Dundee Sustainable Technologies Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

As at and for the three and six months ended June 30, 2015
(Expressed in Canadian dollars)

The attached financial statements have been prepared by management of Dundee Sustainable Technologies and have not been reviewed by the auditor.

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Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Note	As at June 30, 2015	As at December 31, 2014
		$	$
Assets			
Current assets			
Cash and cash equivalents		78,708	290,488
Research and development tax credits receivable		193,684	193,732
Sales taxes and other receivables		202,816	174,368
Prepaid expenses and advances to suppliers		162,707	41,577
		637,915	700,165
Non-current assets			
Property, plant and equipment	4	64,716	99,940
Intangible assets		4,613,813	4,613,813
Other assets		89,856	-
		4,768,385	4,713,753
Total assets		**5,406,300**	**5,413,918**
Liabilities and Equity (Deficiency)			
Current liabilities			
Accounts payable and accrued liabilities		1,574,591	953,141
Deferred contribution from SDTC	5	434,540	1,055,677
Bridge loan	6	304,340	-
Short-term loan with a related party	7	8,538,590	6,105,473
Total liabilities		10,852,061	8,114,291
Equity (Deficiency)			
Share capital	8	48,526,722	47,591,598
Contributed surplus		7,884,357	7,860,885
Deficit		(61,856,840)	(58,152,856)
Total equity (deficiency)		(5,445,761)	(2,700,373)
Total liabilities and equity (deficiency)		**5,406,300**	**5,413,918**
Going concern	1		
Commitments	13		
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)
For the three and six months ended June 30, 2015 and 2014
(Expressed in Canadian dollars, except number of shares)

		Three months ended June 30,		Six months ended June 30,	
	Note	**2015**	**2014**	**2015**	**2014**
		$	$	$	$
Expenses					
Research and development	11	1,093,987	1,649,997	2,084,106	3,478,525
Professional and consulting fees		292,232	335,997	617,501	652,388
Wages and compensation		67,073	58,455	133,956	208,346
Administrative		157,390	149,516	297,276	223,235
Trustee and registration fees		15,505	20,783	34,816	20,783
Investor relation and promotion		17,104	47,537	31,515	47,537
Share-based payments	9	-	-	23,472	-
Depreciation of property, plant and equipment		15,266	1,181	30,524	2,348
Amortization of intangible assets		-	1,499	-	3,124
Total expenses		1,658,557	2,264,965	3,253,166	4,636,286
Operating loss		(1,658,557)	(2,264,965)	(3,253,166)	(4,636,286)
Gain (loss) on investments		-	(1,006,477)	-	143,109
Interest income		-	1,814	-	23,718
Interest expense	6, 7	(248,451)	(94,840)	(441,505)	(156,329)
Gain (loss) on foreign currency exchange		2,359	6,953	(9,313)	12,779
Net loss and comprehensive loss		**(1,904,649)**	**(3,357,515)**	**(3,703,984)**	**(4,613,009)**
Basic and diluted net loss per share		(0.01)	(0.01)	(0.01)	(0.02)
Weighted average number of voting shares outstanding – basic and diluted		289,483,039	278,082,976	285,616,103	246,680,309
Going concern	1				

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

Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Changes in Equity (Deficiency)
(Unaudited)
For the six months ended June 30, 2015 and 2014
(Expressed in Canadian dollars, except number of shares)

	Note	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total equity (deficiency)
		Number	$	Number	$	$	$	$
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)**
Issuance of subordinate voting shares	8	-	-	15,384,615	1,000,000	-	-	1,000,000
Share issue expenses		-	-	-	(64,876)	-	-	(64,876)
Share-based compensation	9	-	-	-	-	23,472	-	23,472
Net loss and comprehensive loss for the period		-	-	-	-	-	(3,703,984)	(3,703,984)
Balance – June 30, 2015		**50,000,000**	**3,963,875**	**247,090,816**	**44,562,847**	**7,884,357**	**(61,856,840)**	**(5,445,761)**

