Dundee Sustainable Technologies Inc.

(Formerly known as Nichromet Extraction Inc.)

Consolidated Financial Statements

December 31, 2014 and 2013

(Expressed in Canadian dollars)

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March 24, 2015

Independent Auditor's Report

To the Shareholders of Dundee Sustainable Technologies Inc.

We have audited the accompanying consolidated financial statements of Dundee Sustainable Technologies Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Sustainable Technologies Inc. and its subsidiaries as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Dundee Sustainable Technologies Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP[1]

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[1] CPA auditor, CA, public accountancy permit No. A119714

Dundee Sustainable Technologies Inc.

Consolidated Statements of Financial Position

As at December 31, 2014 and 2013
(Expressed in Canadian dollars)

	Note	2014	2013
		$	$
Assets			
Current assets			
Cash and cash equivalents		290,488	1,274,869
Research and development tax credits receivable		193,732	246,069
Sales taxes and other receivables		174,368	634,913
Promissory notes receivable	4	-	700,000
Prepaid expenses and advances to suppliers		41,577	49,200
		700,165	2,905,051
Non-current assets			
Investments	5	-	2,770,654
Property, plant and equipment	6	99,940	54,916
Intangible assets	8	4,613,813	4,616,937
Other assets		-	157,881
		4,713,753	7,600,388
Total assets		**5,413,918**	**10,505,439**
Liabilities and Equity (Deficiency)			
Current liabilities			
Accounts payable and accrued liabilities		953,141	534,924
Deferred contribution from SDTC	9	1,055,677	-
Short-term loan with a related party	10	6,105,473	-
Total liabilities		8,114,291	534,924
Equity (Deficiency)			
Share capital	11	47,591,598	29,889,629
Contributed surplus		7,860,885	7,054,955
Deficit		(58,152,856)	(26,974,069)
Total equity (deficiency)		(2,700,373)	9,970,515
Total liabilities and equity (deficiency)		**5,413,918**	**10,505,439**
Going concern	1		
Commitments	17		
Subsequent event	21		

Approved by the Board of Directors

(s) ______________________ John Mercer, Director

(s) ______________________ Ronald Singer, Director

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2014 and 2013
(Expressed in Canadian dollars, except number of shares)

	Note	2014	2013
		$	$
Expenses			
Research and development	14	5,972,913	3,888,298
Professional and consulting fees		1,371,942	953,722
Wages and compensation		339,881	287,181
Administrative		545,447	270,456
Trustee and registration fees		52,992	-
Investor relation and promotion		140,361	-
Share-based payments	12	211,575	759,047
Impairment of exploration and evaluation assets	7	22,245,407	-
Depreciation of property, plant and equipment		3,789	3,466
Amortization of intangible assets		3,124	8,186
Total expenses		30,887,431	6,170,356
Operating loss		(30,887,431)	(6,170,356)
Gain on investments	5	143,109	2,126,184
Interest income		24,370	44,521
Interest expense	10	(455,473)	-
Gain (loss) on foreign currency exchange		(3,362)	13,248
Net loss and comprehensive loss		**(31,178,787)**	**(3,986,403)**
Basic and diluted net loss per share		(0.12)	(0.02)
Weighted average number of shares outstanding – basic and diluted		263,839,053	181,965,075
Going concern	1		

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

Dundee Sustainable Technologies Inc.
Consolidated Statements of Changes in Equity (Deficiency)
For the years ended December 31, 2014 and 2013
(Expressed in Canadian dollars, except number of shares)

	Note	Common shares	Share capital	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total equity (deficiency)
		Number	$	Number	$	Number	$	$	$	$
Balance – December 31, 2013		**214,928,724**	**29,889,629**	**-**	**-**	**-**	**-**	**7,054,955**	**(26,974,069)**	**9,970,515**
Capital Reorganization	11	(214,928,724)	(29,889,629)	50,000,000	3,963,875	164,928,724	25,925,754	-	-	-
Issuance of subordinate 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
Exercise of warrants	11	-	-	-	-	412,000	102,921	(20,521)	-	82,400
Exercise of options	12	-	-	-	-	2,750,000	422,870	(147,870)	-	275,000
Share-based compensation	12	-	-	-	-	-	-	211,575	-	211,575
Net loss and comprehensive loss for the year		-	-	-	-	-	-	-	(31,178,787)	(31,178,787)
Balance – December 31, 2014		**-**	**-**	**50,000,000**	**3,963,875**	**231,706,201**	**43,627,723**	**7,860,885**	**(58,152,856)**	**(2,700,373)**

