

# **Dundee Sustainable Technologies Inc.**

Management's Discussion and Analysis

For the nine months ended September 30, 2015

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# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

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# DUNDEE SUSTAINABLE TECHNOLOGIES INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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### BACKGROUND

This Management's Discussion and Analysis ("MD&A") of Dundee Sustainable Technologies Inc. ("DST" or the "Corporation") has been prepared with an effective date of November 5, 2015 and provides an update on matters discussed in, and should be read in conjunction with the Corporation's audited consolidated financial statements, including the notes thereto, as at and for the year ended December 31, 2014 (the "2014 Audited Consolidated Financial Statements"), together with the accompanying MD&A for the year then ended, and with the unaudited condensed interim consolidated financial statements of the Corporation as at and for the nine months ended September 30, 2015 (the "September 2015 Interim Consolidated Financial Statements"), all of which have been prepared using International Financial Reporting Standards ("IFRS"). All amounts in this MD&A are in Canadian dollars unless otherwise specified.

### INCORPORATION AND NATURE OF OPERATIONS

#### Incorporation

The Corporation was incorporated under the Canada Business Corporations Act on July 22, 1997. Its articles of incorporation were amended on January 8, 2014, to change the name of the Corporation, formerly known as Nichromet Extraction Inc., 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 authorized capital of the Corporation consists of an unlimited number of subordinate voting shares and multiple voting shares, each multiple voting share having 10 votes.

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

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

At September 30, 2015, Dundee owned 178.1 million subordinate voting shares and 50.0 million multiple voting shares of the Corporation giving Dundee a 66% equity interest and an 85% voting interest in the Corporation.

#### Nature of Operations

The Corporation is engaged in the development of technologies for the treatment of complex materials in the mining industry. Through the development of patented, proprietary processes, DST extracts precious and base metals from ores, concentrates and tailing, while stabilizing contaminants such as arsenic, which could not otherwise be extracted or stabilized with conventional processes because of metallurgical issues or environmental considerations.

At present, DST's most advanced proprietary processes are associated to the extraction of precious metals using a chlorination process which provides a cyanide-free alternative for the exploitation of gold deposits. In October 2015, DST completed the commissioning of a demonstration plant that will serve as a "demonstration platform" for the chlorination process on an industrial scale and under continuous operating conditions. (Refer to the Outlook section for the remaining costs to complete the development phase).

In addition to this chlorination process, DST is currently in the construction phase of a pilot plant designed to demonstrate its arsenic stabilization process which is designed for the sequestration of arsenic in a stable glass form. This process is becoming an attractive technique to segregate the arsenic and is therefore opening opportunities for materials considered to contain too much of this toxic material to be exploited or stabilized using conventional approaches.

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

### CORPORATE OVERVIEW

#### *Metallurgy Processes Development*

Cyanidation, a commonly used way of processing gold, produces a large amount of highly contaminated tailings. DST has developed a cyanide-free approach for the recovery of base and precious metals from two broad categories of ores namely the oxides (metals combined with oxygen) and the sulfides (metals combined with sulfur). In addition to environmental benefits, the cyanide-free process allows the exploitation of gold deposits that are facing metallurgical or environmental permitting issues because of the use of cyanide in the conventional process. The primary benefits of this innovative technology are shorter processing times, a closed-loop operation eliminating the need for costly tailings pond, and a reduced environmental footprint related to the inert and stable characteristics of the cyanide free tailings.

The DST chemical process applied to the sulfide ores commences with an oxidation stage in order to remove the sulfur and other impurities such as arsenic in the ore. The completion of this oxidation step transforms the sulfide into an oxide with the removal of the sulfur from the metal and its replacement by oxygen. When this transformation is completed, the newly formed oxide is submitted to the DST treatment, using acid leaching to collect base metals (Copper and Zinc) and hypochloride to collect the precious metals (Gold and Silver).

The arsenic collected during the oxidation stage is then stabilised and rendered inert in a glass form, using DST's novel patented methodology. Using the DST method the more stable outcome is less costly than current industrial practices. This approach to stabilize arsenic in glass is becoming an attractive technique to segregate arsenic in the extraction process and is therefore opening opportunities for deposits or concentrates considered to contain too much arsenic to be exploited using conventional methods. It also represents an opportunity for existing copper smelting operations that are looking for a technology to stabilise the arsenical bearing flue dusts which are inherent in such operations.

