Dundee Sustainable Technologies Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

As at and for the nine months ended September 30, 2017
(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 September 30, 2017	As at December 31, 2016
		$	$
Assets			
Current assets			
Cash		94,879	526,366
Accounts receivable		147,553	44,252
Research and development tax credits and grant receivable	9	500,000	365,000
Sales taxes receivables		60,898	36,743
Exploration and evaluation assets held for sale	7	-	400,000
Other assets	4	87,170	411,689
Prepaid expenses and advances to suppliers		23,234	47,340
		913,734	1,831,390
Non-current assets			
Investment	5	39,500	-
Property, plant and equipment	6	11,751	18,800
Intangible assets	8	4,613,813	4,613,813
		4,665,064	4,632,613
Total assets		**5,578,798**	**6,464,003**
Liabilities and Deficiency			
Current liabilities			
Accounts payable and accrued liabilities		1,483,354	1,002,428
Deferred revenue		294,294	78,463
Bridge loan	11	256,411	144,613
Short-term loans from a related party	10	11,441,565	10,299,685
		13,475,624	11,525,189
Non-current liabilities			
Long-term debt	11	201,228	151,049
Convertible debenture	11	3,887,847	3,608,207
Total liabilities		17,564,699	15,284,445
Deficiency			
Share capital	12	54,562,847	54,562,847
Contributed surplus		7,388,232	6,848,232
Deficit		(73,936,980)	(70,231,521)
Total deficiency		(11,985,901)	(8,820,442)
Total liabilities and deficiency		**5,578,798**	**6,464,003**
Going concern	1		
Subsequent events	17		

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

Dundee Sustainable Technologies Inc.
Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
For the nine months ended September 30, 2017 and 2016
(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2017	**2016**	**2017**	**2016**
		$	$	$	$
Sale of services		681,161	610,680	1,554,552	1,164,432
Expenses					
Research and development	15	274,571	656,832	767,386	2,404,628
Professional and consulting fees		64,201	127,435	359,729	543,056
Other operating expenses		898,989	304,905	1,730,095	599,149
Administrative		145,925	159,276	436,588	462,131
Wages and compensation		82,952	78,288	295,984	338,487
Investor relations and promotions		1,827	4,349	7,776	27,051
Trustee and registration fees		5,068	9,371	30,983	33,961
Depreciation of property, plant and equipment		-	96	-	1,269
Share-based payments	13	-	-	540,000	-
Total expenses		1,473,533	1,340,552	4,168,541	4,409,732
Operating loss		(792,372)	(729,872)	(2,613,989)	(3,245,300)
Other income		49,500	-	63,500	-
Finance costs	10,11	(399,978)	(337,808)	(1,150,673)	(960,434)
Gain (loss) on foreign currency exchange		(58)	(567)	(4,297)	13,023
Net loss and comprehensive loss		**(1,142,908)**	**(1,068,247)**	**(3,705,459)**	**(4,192,711)**
Basic and diluted net loss per share		-	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding – basic and diluted		347,090,816	347,090,816	347,090,816	347,090,816
Going concern	1				

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

Dundee Sustainable Technologies Inc.

Interim Consolidated Statements of Changes in Deficiency
(Unaudited)
For the nine months ended September 30, 2017 and 2016
(Expressed in Canadian dollars, except number of shares)

	Note	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
		Number	$	Number	$	$	$	$
Balance – December 31, 2016		**50,000,000**	**3,963,875**	**297,090,816**	**50,598,972**	**6,848,232**	**(70,231,521)**	**(8,820,442)**
Share-based payments	13	-	-	-	-	540,000	-	540,000
Net loss and comprehensive loss for the period		-	-	-	-	-	(3,705,459)	(3,705,459)
Balance – September 30, 2017		**50,000,000**	**3,963,875**	**297,090,816**	**50,598,972**	**7,388,232**	**(73,936,980)**	**(11,985,901)**

	Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Number	$	Number	$	$	$	$
Balance – December 31, 2015	**50,000,000**	**3,963,875**	**297,090,816**	**50,598,972**	**6,848,232**	**(65,801,349)**	**(4,390,270)**
Net loss and comprehensive loss for the period	-	-	-	-	-	(4,192,711)	(4,192,711)
Balance – September 30, 2016	**50,000,000**	**3,963,875**	**297,090,816**	**50,598,972**	**6,848,232**	**(69,994,060)**	**(8,582,981)**