	Note	Common shares	Share capital	Contributed surplus	Deficit	Total equity (deficiency)
		Number	$	$	$	$
Balance – December 31, 2012		**147,614,214**	**23,573,018**	**5,513,049**	**(22,987,666)**	**6,098,401**
Proceeds from private placement of units	11	50,000,000	5,000,000	-	-	5,000,000
Fair value of warrants	11	-	(1,036,125)	1,036,125	-	-
Acquisition of investments	5	9,889,510	644,470	-	-	644,470
Exercise of warrants	11	7,125,000	1,657,570	(232,570)	-	1,425,000
Exercise of options	12	300,000	50,696	(20,696)	-	30,000
Share-based compensation	12	-	-	759,047	-	759,047
Net loss and comprehensive loss for the year		-	-	-	(3,986,403)	(3,986,403)
Balance – December 31, 2013		**214,928,724**	**29,889,629**	**7,054,955**	**(26,974,069)**	**9,970,515**

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(Expressed in Canadian dollars)

	Note	2014	2013
		$	$
Operating activities			
Net loss for the year		(31,178,787)	(3,986,403)
Adjusted for:			
Share-based payments	12	211,575	759,047
Impairment of exploration and evaluation assets	7	22,245,407	-
Gain on investments	5	(143,109)	(2,126,184)
Contribution from SDTC received in excess of amount recognized	9	1,055,677	-
Depreciation of property, plant and equipment included in research and development	6	9,400	-
Depreciation of property, plant and equipment	6	3,789	3,466
Amortization of intangible assets	8	3,124	8,186
Interest expense accrued	10	455,473	-
		(7,337,451)	(5,341,888)
Changes in non-cash operating working capital items:			
Research and development tax credits receivable		52,337	(45,414)
Sales taxes and other receivables		507,507	(554,675)
Prepaid expenses and advances to suppliers		12,939	(35,793)
Accounts payable and accrued liabilities		(2,459)	251,688
		570,324	(384,194)
Net cash used in operating activities		**(6,767,127)**	**(5,726,082)**
Investing activities			
Promissory notes disbursement	4	-	(700,000)
Acquisition of property, plant and equipment		-	(55,573)
Addition to exploration and evaluation assets		(98,776)	-
Acquisition of intangible assets		(1,500)	(9,810)
Transaction costs paid for the acquisition of Creso	4	(212,839)	-
Additions to other assets	4	-	(65,569)
Cash acquired through acquisition of Creso	4	88,461	-
Net cash used in investing activities		**(224,654)**	**(830,952)**
Financing activities			
Private placement of units	11	-	5,000,000
Exercise of warrants	11	82,400	1,425,000
Exercise of options	12	275,000	30,000
Short-term loan with a related party	10	5,650,000	-
Net cash provided by financing activities		**6,007,400**	**6,455,000**
Net change in cash and cash equivalents		(984,381)	(102,034)
Cash and cash equivalents – beginning		1,274,869	1,376,903
Cash and cash equivalents – end		**290,488**	**1,274,869**
Components of cash and cash equivalents are as follows:			
Cash		290,488	274,869
Cash equivalents		-	1,000,000
Going concern	1		
Supplemental information	20		

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

These technologies are subject to all risks inherent to their development and may require significant additional development, testing and investments prior to any final commercialization. There can be no assurance that such technologies will be successfully developed, or that output from any use of the Corporation’s technologies could be produced at a commercial level at reasonable costs or be successfully marketed. To date, the Corporation has not earned significant revenues and is considered to be in the development stage. At December 31, 2014, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the year ended December 31, 2014, the Corporation incurred a loss of $31,178,787 ($3,986,403 for the year ended December 31, 2013) and has a negative working capital of $7,414,126 (a working capital of $2,370,127 as at December 31, 2013). Deficit as at December 31, 2014 amounted to $58,152,856 ($26,974,069 as at December 31, 2013) and cash flow used in operating activities for the year ended December 31, 2014, amounted to $6,767,127 ($5,726,082 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 December 31, 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 offerings. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although these 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 consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

On March 19, 2015, these consolidated financial statements were authorized for publication by the Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The accounting policies set out below have been applied consistently to both years in these financial statements.

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.3 Principles of consolidation

These consolidated financial statements include the accounts of the Corporation, Creso Exploration Inc. ("Creso") (100%) and its 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 these consolidated financial statements. Creso is fully consolidated since April 1, 2014, the date on which control was obtained by the Corporation.

2.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and highly liquid short-term investments with original maturities of three months or less or cashable at any time without penalties or discounts.