Arsenical flue dusts are produced through the smelting of copper bearing arsenical ores. During the smelting-converting process of copper most of the arsenic is vaporised and appears in the flue dust as arsenic trioxide along with fine particles of metal or metallic compounds. The arsenic in the flue dust is then captured in the filters of the smelter and converted into a stabilized inert glass form.

#### *Business Strategy*

The current stage of DST's chlorination extraction technology is the result of 15 years of efforts in combined laboratory development and pilot plant scale validation. The results obtained at a laboratory scale led to the construction and operation of a pilot plant between 2010 and 2012 in order to pursue the development of DST's chlorination extraction technology. With successful pilot results, the next stage was the development of the technology at an industrial scale. This required the construction of a demonstration plant operating on a continuous basis.

The demonstration plant will be processing high grade gold concentrate material and serve as a platform for the development and implementation of the technology. When operating at full capacity, the demonstration plant will process approximately 5,000 tonnes of concentrate per year. The Corporation has been actively seeking the supply of various concentrate feed sources and has been negotiating with identified partners to secure sufficient volumes concentrate feed material necessary for the operations of the demonstration plant throughout 2016.

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The growing pressure from communities and government authorities over the use of cyanide in various jurisdictions around the world is forcing developing gold projects to seek alternative processes that can extract the gold without the environmental liabilities associated with cyanide.

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

In the short term, the business model encompasses the implementation of its technology under partnership agreements with mine owners. DST is actively pursuing negotiation and testing in view of future implementation of its technology on new mine projects or as regional processing facilities.

### *Intellectual Property*

DST has protected its technology by patents filed during its development. To date, DST has patents granted or published on 14 different processes for its technologies. The Corporation has 34 patents granted or published and 33 patents pending or filed in 24 countries. The patents to which the Corporation currently has rights expire between 2022 and 2033.

### *Green Technology*

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

### *Demonstration plant for the chlorination technology*

#### *Construction phase*

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

The construction and operation of the demonstration plant, which commenced in June 2013, was budgeted at \$25 million. This budget included a contingency of approximately 15%. At present, the construction has been conducted according to budget and its construction plan, with no major issues and the contingency has not been used. The construction and commissioning of the plant were completed in June 2015 and October 2015 respectively.

At September 30<sup>th</sup>, 2015, the following milestones have been achieved:

- Completion of the commissioning of the oxidation circuit with the processing of 50 tonnes of pyrite concentrate under stable conditions and the achievement of sulphide removal at the level of 99%;
- Completion of the commissioning of the gas treatment circuit of the roaster with the capture of sulfur dioxide and the production of sulfuric acid. The produced acid was shipped to a third party as per agreement in place;

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- Completion of the commissioning of most of the equipment and sub-circuit of the chlorination process including :
  - Copper extraction by acid leaching, filtration and brine recycling;
  - Gold extraction with chlorination reactor and filtration under continuous conditions;
  - Precipitation of iron and filtration; and
  - Regeneration of sodium hypochlorite using the electrolysis cells.

### Processing phase

In order to establish the proof of concept of the Corporation's chlorination technology, the Corporation signed consortium agreements with SDTC, Dundee Precious Metals Inc. ("DPM") and Creso Exploration Inc. ("Creso") in June 2013. SDTC agreed to financially assist the Corporation in developing and demonstrating its technology by contributing up to \$5 million upon meeting certain conditions.

DPM agreed to supply up to 3,000 tonnes of pyrite concentrate, from its Bulgarian mining operations, at its own cost. In 2014, the Corporation was supplied with 600 tonnes of such concentrate and the extracted metals shall be given back to DPM. The processing of materials from DPM is scheduled during the first four month period of operations.

Creso also signed a consortium agreement with the Corporation to develop the Minto gold deposit using DST's technology. The plan was to use an open pit mining method to extract a 30,000 tonne bulk sample. Originally, this operation was scheduled to begin once the permitting process was completed, and was anticipated to last for approximately eight months, during which time, the site was to be prepared, a concentrator was to be built and the bulk sample mined and processed.

Considering the difficult market conditions in the mining sector, the Corporation decided to stop the permitting process of the Minto bulk sampling in 2014. The Corporation is evaluating other projects in order to de-risk the extraction cost of the bulk sampling and is in the process of arranging for alternative means to obtain the minerals needed to complete the testing.

