of deferred contribution through profit or loss as per eligible expenditures incurred during the period	(1,222,746)	-
Balance – end	**996,683**	**-**

For further details, also refer to Note 12 research and development and Note 14, commitments.

9. SHORT-TERM LOAN

On January 8, 2014, Dundee agreed to loan $3,000,000 to the Corporation (the "Bridge Loan"). The funds from the Bridge Loan were disbursed on January 31, 2014. The Bridge Loan is secured by the Corporation's assets, bears interest at the rate of 12.68% per annum and matures on April 30, 2014. The Corporation has the option to repay the Bridge Loan at any time but must use the proceeds from the sale of any assets in excess of $250,000 or any financing in excess of $3,000,000 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. On April 30, 2014, Dundee agreed to extend the maturity date of the Bridge Loan to September 30, 2014.

10. SHARE CAPITAL

10.1 Authorized

On June 30, 2014, the authorized capital of the Corporation consists of an unlimited number of subordinated voting shares and multiple voting shares, without nominal or par value. The holders of subordinate voting shares are entitled to one vote for each subordinate voting share and the holders of multiple voting shares are entitles 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.

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 "subordinated voting shares" and change the rights, privileges, restrictions and conditions attaching thereto; and
c) to create and authorize the issuance of an unlimited number of multiple voting shares, each multiple voting share having 10 votes.

(Expressed in Canadian dollars)

10. SHARE CAPITAL (Cont'd))

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 Warrants

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

	Six months ended June 30,			
	2014		2013	
	Number of warrants	Carrying amount	Number of warrants	Carrying amount
		$		$
Balance – beginning	50,000,000	1,036,125	10,535,000	311,852
Issued for Creso acquisition	12,456,566	580,446	-	-
Exercised	(112,000)	(5,908)	(7,125,000)	(232,570)
Balance – end	**62,344,566**	**1,610,663**	**3,410,000**	**79,282**

The weighted average exercise price was $0.20 per share (six months ended June 30, 2013 – $0.33).

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

Number of warrants	Exercise price	Expiry date
	$	
380,000	0.20	August 7, 2014 (1)
620,000	0.20	August 29, 2014
539,000	0.20	September 17, 2014
833,334	0.30	September 25, 2014
1,525,000	0.20	October 31, 2014
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
62,344,566		

(1) 300,000 warrants exercised and 80,000 warrants unexercised at expiry date

(Expressed in Canadian dollars)

11. STOCK OPTION PLAN

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

	Six months ended June 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
Exercised	(250,000)[(1)]	0.10	(300,000)	0.10
Balance – end	**23,720,000**	**0.16**	**9,025,000**	**0.14**

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

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

Number of options	Exercise price	Expiry date
	$	
50,000	0.20	September 3, 2014
520,000	0.30	September 30, 2014
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
23,720,000		

The residual weighted average contractual term of outstanding options was 3.93 years as at June 30, 2014

12. RESEARCH AND DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	$	$	$	$
Research and development	2,311,568	583,667	4,836,497	1,177,798
Tax credit	(19,845)	(205,373)	(135,226)	(205,373)
SDTC contribution	(641,726)	-	(1,222,746)	-
	1,649,997	**378,294**	**3,478,525**	**972,425**

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

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

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	$	$	$	$
Directors or corporations held by directors				
Professional and consulting fees	100,025	120,803	232,465	227,873
Officers or corporations held by officers				
Professional fees	166,006	42,243	256,188	84,911
	266,031	**163,046**	**488,653**	**312,784**

Compensation of key management

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

	Three months ended June 30,		Six months ended June 30,	
	2014	**2013**	**2014**	**2013**
	$	$	$	$
Officers and directors' professional and consulting fees	248,845	192,213	496,168	341,951
Share-based payments	-	-	-	-
	248,845	**192,213**	**496,168**	**341,951**

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, a company controlled by Dundee. Dundee had earlier confirmed to the SDTC its intention to arrange the required financing of the construction of the demonstration plan from its own or from third parties.

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

Of the $27 million demonstration plant projected budget, the Corporation has spent in total $7,526,274 from which a total of $3,077,533 was incurred in 2013 and the difference of $4,448,741 was incurred in 2014 and included in the interim Consolidated Statements of Comprehensive Loss in the Research and development line item. As at June 30, 2014, the Corporation has a firm purchasing commitment for $1,360,253 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 September 30, 2014.

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. SUBSEQUENT EVENT

Short-term loan

On July 3, 2014, Dundee agreed to make available, under certain conditions, an additional $3,000,000 to the Corporation in increments of no less than $250,000 under the same terms as the Bridge Loan of January 8, 2014. An initial advance of $500,000 was made on July 4, 2014. An additional advance 0f $1,500,000 was made on August 13, 2014.