2.5 Financial instruments

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

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

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

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

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

a) Financial assets

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

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

b) Financial liabilities

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

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

The Corporation's financial instruments are classified as follows:

	Category
Financial assets	
Amortized cost and effective interest method	
Cash and cash equivalents	Loans and receivables
Other receivables	Loans and receivables
Promissory notes receivable	Loans and receivables
Financial assets at fair value through profit or loss	
Investments	FVTPL
Financial liabilities	
Amortized cost and effective interest method	
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Short-term loan with related party	Financial liabilities at amortized cost

2.6 Research and development tax credits and government assistances

a) Research and development tax credits

The Corporation is entitled to scientific research and experimental development ("SR&ED") tax credits granted by the Canadian federal government and the Government of Quebec. SR&ED tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures in the period the expenses are incurred. The non-refundable portion of such credits is recorded in the period in which the related expenditures are incurred to the extent that realization of such credits is considered to be reasonably assured.

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

b) Government assistance

The Corporation periodically receives financial assistance under government incentive programs. Government assistance is recognized initially as deferred revenue at fair value when there is reasonable assurance that it will be received and the Corporation will comply with the conditions associated with the assistance. Assistance that compensate the Corporation for expenses incurred are recognized as an adjustment to research and development expense on a systematic basis in the same periods in which the expenses are incurred. Assistance that compensates the Corporation for the cost of an asset are recognized in reduction of the associated capital expenditures. Forgivable loans from the government are treated as government assistance when there is reasonable assurance that the Corporation will meet the terms for forgiveness of the loan.

2.7 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price which may include construction or development of an item of property, plant and equipment, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling the item and restoring the site on which it is located. Repairs and maintenance costs are charged to the consolidated statement of comprehensive loss in the period in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

	Method	**Period**
Computer equipment and office furniture	Straight-line	3 years
Camp and infrastructure	Straight-line	2 years
Vehicles and equipment	Straight-line	5 years

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of comprehensive loss.

2.8 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.

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

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.

2.9 Intangible assets

Intangible assets consist mainly of intellectual property, patent application fees, software and development costs.

Intellectual property represents the acquisition cost of the technology. Using the straight-line method, amortization of intellectual property will be calculated over its estimated useful life upon commercialization of the chlorine leach technology ("CLT").

Patent application fees relate to direct costs incurred in securing the patent. Using the straight-line method, amortization of patent application fees will be calculated over the estimated useful lives of the patents upon commercialization of the CLT.

Software represents fees paid for the implementation of the accounting software. Using the straight-line method, amortization of the software is calculated over one year.

Development costs are stated at cost and include the expenditures incurred for the development of the CLT process and the equipment, material and services used or consumed for the development activities, including the design, construction and operation of a plant that is not at a scale economically feasible for commercial production. The capitalized costs meet the following generally accepted criteria: i) the technical feasibility of completing the intangible asset so that it will be available for use or sale; ii) the Corporation's intention to complete the intangible asset; iii) the Corporation's ability to use or sell the intangible asset; iv) the probability of generating measurable future economic benefits; v) the availability of adequate technical, financial and other resources to complete the development; and vi) the Corporation's ability to measure reliably the expenditure attributable to the intangible asset during its development. The capitalized costs will be amortized over the expected useful life of the CLT process developed using the straight-line method upon commercialization of the CLT.

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

2.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Corporation estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

An asset or CGU's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation or amortization. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation or amortization charge for the year.

2.11 Other assets

Other assets include the transaction costs incurred in connection with the amalgamation transaction with Creso. Those transactions costs were considered as part of the price paid upon the completion of the transaction.

2.12 Share-based payments

The fair values of share options granted to employees are recognized as an expense or capitalized to exploration and evaluation assets depending on the nature of the payment over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Corporation.

The fair value is measured at the grant date and recognized over the period in which the options vest. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

2.13 Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued on a pro rata basis of their respective fair value within the unit, using the Black-Scholes option pricing model to determine the fair value of warrants issued.

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

2.14 Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred income tax. Income tax is recognized in the consolidated statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax income expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to income tax payable with regard to previous years. Management periodically evaluates positions taken in income tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, providing for temporary differences between the tax basis of assets and liabilities and their carrying amounts in the financial statements. The temporary difference is not provided for if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date and whose implementation is expected over the period in which the deferred income tax is realized or recovered.

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Loss per share

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding during each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of the Corporation by the weighted average number of voting or common shares outstanding at the end of the year.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the EPS. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Corporation reports a loss, the diluted net loss per voting or common share is equal to the basic net loss per voting or common share due to the anti-dilutive effect of the outstanding warrants and share options.

2.16 Foreign currency translation

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Corporation and its subsidiaries.

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

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the financial position date, whereas non-monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate in effect at the transaction date. Expenses denominated in a foreign currency are translated at the average rate in effect during the period with the exception of depreciation, which is translated at the historical rate. Gains and losses on exchange arising from the translation of foreign operations are recorded in the consolidated statement of comprehensive loss.