	Common shares	Share capital	Multiple voting shares		Subordinate 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	(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	-	-	-	-	63,615,477	17,176,178	-	-	17,176,178
Issuance of warrants for acquisition	-	-	-	-	-	-	580,446	-	580,446
Issuance of options for acquisition	-	-	-	-	-	-	182,300	-	182,300
Exercise of warrants	-	-	-	-	112,000	28,308	(5,908)	-	22,400
Exercise of options	-	-	-	-	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**

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

Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Cash Flows
(Unaudited)
For the six months ended June 30, 2015 and 2014
(Expressed in Canadian dollars)

	Note	2015	2014
		$	$
Operating activities			
Net loss for the period		(3,703,984)	(4,613,009)
Adjusted for:			
Share-based payments	9	23,472	-
Contribution from SDTC received in excess of amount recognized		-	996,683
Reclassification of SDTC deferred contribution	5	(621,137)	-
Depreciation of property, plant and equipment included in research and development	4	4,700	4,700
Depreciation of property, plant and equipment	4	30,524	2,348
Amortization of intangible assets		-	3,124
Gain on investments		-	(143,109)
Interest expense accrued	7	437,457	156,329
		(3,828,968)	(3,592,934)
Changes in non-cash operating working capital items:			
Research and development tax credits receivable		48	(35,476)
Sales taxes and other receivables		(28,448)	171,340
Prepaid expenses and advances to suppliers		(121,130)	(105,455)
Accounts payable and accrued liabilities		509,863	464,335
		360,333	494,744
Net cash used in operating activities		**(3,468,635)**	**(3,098,190)**
Investing activities			
Addition to exploration and evaluation assets		(18,145)	(21,699)
Transaction cost paid for the acquisition of Creso		-	(212,838)
Cash acquired through acquisition of Creso		-	88,461
Net cash used in investing activities		**(18,145)**	**(146,076)**
Financing activities			
Private placement of subordinate voting shares		1,000,000	-
Share issue expenses		(5,000)	-
Exercise of warrants		-	22,400
Exercise of options		-	25,000
Additions to other assets		(20,000)	-
Short-term loan with a related party	7	2,000,000	3,000,000
Bridge loan	6	500,000	-
Reimbursement of bridge loan	6	(200,000)	-
Net cash provided by financing activities		**3,275,000**	**3,047,400**
Net change in cash and cash equivalents		(211,780)	(196,866)
Cash and cash equivalents – beginning		290,488	1,274,869
Cash – end		**78,708**	**1,078,003**
Going concern	1		
Supplemental information	14		

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") (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 June 30, 2015, Dundee Corporation ("Dundee") was the principal and majority shareholder of the Corporation.

For the six months ended June 30, 2015, the Corporation incurred a loss of $3,703,984 ($31,178,787 for the year ended December 31, 2014) and has a negative working capital of $10,214,146 (a negative working capital of $7,414,126 as at December 31, 2014). Deficit as at June 30, 2015 amounted to $61,856,840 ($58,152,856 as at December 31, 2014) and cash flow used in operating activities for the six months ended June 30, 2015, amounted to $3,468,635 ($6,767,127 for the year ended December 31, 2014).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to June 30, 2016. The Corporation will therefore periodically have to raise additional funds to continue operations. The Corporation is pursuing financing alternatives to fund its operations and to continue its activities as a going concern. Although there is no assurance that the Corporation will be successful in these actions, management is confident that it will be able to secure the necessary financing through the issuance of debt or new equity in public or privately negotiated equity offerings. In July 2015 and while there is continued doubt as to the Corporation's ability to meet its commitments, the Corporation issued new equity for cash in the amount of $5 million following the exercise by Dundee of all its warrants in the Corporation and secured a $0.9 million non-interest bearing and repayable contribution from Canada Economic Development ("CED"). (Refer to Note 15 "Subsequent Events"). 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 six months ended June 30, 2015 ("June 2015 Interim Consolidated Financial Statements") have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting, as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The June 2015 Interim Consolidated Financial Statements should be read in conjunction with the Corporation's audited consolidated financial statements as at and for the year ended December 31, 2014 ("2014 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements. The June 2015 Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors on August 3, 2015.