### *Pilot plant for the arsenic stabilization technology*

DST is currently constructing a pilot plant budgeted at \$400,000 for its arsenic stabilization process which calls for the sequestration of the contaminants in a stable glass form.

In September 2015, the Corporation entered into an agreement with a major copper mining company for the treatment of arsenic-bearing flue dusts produced by this company's operations, using DST's proprietary technology.

The objective of this agreement is to establish a two-phase approach aimed, the first being, to demonstrate the DST process in a 1-tonne per day plant, with the ultimate goal of defining the terms for the treatment, in phase two, of the flue dusts on a commercial basis.

## INFORMATION ON EQUITY

On January 8, 2014, the amendments to the articles of the Corporation became effective. Following the amendments, the authorized capital of the Corporation consists of an unlimited number of subordinate voting shares and multiple voting shares, without nominal or par value. The holders of subordinate voting shares are entitled to one vote for each subordinate voting share and the holders of multiple voting shares are entitled to ten votes for each multiple voting share. The holders of subordinate voting shares and multiple voting shares shall be entitled to receive and to participate equally as to dividends, share for share, in an equal amount on all the subordinate voting shares and multiple voting shares at the time outstanding. The holder of multiple voting shares shall be entitled at any time and from time-to-time to have any or all of the multiple voting shares converted into subordinate voting shares on the basis of one subordinate voting share for each multiple voting share. In all other respects, the holders of subordinate voting shares and multiple voting shares shall rank equally and the same rights and restrictions.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

	<b>November 5, 2015<sup>(1)</sup></b>
Subordinate voting shares issued	297,090,816
Options	20,777,500
<b>Total – fully diluted subordinate voting shares</b>	<b>317,868,316</b>
<hr/>	
<b>Multiple voting shares issued</b> (each multiple voting shares have 10 votes)	<b>50,000,000</b>

(1) At November 5, 2015, Dundee owned 178,068,497 subordinate voting shares of the Corporation (60%) and all of the outstanding multiple voting shares.

### STOCK OPTION PLAN

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

### FINANCING ACTIVITIES

#### Private placements

##### Nine months ended September 30, 2015

##### *Private placement*

In May 2015, the Corporation completed a \$5 million financing with Investissement Quebec ("IQ") consisting of a secured convertible loan (the "IQ Loan") in an amount of up to \$4 million 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 financing will be used to fund completion and operation of its demonstration plant, the installation of a concentrator and for working capital purposes. Issuance cost of \$64,876 relating to this financing consisted mainly of legal fees.

##### *Warrants exercise*

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.

##### *IQ Loan*

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 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. IQ advanced \$1.9 million in July 2015.

The IQ Loan is secured by a hypothec, *pari passu* with Dundee's Loans and Canada Economic Development for Quebec Regions' ("CED") contribution, over all of the Corporation's property other than its intellectual property and is guaranteed by Dundee, in an amount of up to \$1.5 million.

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In connection with the IQ 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.

Transaction costs in the amount of \$92,201 incurred in connection with the IQ loan consist mainly of legal fees.

### *Short-term loan with a related party*

In 2014, Dundee Resources Limited, a wholly-owned subsidiary of Dundee, agreed to loan (the "Short-term Loan") up to \$6,000,000 to the Corporation. In February 2015, the aggregate amount of the loan facility was increased by \$1,650,000.

During the first nine months of 2015, an amount of \$2 million was advanced bringing the total advance to \$7,650,000 as at September 30, 2015.

The secured loans bear interest at the rate of 12.68% per annum and mature on the earlier of November 30, 2015 and the date at which the Corporation raises the sum of \$10 million or greater by way of debt or equity.

### *Contribution Agreement*

On July 8, 2015, the Corporation entered into a Contribution Agreement from CED pursuant to which it will receive a \$900,000 repayable contribution (the "CED Contribution"). The CED 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 the term of the Project which must be completed at the latest on July 31, 2016. The CED 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. As at September 30, 2015, the Corporation didn't draw any amount.

### *Bridge loan*

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. The loan was reimbursed in July 2015 including interest of \$6,000.

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

#### *Short term loan with a related party*

During the first nine months of 2014, an amount of \$5 million was advanced by Dundee as per the conditions described above.