2.17 Changes in accounting policies implemented during the year ended December 31, 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.

a) 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 on the Corporation's consolidated financial statements.

b) 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 consolidated financial statements.

c) 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 consolidated financial statements.

2.18 Accounting standards issued but not yet applied

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

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

b) IFRS 9, "Financial Instruments"

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

c) IFRS 15, "Revenue from Contracts with Customers"

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

d) IAS 16, "Property, Plant and Equipment" and IAS 38, "Intangible Assets"

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

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Areas of significant judgment and estimates affecting the amounts recognized in the consolidated financial statements include the following.

3.1 Significant judgments

a) Impairment of non-financial assets

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.

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

Impairment of Intangible assets

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

b) Going concern

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

c) Research and development tax credits receivable

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

3.2 Significant estimations

a) Fair value of financial instruments

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

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

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

b) Impairment of non-financial assets

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

The total impairment charge of the E&E assets recognized in the consolidated statement of comprehensive loss amounts to $22,245,407 for the year ended December 31, 2014 (nil for the year ended December 31, 2013).

No impairment charge of the intangible assets nor reversal of impairment losses of the E&E assets and intangible assets 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.

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.

(Expressed in Canadian dollars)

4. ACQUISTION OF CRESO EXPLORATION INC. (CONT'D)

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 [(1)]		2,670,165
Fair value of the Creso warrants already owned by the Corporation [(1)]		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 [(2)]		(496,343)
Short-term loan due to the Corporation [(3)]		(700,000)
	$	**21,131,095**

(1) Refer to Note 5 *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.

5. INVESTMENTS

The Corporation's investments are classified as FVTPL.

	As at December 31,	
	2014	**2013**
	$	$
Publicly traded securities		
Balance – beginning	2,274,585	-
Acquisition through issuance of shares (Note 11)	-	593,370
Change in fair value	395,580	1,681,215
Acquisition of Creso (Note 4)	(2,670,165)	
Balance – end	-	2,274,585
Warrants		
Balance – beginning	496,069	-
Acquisition through issuance of shares (Note 11)	-	51,100
Change in fair value	(252,471)	444,969
Acquisition of Creso (Note 4)	(243,598)	
Balance – end	-	496,069
	-	**2,770,654**

(Expressed in Canadian dollars)

5. INVESTMENTS (CONT'D)

Gains on investments	2014		2013	
	Realized	Unrealized	Realized	Unrealized
	$	$	$	$
Publicly traded securities	395,580	-	-	1,681,215
Warrants	(252,471)	-	-	444,969
	143,109	**-**	**-**	**2,126,184**

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 fair value of Creso common shares, 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, 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.

The fair value of Creso common shares, as at December 31, 2013, was determined using the last quoted market price of Creso shares on the Canadian Securities Exchange (CXT: 0.115$ - November 13, 2013).

The fair value of Creso warrants, as at December 31, 2013, that expire on July 9, 2014 was determined using the Black-Scholes option pricing model using the following assumptions: stock price of 0.115$, dividend yield of 0%, estimated volatility of 131%, risk-free interest rate of 1.1%, and a weighted expected life of 0.52 years.

The fair value of Creso warrants, as at December 31, 2013, that expire on December 21, 2014 was determined using the Black-Scholes option pricing model using the following assumptions: stock price of 0.115$, dividend yield of 0%, estimated volatility of 125%, risk-free interest rate of 1.1%, and a weighted expected life of 0.97 years.

6. 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 – December 31, 2014	101,871	47,000	134,085	282,956
Accumulated depreciation				
Balance - January 1, 2014	-	-	126,169	126,169
Depreciation (1)	43,658	9,400	3,789	56,847
Balance – December 31, 2014	43,658	9,400	129,958	183,016
Net carrying amount - December 31, 2014	**58,213**	**37,600**	**4,127**	**99,940**

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Camp and infrastructure	Vehicles and equipment	Office furniture and computer equipment	Total
Gross carrying amount	$	$	$	$
Balance - January 1, 2013	-	-	125,512	125,512
Acquisition	-	47,000	8,573	55,573
Balance – December 31, 2013	-	47,000	134,085	181,085
Accumulated depreciation				
Balance - January 1, 2013	-	-	122,703	122,703
Depreciation	-	-	3,466	3,466
Balance – December 31, 2013	-	-	126,169	126,169
Net carrying amount - December 31, 2013	**-**	**47,000**	**7,916**	**54,916**