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

Accounting standards issued but not yet applied

a) IAS 1, "Presentation of Financial Statements"
In December 2014, the IASB issued amendments to IAS 1, clarifying guidance on the concepts of materiality and aggregation of items in the financial statements, the use and presentation of subtotals in the statements of net income or loss and comprehensive income or loss, and providing additional flexibility in the structure and disclosures of the financial statements to enhance understandability. The amendments to IAS 1 may be applied immediately, and become mandatory for annual periods beginning on or after January 1, 2016. The adoption of IAS 1 is not expected to have a material impact on the Corporation's consolidated financial statements.

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

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

2. BASIS OF PRESENTATION (CONT'D)

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

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

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

3.1 Significant judgments

a) Impairment of intangible assets

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

b) Going concern

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

c) Research and development tax credits receivable

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

(Expressed in Canadian dollars)

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

3.2 Significant estimations

a) Fair value of financial instruments

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

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

b) Impairment of non-financial assets

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

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

4. PROPERTY, PLANT AND EQUIPMENT

	Camp and infrastructure	Vehicles and equipment	Office furniture and computer equipment	Total
Gross carrying amount	$	$	$	$
Balance - January 1, 2015	101,871	47,000	134,085	282,956
Acquisition	-	-	-	-
Balance – June 30, 2015	101,871	47,000	134,085	282,956
Accumulated depreciation				
Balance - January 1, 2015	43,658	9,400	129,958	183,016
Depreciation	29,106	4,700	1,418	35,224
Balance – June 30, 2015	72,764	14,100	131,376	218,240
Net carrying amount - June 30, 2015	**29,107**	**32,900**	**2,709**	**64,716**
Net carrying amount - December 31, 2014	**58,213**	**37,600**	**4,127**	**99,940**

(Expressed in Canadian dollars)

5. GOVERNMENT ASSISTANCE

In June 2013, the Corporation entered into a Contribution Agreement with the Sustainable Development Technology Canada Foundation ("SDTC"). Upon meeting certain conditions, the SDTC agreed to financially assist the Corporation in developing and demonstrating its chloride leach technology. Under the terms of the agreement, the SDTC will contribute up to the lesser of 25.30% of eligible project costs or $5,000,000.

Deferred contribution from SDTC	Six months ended June 30, 2015	From June 2013 to June 30, 2015
	$	$
Balance – beginning	1,055,677	-
SDTC grant received	-	3,821,270
Reclassification of deferred contribution through profit or loss as per eligible expenditures incurred during the period	(621,137)	(3,386,730)
Balance – end	**434,540**	**434,540**

6. BRIDGE LOAN (Note 15)

In April 2015, an unsecured bridge loan, payable on demand, of $200,000 was advanced to the Corporation. The loan was reimbursed in May 2015 including interest of $4,000.

In June 2015, an unsecured bridge loan, payable on demand, of $300,000 was advanced to the Corporation.

7. SHORT-TERM LOAN WITH A RELATED PARTY

On January 8, 2014, Dundee agreed to loan $3,000,000 to the Corporation (the "First Loan"). The funds from this loan were disbursed on January 31, 2014. The First Loan bears interest at the rate of 12.68% per annum and is secured by a hypothec, pari passu with Investissement Quebec's convertible debenture, over all of the Corporation's property other than its intellectual property. The interest is payable concurrently with the repayment of the First Loan.

On July 3, 2014, Dundee agreed to make available, under certain conditions, an additional $3,000,000 to the Corporation ("the "Second Loan") under the same terms as the First 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 two loan to its wholly-owned subsidiary, Dundee Resources Limited.

On February 19, 2015, the principal amount of the Second Loan was increased to $4,650,000 and the maturity dates of the First and Second Loans were extended to the earlier of November 30, 2015 and the date at which the Corporation raises the sum of $10,000,000 or greater by way of debt or equity. An additional amount of $2,000,000 was advanced during the six months ended June 30, 2015. The Corporation has the option to repay the First and Second Loans at any time.