### *Exercise of warrants and options*

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

## LIQUIDITY AND WORKING CAPITAL

On September 30, 2015, the working capital of the Corporation was at negative \$5,242,496 (negative \$7,414,126 as at December 31, 2014). This working capital deficiency includes an \$8,783,088 short-term loan (principal and accrued interest) from Dundee. Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to September 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 offering. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### DISCUSSION AND ANALYSIS OF OPERATIONS

The Corporation reported a loss of \$1,687,264 and \$5,391,248 during the three and nine months ended September 30, 2015, versus a loss of \$2,599,094 and \$7,212,103 in the same period of the prior year.

Reflective of its current stage of development, the Corporation does not report any revenue.

The Corporation's total operating expenses amounted to \$1,399,460 and \$4,652,626 during the three and nine months ended September 30, 2015 as compared to \$2,454,193 and \$7,090,479 in the same period of 2014. The major components of the operating expenses are as follows:

#### Research and development

Following are the details of research and development expenses:

	Three-month period ended September 30		Nine-month period ended September 30,	
	2015	2014	2015	2014
				\$
Wages and compensation	431,587	377,835	1,200,588	1,060,893
Contractors	282,521	335,972	896,784	1,105,848
Building maintenance	129,325	120,918	380,719	578,599
Equipment	324,289	1,253,256	892,631	3,745,406
Consumables	125,683	63,047	303,815	215,329
Other	198,918	163,619	522,981	445,069
Research and development expenses	<b>1,492,323</b>	<b>2,314,647</b>	<b>4,197,518</b>	<b>7,151,144</b>
Government subsidy on convertible debenture	(257,050)	-	(257,050)	-
Government assistance and tax credits	(347,270)	(562,755)	(968,359)	(1,920,727)
<b>Research and development expenses, net</b>	<b>888,003</b>	<b>1,751,892</b>	<b>2,972,109</b>	<b>5,230,417</b>

The Corporation has spent in total \$14,603,909 for the construction of the demonstration plant from which a total of \$10,934,486 was incurred in 2013 and 2014; and the difference of \$3,669,423 was incurred in the nine months ended September 30, 2015. The remaining expenses relate to research and development activities conducted in the pilot plant and the laboratory.

During the three months ended September 30, 2015, research and development expenses of \$1,213,597 relate to the cost of the demonstration plant. The remaining expenses relate to research and development activities conducted in the pilot plant and the laboratory.

Government assistance consisting of the SDTC contribution amounted to \$928,085 in the nine months ended September 30, 2015 (\$1,745,666 in the same period of prior year).

Tax credits amounted to \$40,274 in the nine months ended September 30, 2015 and relate to the Quebec reimbursable scientific research and experimental development tax credits (\$175,061 in the same period of prior year).

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Professional and consulting fees

Following are the details of professional and consulting fees:

	Three-month period ended September 30		Nine months ended September 30,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Legal	14,152	37,852	53,528	184,606
Audit, audit related work and tax compliance	7,350	42,905	167,350	144,118
Accounting	75,183	104,164	274,215	259,967
Consulting administration	60,000	45,000	180,000	139,236
Consulting geology	427	33,519	25,434	122,004
Business development	27,531	131,231	101,617	197,128
<b>Professional and consulting fees</b>	<b>184,643</b>	<b>394,671</b>	<b>802,144</b>	<b>1,047,059</b>

Legal fees include corporate secretarial services and other legal fees relating to the operations and business development activities. Higher legal fees in the nine months ended September 30, 2014 as compared to the same period of this year is mainly due to the listing of the Corporation on the CSE in 2014.

Audit, audit related work and tax compliance: The increase in fees in the nine months ended September 30, 2015 as compared to the prior year's period is mainly due to services required following the examination of the 2013 R&D expenditures by the tax authorities.

Accounting: Remuneration of the Chief Financial Officer, appointed in March 2014, is paid to a private company controlled by him. In addition his company charges fees for support staff in respect of accounting, bookkeeping and administration fees (Please refer to the section entitled Related Parties Transactions for more details). The employment of the former Controller was terminated at the end of March 2014. His remuneration recorded under "Wages and compensation" in the statement of comprehensive loss includes his regular pay and a termination payment for an aggregate amount of \$100,987.

Consulting administration fees are fees paid to a company controlled by the CEO and President of the Corporation in the first nine months of 2015 (the former CEO and President in the first nine months of 2014). Please refer to the section entitled "Related Parties Transactions" for more details.

Consulting geology fees consist of services rendered in relation with the testing of minerals from Central America.