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

7. EXPLORATION AND EVALUATION ASSETS

	As at December 31, 2013	Creso acquisition	Additions	Impairment	As at December 31, 2014
	$	**$**	**$**	**$**	**$**
Mineral properties					
Ontario, Canada					
Shining Tree	-	22,084,828	573	(22,085,401)	-
E&E expenditures					
Shining Tree	-	-	160,006	(160,006)	-
	-	**22,084,828**	**160,579**	**(22,245,407)**	**-**

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.

b) Net Smelter Royalties

A third party 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.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (CONT'D)

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.

c) Impairment of exploration and evaluation assets

As at December 31, 2014, the Corporation recorded impairment charges of all costs on the Shinning Tree properties. These properties were acquired as part of the acquisition of Creso (note 4) with the intent of using the mineral extracted from the properties to further advance the testing of its proprietary technological processes and for future processing. The Corporation has subsequently decided to foreclose any further investment or funding of the properties in order to de-risk the extraction cost and is in the process of arranging for alternative means to obtain the minerals needed to complete the testing.

Accordingly, the recoverable amount of the undeveloped properties was determined to be nil. The fair value less costs to sell for these properties is estimated to be a nominal amount considering the depressed market conditions and that substantial expenditures are required in order to delineate mineral resources. The value-in-use is also estimated to be nominal considering the properties' current stage of advancement.

8. INTANGIBLE ASSETS

	As at December 31, 2013	Additions	Amortization	As at December 31, 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**

	As at December 31, 2012	Additions	Amortization	As at December 31, 2013
	$	$	$	$
Intellectual properties – Oxide	605,000	-	-	605,000
Patent application fees – Oxide	129,474	-	-	129,474
Software	-	11,310	(8,186)	3,124
Development cost – Oxide	5,809,233	-	-	5,809,233
Less: SR&ED tax credit	(1,929,894)	-	-	(1,929,894)
	4,613,813	**11,310**	**(8,186)**	**4,616,937**

(Expressed in Canadian dollars)

9. 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.

Deferred contribution from SDTC	**Year ended December 31,**	
	2014	**2013**
	$	$
Balance – beginning	-	-
SDTC grant received	3,164,727	656,543
Reclassification of deferred contribution through profit or loss as per eligible expenditures incurred during the period	(2,109,050)	(656,543)
Balance – end	**1,055,677**	**-**

10. SHORT-TERM LOAN (NOTE 21)

On January 8, 2014, Dundee agreed to loan $3,000,000 to the Corporation (the "First Bridge Loan"). The funds from the Bridge Loan were disbursed on January 31, 2014. The Bridge Loan is secured by the Corporation's assets, bears interest at the rate of 12.68% per annum. The interest is payable concurrently with the repayment of the Bridge Loan. The Bridge Loan shall only be used to fund (i) the building of a demonstration plant and (ii) for general corporate purposes.

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

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

The Corporation has the option to repay the Bridge Loan at any time. The maturity date of the Bridge Loans is the earlier of December 31, 2014 and the date in which the Corporation raises the sum of $5,000,000 or greater by way of debt or equity.

Short-term loan	**Year ended December 31,**	
	2014	**2013**
	$	$
Balance – beginning	-	-
Principal amount	5,650,000	-
Interest accrued	455,473	-
Balance – end	**6,105,473**	**-**

11. SHARE CAPITAL

11.1 Authorized

On December 31, 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 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 have the same rights and restrictions.

11.2 Reorganization

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 shareholders of the Corporation approved the Capital Reorganization and on January 8, 2014, the amendments to the article of the Corporation became effective.

11.3 Issued and outstanding

Year ended December 31, 2014

In connection with the acquisition of Creso described in Note 4, the Corporation issued 63,615,477 of its subordinate voting shares. The Corporation’s issued shares were accounted for at the fair value of the issued shares and were determined using the average 30-days closing quoted market price of the Corporation’s shares on the Canadian Securities Exchange using trading data at the start of listing on April 8, 2014.

Year ended December 31, 2013

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.

In connection with the investments described in Note 5, the Corporation issued 9,889,510 of its common shares. The Corporation issued shares were accounted for at the fair value of the counterpart received at the acquisition date.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (CONT'D)

11.4 Warrants

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

	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 acquistion	12,456,566	580,446		
Issued for cash as part of private placement	-	-	50,000,000	1,036,125
Exercised	(412,000)	(20,754)	(7,125,000)	(232,570)
Expired	(9,474,566)	(407,761)	(3,410,000)	(79,282)
Balance – end	**52,570,000**	**1,188,056**	**50,000,000**	**1,036,125**

The weighted average exercise price was $0.20 per share (2013 – $0.20).