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

Dundee Sustainable Technologies Inc.
Interim Consolidated Statements of Cash Flows
(Unaudited)
For the nine months ended September 30, 2017 and 2016
(Expressed in Canadian dollars)

	Note	2017	2016
		$	$
Operating activities			
Net loss for the period		(3,705,459)	(4,192,711)
Adjusted for:			
Share-based payments	13	540,000	-
Contribution from SDTC received in excess of amount recognized		-	311,567
Depreciation of property, plant and equipment included in research and development	6	7,049	7,050
Depreciation of property, plant and equipment		-	1,269
Long-term debt discount	11	(36,930)	-
Amortization of long-term debt discount	11	14,684	-
Convertible debenture discount	11	(59,824)	(242,457)
Amortization of convertible debenture discount	11	90,399	62,142
Finance costs accrued	10, 11	1,037,356	727,400
		(2,112,725)	(3,325,740)
Changes in non-cash operating working capital items:			
Accounts receivable		(103,301)	(33,584)
Research and development tax credits and grant receivable		(135,000)	48,036
Sales taxes receivables		(24,155)	113,585
Other assets		324,519	(769,289)
Prepaid expenses and advances to suppliers		24,106	183,831
Investments		(39,500)	-
Accounts payable and accrued liabilities		476,313	515,188
Deferred revenue		215,831	14,312
		738,813	72,079
Net cash used in operating activities		**(1,373,912)**	**(3,253,661)**
Investing activities			
Disposal of exploration and evaluation assets held for sale	7	400,000	-
Net cash used in investing activities		**400,000**	**-**
Financing activities			
Net proceeds from issuance of convertible debenture	11	-	2,100,000
Net proceeds from issuance of subordinate voting shares		-	-
Bridge loan		250,000	200,000
Repayment of bridge loan	11	(140,000)	(200,000)
Short-term loans from a related party	10	360,000	-
Long-term debt	11	72,425	-
Net cash provided by financing activities		**542,425**	**2,100,000**
Net change in cash		(431,487)	(1,153,661)
Cash – beginning		526,366	1,679,490
Cash – end		**94,879**	**525,829**
Going concern	1		
Supplemental information			
Finance costs paid		(13,768)	(170,959)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Dundee Sustainable Technologies Inc. (the “Corporation”) was incorporated under the Canada Business Corporations Act on July 22, 1997. The Corporation’s head office is located at 1002 Sherbrooke Street West, Suite 2060, Montréal, Quebec, Canada, H3A 3L6.

The Corporation has developed metallurgical processes based on a chlorination 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. The Corporation has also developed a process based on an arsenic stabilization technology which is designed for the sequestration of arsenic in a stable glass form. This process involves a technique to segregate arsenic and is therefore opening up opportunities to process materials considered too toxic to be exploited or stabilized using conventional mining methods.

These technologies are subject to all risks inherent in their development and may require significant additional development, testing and investment 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. As at September 30, 2017, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the nine months ended September 30, 2017, the Corporation incurred a loss of $3,705,459 ($4,129,711 for the nine months ended September 30, 2016) and has negative working capital of $12,561,890 (a negative working capital of $9,693,799 as at December 31, 2016). Deficit as at September 30, 2017 amounted to $73,936,980 ($70,231,521 as at December 31, 2016) and cash flows used in operating activities for the nine months ended September 30, 2017 amounted to $1,373,912 ($3,253,661 for the nine months ended September 30, 2016).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to September 30, 2018. 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 believes, based on previous fund raising experience, that the Corporation 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 that it will be able to do so in the future.

Although these unaudited condensed interim consolidated financial statements as at and for the nine months ended September 30, 2017(“September 2017 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.

The September 2017 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.

On November 15, 2017, the September 2017 Interim Consolidated Financial Statements were authorized for publication by the Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The September 2017 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 September 2017 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, 2016 ("2016 Audited Consolidated Financial Statements") which were prepared in accordance with IFRS as applicable for annual financial statements.

The September 2017 Interim Consolidated Financial Statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the 2016 Audited Consolidated Financial Statements.

2.2 Accounting standards issued but not yet applied

IFRS 9, "Financial Instruments"
In July 2014, the IASB issued final amendments to IFRS 9, replacing International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement, already adopted by the Corporation. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument.