Business development expenses relate mainly to development activities in Central and South America.

Administrative expenses

Following are the details of the administrative expenses:

	Three-month period ended September 30		Nine months ended September 30,	
	2015	2014	2015	2014
				\$
Insurance	30,009	42,219	79,556	94,649
Rent	42,678	34,093	96,767	82,054
Website and technical support	17,051	13,708	46,675	34,697
Transportation and accommodation	73,847	29,242	138,065	48,352
Telecommunications and others	42,938	44,145	142,736	126,890
<b>Administrative expenses</b>	<b>206,523</b>	<b>163,407</b>	<b>503,799</b>	<b>386,642</b>

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Transportation and accommodation expenses relate mainly to business development activities conducted in South America.

### Trustee and registration fees, Investor relation and promotion

Expenses relating to trustee fees, registration fees, investor relation and promotion following the listing of the Corporation on the CSE in April 2014.

### Share-based payments

Share-based payment expenses totalled \$23,472 for the nine months ended September 30, 2015 (nil for the same period of last year) and relate to investor relations' options granted last year and vested over 12 months.

### Other gains and losses

An unrealized gain of \$143,109 were recorded in the nine months ended September 30, 2014 on the investment in Creso. This unrealized gain reflects the change in the fair value of the Creso common shares and warrants already owned by the Corporation from December 31, 2013 to April 1, 2014, date on which control was obtained by the Corporation.

For the nine-months ended September 30, 2015, finance costs relates to interest expenses on the Dundee short-term loan (\$677,616), the IQ Loan (\$41,605), the bridge loan (\$10,000) and other (\$50). In the same period of the prior year, finance costs relates to the interest expense on the Dundee short-term loan.

## SELECTED QUARTERLY INFORMATION

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

	Q3-15	Q2-15	Q1-15	Q4-14
	\$	\$	\$	\$
Total revenue	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	1,687,264	1,904,649	1,799,335	23,966,684
Basic and diluted net loss per share	0.005	0.006	0.006	0.093

	Q3-14	Q2-14	Q1-14	Q4-13
	\$	\$	\$	\$
Total revenue	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	2,599,094	3,357,515	1,255,494	1,171,143
Basic and diluted net loss per share	0.009	0.012	0.006	0.005

The variation in Net loss and comprehensive loss is attributable to the level of research and development activities from one quarter to the other. In addition, an unrealized loss of \$1 million in Q2-2014 and a gain of \$1.1 million and \$1.8 million was recorded in Q1-2014 and Q4-2013 respectively on the investment in Creso. In Q4-2014, an impairment charge of the exploration and evaluation assets of \$22.2 million was recorded in Q4-2014.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OUTLOOK

The construction of the demonstration plant, commenced in June 2013, was completed in June 2015 and the commissioning of the plant was finalized at the end of October 2015. The remaining costs to complete the research and development phase are as follows:

	Budget (\$ million)	Target date
<b>Demonstration plant – Chlorination process</b>		
Processing of materials from DPM	2.0	November 2015 to February 2016
Plant optimization for operation	0.5	Q4-2015 and Q1-2016
Concentrator acquisition and refurbishment	4.6	Q1 and Q2-2016
	<b>7.1</b>	
<b>Pilot plant – Arsenic stabilization process</b>	<b>0.4</b>	Q4-2015 and Q1-2016
<b>Total</b>	<b>7.5</b>	

The processing of materials from DPM is scheduled during the first four-month period of operations. The processing of these materials is to establish the proof of concept of the Corporation's hydrometallurgical processes.

### OFF BALANCE SHEET ARRANGEMENTS

The Corporation did not enter into any off-balance sheet arrangements during the nine month periods ended in 2015 and 2014.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The contractual obligations of the Corporation include lease payments for the Thetford Mines facilities and the head office in Montreal.