A summary of outstanding warrants entitling their holders to subscribe for an equivalent number of common shares, as at December 31, 2014, is as follows:

Number of Warrants	**Exercise price**	**Expiry date**
	$	
2,570,000	0.20	February 22, 2015 (1)
50,000,000	0.10	July 9, 2015
52,570,000		

(1) unexercised at expiry date

12. STOCK OPTION PLAN

The Corporation maintains a stock option plan (the "Plan"), which provides that the board of directors of the Corporation may, from time to time, in its discretion and in accordance with the Canadian Securities Exchange requirements, grant to directors, officers, employees and consultants to the Corporation, non-transferable options to purchase in cash subordinate voting shares of the Corporation, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding subordinate voting shares of the Corporation.

Under the Plan, such options will be exercisable for a period of up to 5 years from the date of grant. Options granted are exercisable on the day of grant, unless otherwise stated by the Board of Directors. Options issued to consultants performing investor relations activities must vest in stages over 12 months, with no more than one-fourth of the options vesting in any three month period. The exercise price shall not be less than that permitted under the rules of any stock exchange on which the subordinate voting shares are listed.

On October 2, 2014, the Corporation granted a total of 1,502,500 stock options to its directors, officers, employees and a consultant and 500,000 to consultants performing investor relation activities. These options are exercisable at $0.20 per share and vested at the grant date except for the options granted to the consultants performing investor relations activities which will vest in stages over 12 months. These options expire on the fifth anniversary of their date of issuance. The fair value of options awarded is $0.13 per share for a total share-based payment expense of $211,575.

(Expressed in Canadian dollars)

12. STOCK OPTION PLAN (CONT'D)

On February 6, 2013, the Corporation granted a total of 600,000 stock options to officers and employees, which are exercisable at $0.20 per share. Options vested at the grant date. These options expire on the fifth anniversary of their date of issuance. The fair value of options awarded is $0.10 per share for a total share-based payment expense of $61,960.

On March 22, 2013, the Corporation granted a total of 100,000 stock options to an employee, which are exercisable at $0.20 per share. Options vested at the grant date. These options expire on the fifth anniversary of their date of issuance. The fair value of options awarded is $0.10 per share for a total share-based payment expense of $10,284.

On December 12, 2013, the Corporation granted a total of 12,550,000 stock options to its officers, directors and employees, which are exercisable at $0.10 per share. Options vested at the grant date. These options expire on the fifth anniversary of their date of issuance. The fair value of options awarded is $0.05 per share for a total share-based payment expense of $686,803.

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

		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 acquistion	2,545,000	0.51	-	-
Awarded	2,002,500	0.20	13,250,000	0.11
Exercised (1)	(2,750,000)	0.10	(300,000)	0.10
Expired	(570,000)	0.29	(150,000)	0.20
Balance – end	**22,652,500**	**0.16**	**21,425,000**	**0.12**

(1) The weighted average market share price at the exercise date was $0.20.

As at December 31, 2014 outstanding and exercisable options are as follows:

Number of options	**Exercise price**	**Expiry date**
	$	
200,000	0.20	January 30, 2015 (1)
300,000	0.20	February 18, 2015 (1)
175,000	0.20	June 30, 2015
700,000	0.80	July 9, 2015
200,000	1.74	September 29, 2015
300,000	0.10	October 18, 2015
5,200,000	0.10	June 8, 2016
975,000	0.20	February 20, 2017
100,000	0.20	July 23, 2017
600,000	0.20	February 6, 2018
10,050,000	0.10	December 12, 2018
2,350,000	0.20	November 27, 2022
1,502,500	0.20	October 2, 2019
22,652,500		

(1) Unexercised at expiry date

(Expressed in Canadian dollars)

12. STOCK OPTION PLAN (CONT'D)

The residual weighted average contractual term of outstanding options was 3.44 years as at December 31, 2014 (December 31, 2013 – 4.68 years).

The fair value of options at the grant date was calculated based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2014	2013
Expected life	5 years	5 years
Risk-free interest rate	1.59%	1.80%
Expected volatility	83%	64%
Expected dividend yield	0%	0%
Share price	$0.20	$0.11

13. ESCROW AGREEMENT

As at December 31, 2014, 97,926,373 subordinate voting shares, 37,500,000 multiple voting shares, 37,500,000 warrants and 6,900,000 options of the Corporation, are subject to an escrow agreement with one-fifth of these escrowed securities being releasable in April 2015, October 2015, April 2016, October 2016 and April 2017.