The Corporation has not finalized its detailed assessment of the classification and measurement of financial assets, however, its financial instrument currently measured at fair value with any resulting gains or losses recognized through profit or loss would likely continue to be measured on the same basis under IFRS 9. Accordingly, the Corporation does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

The Corporation does not expect to hold any hedging instrument at the time of the transition.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses and applies to financial assets measured at amortized cost. The Corporation has not finalized its assessment of the impairment methodologies that it will apply under IFRS 9, However, the Corporation does not expect the new impairment model to have a significant impact.

The new standard also introduces expanded disclosure requirements and changes in presentation with respect to financial instruments, which are expected to change the nature and extent of the disclosures in the year the new standard is adopted.

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

2.2 Accounting standards issued but not yet applied (Cont'd)

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation is planning to adopt this standard effective January 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9, would generally be applied retrospectively. IFRS 9 contains certain exemptions with respect to full retrospective application whereby the restatement of comparative information in prior periods would not be required but instead, using a modified retrospective approach, it would be reflected in retained earnings and reserves as at January 1, 2018. The Corporation is planning to apply the modified retrospective approach.

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 establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 will also provide more informative, relevant disclosures in respect of their revenue recognition criteria, it will provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple element arrangements. IFRS 15 is based on the general principle that revenue is recognized when control of a good or service transfers to a customer rather than when the significant risks and rewards of ownership are transferred as is the case under IAS 18.

IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Corporation is planning to adopt this standard effective January 1, 2018. The Corporation is in the process of completing the review of its revenue contracts with customers. While the Corporation has not finalized its impact assessment, it does not anticipate any significant impact upon adoption of IFRS 15.

The Corporation expects to complete its preparatory work in the fourth quarter of 2017 with implementation commencing on January 1, 2018.

IFRS 16, "Leases"
IFRS 16, issued in January 2016, replaces IAS 17, "Leases". IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. The standard is expected to impact the accounting for the Corporation's operating leases, which are currently reflected in the interim consolidated statements of comprehensive loss and in the Corporation's disclosure in respect of future commitments. Under IFRS 16, all operating leases, except for short term and low value leases, are expected to be accounted for as finance leases. As a result, the leased assets and the associated obligations are recognized in the interim consolidated statements of financial position. The leased assets will be depreciated over the shorter of the estimated useful life of the asset and the lease term. The lease payments are apportioned between finance charges and a reduction of the lease liability. The current operating lease expense will be replaced with a depreciation charge on the leased assets and a finance charge on the lease liability, which are in aggregate expected to result in a higher total periodic expense in the earlier periods of the lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted for entities that also adopt IFRS 15. The Corporation does not intend to adopt IFRS 16 before its mandatory date. The Corporation can either apply the standard using a retrospective approach or a modified retrospective approach. The Corporation is currently assessing the impact of this standard and therefore has not yet determined the transition approach it intends to apply

(Expressed in Canadian dollars)

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the September 2017 Interim Consolidated Financial Statements in accordance with IFRS 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, and items in net earnings or loss, 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 various 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 items in net earnings or loss that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. There have been no significant changes in accounting judgments, estimates and assumptions made by the Corporation in the preparation of the September 2017 Interim Consolidated Financial Statements from those judgments, estimates and assumptions disclosed in note 3 to the 2016 Audited Consolidated Financial Statements.

4. OTHER ASSETS

The other assets include the following items:

	As at September 30, 2017	**As at December 31, 2016**
	$	$
Supplies	79,170	85,476
Other	8,000	-
Gold concentrate	-	326,213
	87,170	**411,689**

5. INVESTMENT

In September 2017, the Corporation sold a non-core intellectual property to KSM Inc. ("KSM"), a company controlled by a related party. The consideration for the sale amounted to $10,000 and 197,500 common shares series A of KSM representing 5% of the issued capital. The fair value of this private investment at September 30, 2017 was determined using a recent material transaction in the investment.

(Expressed in Canadian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	Camp and infrastructure	Vehicles and equipment	Office furniture and computer equipment	Total
Gross carrying amount	$	$	$	$
Balance – January 1, 2017	90,807	47,000	134,085	271,892
Disposal	(90,807)	-	-	(90,807)
Balance – September 30, 2017	-	47,000	134,085	181,085
Accumulated depreciation				
Balance – January 1, 2017	90,807	28,200	134,085	253,092
Disposal	(90,807)	-	-	(90,807)
Depreciation	-	7,049	-	7,049
Balance – September 30, 2017	-	35,249	134,085	169,334
Net carrying amount – September 30, 2017	**-**	**11,751**	**-**	**11,751**
Net carrying amount – December 31, 2016	**-**	**18,800**	**-**	**18,800**

7. EXPLORATION AND EVALUATION ASSETS HELD FOR SALE

Mineral properties	As at December 31, 2016	Disposal	As at September 30, 2017
	$	$	$
Ontario, Canada			
Shining Tree	400,000	(400,000)	-
	400,000	**(400,000)**	**-**

Shining Tree properties
The Shining Tree properties consist of 14 mining leases and 37 mining claims. In May 2017, the Corporation completed the sale of the mining leases and claims for an amount of $400,000.