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

	As at September 30, 2015
	\$
Less than 1 year	250,587
Between 1 and 5 years	874,291
More than 5 years	631,673

In addition, at September 30, 2015, the Corporation has firm purchase commitments of equipment and services relating to the demonstration plant totalling \$198,956.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### RELATED PARTY TRANSACTIONS

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

	Three-month period ended September 30		Nine months ended September 30,	
	2015	2014	2015	2014
			\$	\$
Professional and consulting fees				
Administration <sup>(1)</sup>	60,000	45,000	180,000	135,000
Legal <sup>(2)</sup>	14,152	24,921	41,259	107,793
Accounting fees <sup>(3)</sup>	74,628	86,357	265,670	203,225
Geology <sup>(4)</sup>	-	23,307	15,922	74,325
Professional <sup>(5)</sup>	-	23,520	19,519	75,560
Research and development <sup>(6)</sup>	-	42,745	5,040	138,600
	<b>148,780</b>	<b>245,850</b>	<b>527,410</b>	<b>734,503</b>

For the nine months ended September 30, 2015:

- (1) Fees from a private company controlled by John Mercer, President and Chief Executive Officer ("CEO") (In 2014, fees from a private company controlled by Pierre Gauthier, former President and CEO).
- (2) Fees from a private company controlled by Luce Saint-Pierre, Corporate Secretary for a total amount of \$41,259 (\$80,160 in 2014, in addition to an amount of \$27,633 in legal fees paid to a law firm of which Brahm Gelfand, a Director, is a counsel.)
- (3) Remuneration of Vatche Tchakmakian, Chief Financial Officer, in the amount of \$140,766 from a private company controlled by him (\$94,413 in 2014). He was appointed CFO of the Corporation in March 2014. In addition his company charged fees of \$124,904 for support staff in respect of accounting, bookkeeping and administrative services (\$108,812 in 2014).
- (4) Fees from a company controlled by Salvador Brouwer, the President of Nichromet Dominicana and Nichromet Guatemala for his services in relation with the testing of minerals from Central America.
- (5) Fees from Alfredo Galvez, former General Manager of Nichromet Guatemala for business development in Central America.
- (6) Fees from a company controlled by a Jean-Marc Lalancette, Director and Vice-President, Research and Development are disclosed as a related party until February 2015, date of his resignation as Director and Officer of the Corporation.

### SUBSEQUENT EVENTS AFTER SEPTEMBER 30, 2015

No events to report.

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

The preparation of the September 30 2015 Interim Consolidated Financial Statements requires the Corporation to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the Corporation's reported amounts of assets, liabilities, revenues and other items in net earnings, and the related disclosure of contingent assets and liabilities, if any. The Corporation evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Corporation believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of revenues and other items in net earnings that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the September 2015 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in Notes 1 and 3 to the 2014 Audited Consolidated Financial Statements other than the convertible debenture component (Refer to Note 3.2c) to the Corporation's September 2015 Interim Consolidated Financial Statements).

There have been no changes in the accounting policies adopted in the preparation of the Corporation's September 2015 Interim Consolidated Financial Statements from those detailed in Note 2 to the Corporation's 2014 Audited Consolidated Financial Statements other than the convertible debenture component (Refer to Note 7 to the Corporation's September 2015 Interim Consolidated Financial Statements).

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

The Corporation is exposed to various financial risks resulting from both its operations and its investments activities. The Corporation does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Corporation's main financial risk exposure and its financial risk management policies are disclosed in Note 18 to the Corporation's 2014 Audited Consolidated Financial Statements.

### **RISKS AND UNCERTAINTIES**

Except as otherwise disclosed in this MD&A, there have been no significant changes to the nature and scope of the risks faced by the Corporation from those described in the 2014 MD&A of the Corporation. These business risks should be considered by interested parties when evaluating the Corporation's performance and its outlook.

### **FORWARD LOOKING STATEMENTS**

DST's public communications may include written or oral forward looking statements. Statements of this type are included in this MD&A, and may be included in other filings with the Canadian regulators, stock exchanges or in other communications. All such statements constitute forward looking information within the meaning of securities law and are made pursuant to the "safe harbour" provisions of applicable securities laws. Forward looking statements may include, but are not limited to, statements about anticipated future events or results including comments with respect to the Corporation's objectives and priorities for 2015 and beyond, and strategies or further actions with respect to the Corporation, its products and services, business operations, financial performance and condition. Forward looking statements are statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or similar expressions concerning matters that are not historical facts.

Such statements are based on current expectations of the Corporation's management and inherently involve numerous risks and uncertainties, known and unknown, including economic factors and those affecting the technology and resources industries generally. The forward looking information contained in this MD&A is presented for the purpose of assisting shareholders in understanding business and strategic priorities and objectives as at the periods indicated and may not be appropriate for other purposes.

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

# **DUNDEE SUSTAINABLE TECHNOLOGIES INC.**

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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

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

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

November 5, 2015