14. RESEARCH AND DEVELOPMENT

	Year ended December 31,	
	2014	**2013**
	$	$
Research and development	8,317,420	4,790,910
Tax credit	(220,090)	(246,069)
SDTC contribution	(2,109,050)	(656,543)
Industrial research assistance program	(15,367)	-
	5,972,913	**3,888,298**

15. INCOME TAXES

The income tax expense on the Corporation's loss before income taxes differs from the income tax expense that would arise using the combined Canadian federal and provincial statutory tax rate of 26.9% (2013 - 26.9%) as a result of the following items:

	2014	2013
	$	$
Loss before tax at statutory rate of 26.9% (2013 – 26.9%)	(8,387,094)	(1,072,342)
Effect on taxes of		
Non-deductible expenses	19,004	219,750
Tax effect on initial recognition exemption	2,240,810	-
Unrecognized tax benefit	6,127,280	852,592
Income tax expense	**-**	**-**

(Expressed in Canadian dollars)

15. INCOME TAXES (CONT'D)

Recognized deferred tax assets and liabilities

The Corporation recognized deferred tax assets related to tax loss carryforwards to the extent of deferred tax liabilities.

	2014	2013
	$	$
Deferred tax asset		
Tax loss carryforwards	-	572,537
Deferred tax liabilities		
Investments	-	(572,537)
Pilot plant	-	-
Other	-	-
	-	-

Unrecognized deductible temporary differences

The benefit of the following tax loss carryforwards and deductible temporary differences has not been recognized in the financial statements:

	2014	2013
	$	$
Tax loss carryforwards	22,380,000	8,250,000
Unclaimed SR&ED expenditures	9,619,000	4,835,000
Exploration and evaluation assets	13,871,000	-
Pilot plant	2,727,000	143,000
Share and warrant issue expenses	75,000	-
SDTC contribution	1,056,000	-
Other	54,000	59,000
	49,782,000	13,287,000

The loss carryforwards expire between 2024 and 2034 and the unclaimed SR&ED expenditures have no expiries. In addition, the Corporation has unused tax credits of $1,107,000 (2013 – $622,000) which expire between 2023 and 2033.

16. RELATED PARTY TRANSACTIONS

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

	2014	2013
	$	$
Directors or corporations held by directors		
Professional and consulting fees	406,771	477,196
Officers or corporations held by officers		
Professional fees	550,011	180,960
	956,782	**658,156**

(Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS (CONT'D)

Compensation of key management

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

	2014	2013
	$	$
Officers and directors' professional and consulting fees	953,899	757,322
Share-based payments	136,500	679,292
	1,090,399	**1,436,614**

17. COMMITMENTS

17.1 Construction of a demonstration plant

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

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

Of the $25 million demonstration plant projected budget, the Corporation has spent in total $10,934,486 from which a total of $3,077,533 was incurred in 2013 and the difference of $7,856,953 was incurred in 2014 and included in our Consolidated Statements of Comprehensive Loss in the Research and Development line item. As at December 31, 2014, the Corporation has a firm purchasing commitment for $369,101 ($1,706,804 in 2013) towards equipment and services relating to the demonstration plant.

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

17.2 Lease payments

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

On November 1, 2012, the Corporation and Creso entered into a lease for the head office until June 30, 2015. The annual rent is $26,686.

17. COMMITMENTS (CONT'D)

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

	2014	2013
	$	$
Less than 1 year	239,355	231,829
Between 1 and 5 years	864,589	867,378
More than 5 years	799,490	1,020,488

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation is exposed to various financial risks resulting from both its operations and its investment activities. The Corporation's management manages the financial risks. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The main financial risks to which the Corporation is exposed are detailed below.

18.1 Liquidity risk

The Corporation manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its development programs. The Corporation also ensures that it has sufficient working capital available to meet its day-to-day commitments.

As at December 31, 2014, the Corporation has cash and cash equivalents of $290,488 (2013 – $1,274,869) to settle account payables and accrued liabilities of $953,141 (2013 – $534,924).

As at December 31, 2014, management estimates that funds available will not be sufficient to meet the Corporation's obligations and budgeted expenditures through December 31, 2015 (Note 1).

Any funding shortfall may be met in the future in a number of ways including, but not limited to, the issuance of new debt or equity instruments, expenditures reductions and/or the introduction of joint venture partners and/or business combinations. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. If management is unable to obtain new funding, the Corporation may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements. All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Corporation regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

18.2 Currency risk

The Corporation does not use derivative instruments or hedges to manage risks because its exposure to currency risk is not significant given that its operations are carried out predominantly in Canada. As at December 31, 2014, cash and cash equivalents amounted to $290,488, of which $271,416 is denominated in Canadian dollars and $18,984 in US dollars. Other financial instruments are all denominated in Canadian dollars.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

18.3 Credit risk

Credit risk is the risk that a loss will occur from the failure of another party to perform according to the terms of the contract. The Corporation's credit risk is primarily attributable to cash and cash equivalents, other receivables and promissory notes receivable. Cash and cash equivalents are held mainly with Canadian chartered banks, which reduces the risks.