8. INTANGIBLE ASSETS

	As at September 30, 2017 and December 31, 2016
	$
Intellectual properties – Oxide	605,000
Patent application fees – Oxide	129,474
Development cost – Oxide	5,809,233
Less: SR&ED tax credit	(1,929,894)
	4,613,813

(Expressed in Canadian dollars)

9. GOVERNMENT ASSISTANCE

In June 2013, the Corporation entered into an 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 chlorination technology. Under the terms of the agreement, the SDTC contributed up to the lesser of 25.30% of eligible project costs or $5,000,000. As at September 30, 2017, the Corporation received an aggregate amount of $4,500,000 from SDTC (see Note 17).

	Nine months ended September 30, 2017
	$
Grant receivable from SDTC	
Balance – beginning	280,000
Recognition of contribution through profit or loss as per eligible expenditures incurred during the period	220,000
Balance – end	**500,000**

10. SHORT-TERM LOANS FROM A RELATED PARTY

The short-term loans, from a wholly owned subsidiary of Dundee, bear interest at the rate of 12.68% per annum and are secured by a hypothec, pari passu with Investissement Québec's ("IQ") convertible debenture and Canada Economic Development for Quebec Regions (CED) contribution, over all of the Corporation's property other than its intellectual property. The interest is payable concurrently with the repayment of the loans. The maturity date of the loans is the earlier of November 30, 2017 and the date at which the Corporation raises the sum of $10,000,000 or greater by way of debt or equity. The Corporation has the option to repay the loans at any time. During the nine months ended September 30, 2017, an additional amount of $360,000 was advanced to the Corporation.

As at September 30, 2017, the principal amount of the loans totals $8,310,000 ($7,950,000 – As at December 31, 2016).

Short-term loan	**Nine months ended September 30,**	
	2017	**2016**
	$	$
Balance – beginning	10,299,685	9,027,586
Principal amount	360,000	-
Finance costs accrued	781,880	727,400
Balance – end	**11,441,565**	**9,754,986**

11 CONVERTIBLE DEBENTURE AND LOANS

11.1 Convertible debenture

In 2015, the Corporation completed a $5,000,000 financing with IQ consisting of a private placement of subordinated voting shares of $1,000,000 and a secured convertible loan in an amount of up to $4,000,000 (the "IQ Loan"). IQ advanced $1,900,000 in 2015 and $2,100,000 in 2016.

(Expressed in Canadian dollars)

11 CONVERTIBLE DEBENTURE AND LOANS (CONT'D)

11.1 Convertible debenture (Cont'd)

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. Starting October 1, 2016, interest is capitalized. During the nine months ended September 30, 2017, the Corporation capitalized $249,065 in interest.

The IQ Loan is secured by a hypothec, pari passu with Dundee's loan and CED's contribution, over all of the Corporation's property other than its intellectual property and is guaranteed by Dundee in an amount of up to $1,500,000.

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.

The fair value of the debt component advanced in 2016 and 2015 was estimated using an effective rate of 11.7% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing. No value has been assigned to the equity conversion option, as the conversion price is equal to the closing market price of the shares on the day prior to conversion.

	Nine months ended September 30,	
	2017	**2016**
	$	$
Carrying amount of the liability component – beginning	3,608,207	1,578,986
Proceeds from issue of convertible debenture	-	2,100,000
Capitalized interest expense	249,065	-
Debt discounted at fair value	(59,824)	(242,457)
Accretion expense	90,399	62,142
Carrying amount of the liability component – end	**3,887,847**	**3,498,671**

11.2 CED contribution agreement

Under an amended agreement dated October 12, 2016, the Corporation received from CED a $397,000 repayable contribution (the "CED Contribution"). The CED Contribution was used by the Corporation for the acquisition of equipment for its demonstration plant (the "Project") in Thetford Mines. The CED Contribution is non-interest bearing, secured and repayable in equal monthly installments over seven years starting three years after the end of the Project. CED advanced $324,575 in December 2016, and the balance in May 2017.