(Expressed in Canadian dollars)

7. SHORT-TERM LOAN WITH A RELATED PARTY (CONT'D)

Short-term loan	Six months ended June 30, 2015	Six months ended June 30, 2014
	$	$
Balance – beginning	6,105,473	-
Principal amount	2,000,000	3,000,000
Interest accrued	433,117	156,329
Balance – end	**8,538,590**	**3,156,329**

8. SHARE CAPITAL

8.1 Authorized

On June 30, 2015, the authorized capital of the Corporation consists of an unlimited number of subordinate voting shares and multiple voting shares, without nominal or par value. The holders of subordinate voting shares are entitled to one vote for each subordinate voting share and the holders of multiple voting shares are 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.

8.2 Private placement and IQ loan (Note 15)

On May 15, 2015, the Corporation completed a $5 million financing with IQ consisting of a secured convertible loan in an amount of up to $4 million (the "IQ Loan") and the issuance of 15,384,615 subordinate voting shares at a price of $0.065 per share, for proceeds to the Corporation of $1 million (the "Private Placement"). The financing will be used to fund completion and operation of its demonstration plant, the installation of a concentrator and for working capital purposes.

The IQ Loan, which is evidenced by a secured convertible debenture, will mature in five years, bears interest at a rate of 8% per annum, payable quarterly, and can be converted after one year at the holder's option into subordinate voting shares of the Corporation at a conversion price equal to the closing market price of the shares on the day prior to conversion. After the first anniversary of the IQ Loan, the Corporation has the right to redeem the IQ Loan subject to a 10% premium.

IQ will advance this loan to the Corporation in a maximum of four instalments, during the construction and operation by the Corporation of its demonstration plant, based on the Corporation's liquidity needs, subject to a number of conditions.

The IQ Loan is secured by a hypothec, pari passu with Dundee's Loans, over all of the Corporation's property other than its intellectual property and is guaranteed by Dundee, in an amount of up to $1.5 million.

In connection with the financing, the Corporation has entered into an agreement with IQ granting IQ the right to appoint one member of the Board of Directors of the Corporation.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (CONT'D)

8.3 Warrants (Note 15)

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

	Six months ended June 30,			
		2015		2014
	Number of warrants	Carrying Amount	Number of warrants	Carrying amount
		$		$
Balance – beginning	52,570,000	1,188,056	50,000,000	1,036,125
Issued for Creso Acquisition	-	-	12,456,566	580,446
Exercised	-	-	(112,000)	(5,908)
Expired	(2,570,000)	(151,930)	-	-
Balance – end	**50,000,000**	**1,036,126**	**62,344,566**	**1,610,663**

A summary of outstanding warrants entitling their holders to subscribe for an equivalent number of common shares, as at June 30, 2015, is as follows:

Number of Warrants	Exercise price	Expiry date
	$	
50,000,000	0.10	July 9, 2015 (1)

(1) Exercised at expiry date

9. STOCK OPTION PLAN

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

	Six months ended June 30,			
		2015		2014
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Balance - beginning	22,652,500	0.16	21,425,000	0.12
Issued for Creso acquisition	-	-	2,545,000	0.51
Exercised(1)	-	-	(250,000)	0.10
Expired	(675,000)	0.20	-	-
Balance – end	**21,977,500**	**0.16**	**23,720,000**	**0.16**

(1) The weighted average market share price at the exercise date was $0.19.

(Expressed in Canadian dollars)

9. STOCK OPTION PLAN (CONT'D)

As at June 30, 2015 outstanding and exercisable options are as follows:

Number of options	Exercise price	Expiry date
	$	
700,000	0.80	July 9, 2015
200,000	1.74	September 29, 2015
300,000	0.10	October 18, 2015
5,200,000	0.10	June 8, 2016
975,000	0.20	February 20, 2017
100,000	0.20	July 23, 2017
600,000	0.20	February 6, 2018
10,050,000	0.10	December 12, 2018
1,502,500	0.20	October 2, 2019
2,350,000	0.20	November 27, 2022
21,977,500		

The residual weighted average contractual term of outstanding options was 3.05 years as at June 30, 2015 (December 31, 2014 – 3.44 years).