In 2014, other receivables of $8,750 were with Sama Resources Inc. ("Sama"), were within normal terms of payment and were collected after year-end. There are no other significant amounts that are past due as at December 31, 2014.

In 2013, the promissory notes receivable and other receivables were with Creso and with Maya Gold & Silver Inc. ("Maya"), and were within normal terms of payment. The Corporation had $806,879 of receivables from Creso and $46,045 from Maya. Following the acquisition of Creso in 2014, all intercompany transactions have been eliminated in these consolidated financial statements. Amounts receivable from Maya were collected in 2014.

18.4 Interest rate risk

The Corporation has cash balances, and its current policy is to invest excess cash in certificates of deposit or high-interest savings accounts with Canadian chartered banks. As at December 31, 2014, no cash was invested by the Corporation. As at December 31, 2013, the Corporation had cash equivalents of $1,000,000 invested with a Canadian chartered bank, bearing interest at a yearly rate of 1.35%. The promissory notes bear interest at an annual interest rate of 6%. Other receivables from Sama, Creso and Maya were non-interest bearing.

18.5 Market risk

In 2013, the securities held by the Corporation consist in shares of Creso, an issuer then listed on the Canadian Securities Exchange. The fair value of those securities together with the related warrants represents the maximum exposure to price risk. As of December 31, 2013, a 10% decrease (increase) in the fair value of the investment would have resulted in an estimated increase (decrease) in operating loss of approximately $311,084. The fair value of the Corporation investments in Creso common share purchase warrants was determined using the Black-Scholes option pricing model as they were not traded on a recognized securities exchange. The fair value of the Creso common share purchase warrants was closely related to the fair value of Creso common shares.

(Expressed in Canadian dollars)

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

18.6 Fair value hierarchy

The following table provides information about financial assets and liabilities measured at market value in the Corporation's statement of financial position and categorized by level according to the significance of the inputs used in making the measurements:

			As at December 31, 2013	
	Level 1	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Securities	-	-	2,274,585	2,274,585
Warrants	-	-	496,069	496,069
	-	-	2,770,654	2,770,654

Level 1: Quoted prices in active markets for identical assets.
Level 2: Quoted prices in inactive markets, or whose values are based on models for which the inputs to those models are observable either directly or indirectly for substantially the full term of the asset.
Level 3: Significant unobservable inputs.

During the year ended December 31, 2013, the Corporation reclassified its securities investment in Creso from Level 1 to Level 3 and its investment in Creso common share purchase warrants from Level 2 to Level 3. There was no change in value recorded subsequent to the reclassification.

This reclassification was triggered by the trading halt imposed on November 14, 2013, following the amalgamation agreement reached between DST and Creso.

The Corporation used the following techniques to determine the fair value measurement of items included in Level 3:

- The estimated fair value of securities that do not trade in public markets was determined using the last quoted market price.
- The estimated fair value of warrants that do not trade in public markets was determined using a modified Black Scholes option pricing model which used the last quoted market price of the underlying shares as the most significant input. Refer to Note 5, Investments, for more details on the other assumptions used in the modified Black Scholes option pricing model.

19. POLICIES AND PROCESS TO MANAGE CAPITAL

As at December 31, 2014, the capital of the Corporation consists of deficiency amounting to $(2,700,373).The Corporation's objective when managing capital is to safeguard its ability to continue its operations and advance the development of its technologies. As needed, it raises funds through private placements. The Corporation does not use long-term debt since it does not generate operating revenues. It has no dividend policy.

The Corporation does not have any externally imposed capital requirements from regulatory or contractual requirements to which it is subject. Changes in capital for the years ended December 31, 2014 and 2013 are described in the consolidated statements of changes in equity (deficiency).

(Expressed in Canadian dollars)

20. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31	
	2014	**2013**
	$	$
Addition to other assets included in accounts payables and accrued liabilities	-	92,312
Acquisition of intangible assets included in accounts payable and accrued liabilities	-	1,500
Additions to exploration and evaluation assets included in account payable and accrued liabilities	18,145	-
Depreciation of property, plant and equipment included in exploration and evaluation assets	43,658	-

21. SUBSEQUENT EVENT

Short-term loan

On February 19, 2015, the principal amount of the Second Bridge Loan was increased to $4,650,000 and the maturity dates of the First and Second Bridge Loans were extended to the earlier of November 30, 2015 and the date at which the Corporation raises the sum of $10,000,000 or greater by way of debt or equity. An additional advance of $900,000 was made on the same date and an amount of $800,000 was advanced on March 17, 2015.