The fair value of the debt components advanced in December 2016 and May 2017, were estimated at $149,944 and $35,495, respectively, using an effective rate of 11.7% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing.

(Expressed in Canadian dollars)

11 CONVERTIBLE DEBENTURE AND LOANS (CONT'D)

11.2 CED contribution agreement (Cont'd)

The CED Contribution is secured by a hypothec, pari passu with Dundee's and IQ's loans, over all of the Corporation's property other than its intellectual property.

Long-term debt	Nine months ended September 30,2017
	$
Balance– beginning	151,049
Contribution received	72,425
Debt discounted at fair value	(36,930)
Accretion expense	14,684
Balance – end	**201,228**

11.3 Bridge loans

In August 2017, an unsecured bridge loan, payable on demand, of $250,000 was advanced to the Corporation. (see Note 17).

In October 2016, an unsecured bridge loan, payable on demand, of $300,000 was advanced to the Corporation. The loan was partially reimbursed in December 2016 for a total amount of $160,000. The outstanding bridge loan of $140,000 and accrued interest of $4,613 was reimbursed in January 2017.

12. SHARE CAPITAL

On September 30, 2017 and December 31, 2016, the authorized capital of the Corporation consisted 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 10 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 outstanding at year-end. The holders 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.

13. STOCK OPTION PLAN

On February 3, 2017, the Corporation granted a total of 13,500,000 stock options to its directors, officers, employees and a consultant. These options are exercisable at $0.05 per share, vested at the grant date and expire on the fifth anniversary of their date of issuance. The fair value of options awarded is $0.04 per share for a total share based payment expenses of $540,000.

(Expressed in Canadian dollars)

13. STOCK OPTION PLAN (CONT'D)

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:

Expected life	5 years
Risk-free interest rate	1.11%
Expected volatility	131%
Expected dividend yield	0%
Share price	$0.05

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

	Nine months ended September 30,			
	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Balance – beginning	10,877,500	0.13	20,577,500	0.13
Granted	13,500,000	0.05	-	-
Expired	(575,000)	0.20	(9,400,000)	0.10
Balance – end	**23,802,500**	**0.08**	**11,177,500**	**0.13**

As at September 30, 2017, outstanding and exercisable options are as follows:

Number of options	Exercise price	Expiry date
	$	
600,000	0.20	February 6, 2018
7,400,000	0.10	December 12, 2018
602,500	0.20	October 2, 2019
13,500,000	0.05	February 3, 2022
1,700,000	0.20	November 27, 2022
23,802,500		

The residual weighted average contractual term of outstanding options was 3.27 years as at September 30, 2017.

14. ESCROW AGREEMENT

The subordinate voting shares, multiple voting shares and options of the Corporation that were subject to an escrow agreement were released in April 2017.

(Expressed in Canadian dollars)

15. RESEARCH AND DEVELOPMENT

	Three months ended September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	$	$	$	$
Research and development	301,427	885,973	1,075,494	3,040,051
SDTC contribution	(27,504)	-	(220,000)	-
Government and tax credits	648	(229,141)	(88,108)	(635,423)
	274,571	**656,832**	**767,386**	**2,404,628**

16. COMMITMENTS

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 10-year period at an annual rent of $204,380 that is subject to a yearly increase of 1.5%.

On April 11, 2016, the Corporation entered into a lease for its head office until August 31, 2018. The annual rent is $49,088.

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

	As at September 30, 2017
	$
Less than 1 year	261,919
Between 1 and 5 years	900,717
More than 5 years	174,610

17. SUBSEQUENT EVENTS

Government assistance

The SDTC processed and approved the claim for the final payment of the government assistance relating to the construction and operation of a demonstration plant. Construction of the plant commenced in 2013, and commissioning was successfully completed in late 2015 enabling the Corporation to proceed with the demonstration phase of the project in 2016. SDTC has completed its assessment of the cost of the project and in October 2017, the Corporation received the remaining funds for a total amount of $500,000.

Bridge loan

The outstanding bridge loan of $250,000 and accrued interest of $7,500 was reimbursed in October 2017.

Promissory note

On November 6, 2017, the Corporation signed a promissory note in the principal amount of $500,000 payable on demand to a wholly-owned subsidiary of Dundee along with interest at a rate of 18% per annum.