Share based compensation cost amounting to $23,472 during the six months period ended June 30, 2015 relates to stock options granted the prior year but vested during the present period.

10. ESCROW AGREEMENT

As at June 30, 2015, 78,341,098 subordinate voting shares, 30,000,000 multiple voting shares, 30,000,000 warrants and 5,520,000 options of the Corporation, are subject to an escrow agreement with one-fourth of these escrowed securities being releasable in October 2015, April 2016, October 2016 and April 2017.

11. RESEARCH AND DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
	$	$	$	$
Research and development	1,351,924	2,311,568	2,705,195	4,836,497
Tax credit	44,382	(19,845)	48	(135,226)
SDTC contribution	(302,319)	(641,726)	(621,137)	(1,222,746)
	1,093,987	**1,649,997**	**2,084,106**	**3,478,525**

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS

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

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
	$	$	$	$
Directors or corporations held by directors				
Professional and consulting fees	82,500	100,025	125,040	232,465
Officers or corporations held by officers				
Professional fees	114,758	166,006	253,590	256,189
	197,258	**266,031**	**378,630**	**488,654**

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,	
	2015	**2014**	**2015**	**2014**
	$	$	$	$
Officers and directors' professional and consulting fees	231,870	248,845	400,228	496,168
Share-based payments	-	-	-	-
	231,870	**248,845**	**400,228**	**496,168**

13. COMMITMENTS

13.1 Construction of a demonstration plant

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

The Corporation's objective is to finalize the development of the chlorination technology to extract precious metals such as gold, at a pre-commercial stage through the construction of a demonstration plant of 15 tonnes of concentrate 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 $13,390,312 of which a total of $10,934,486 was incurred in 2013 and 2014; and the difference of $2,455,826 was incurred in the six months ended June 30, 2015 and included in our Consolidated Statements of Comprehensive Loss in the Research and Development line item. As at June 30, 2015, the Corporation has a firm purchasing commitment for $90,269 ($369,101 in 2014) towards equipment and services relating to the demonstration plant.

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

(Expressed in Canadian dollars)

13. COMMITMENTS (CONT'D)

13.2 Lease payments

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

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

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

	As at June 30, 2015	**As at December 31 2014**
	$	$
Less than 1 year	263,143	239,355
Between 1 and 5 years	871,025	864,589
More than 5 years	688,169	799,490

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30	
	2015	**2014**
	$	$
Amount of other assets included in payable and accrued liabilities	69,856	-
Amount of share issue expenses included in payable and accrued liabilities	59,876	-
Amount of additions to exploration and evaluations assets included in payable and accrued liabilities	-	8,785
Depreciation of property, plant and equipment included in exploration and evaluation assets	-	14,553

15. SUBSEQUENT EVENTS

Bridge loan
The outstanding bridge loan of $300,000 as at June 30, 2015 and accrued interest of $6,000 was reimbursed in July 2015.

Contribution Agreement
On July 8, 2015, the Corporation entered into a Contribution Agreement from Canada Economic Development for Quebec Regions ("CED") pursuant to which it will receive a $900,000 repayable contribution (the "Contribution"). The Contribution will be used by the Corporation for the refurbishing and modernization of a concentrator (the "Project") in Thetford Mines. Payments by CED will be made over of the term of the Project which must be completed at the latest on July 31, 2016. The Contribution is non-interest bearing, secured and is repayable in equal monthly installments over seven years starting three years after the end of the Project.

15. SUBSEQUENT EVENTS (CONT'D)

IQ Loan

IQ advanced $1.9 million in July 2015.

Warrants

On July 9, 2015, all of the 50,000,000 warrants held by Dundee have been exercised for an equal number of subordinate voting shares at a price of $0.10 per warrant, for aggregate proceeds to the Corporation of $5,000,000.