

Dundee Sustainable Technologies Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

As at and for the six months ended June 30, 2020
(Expressed in Canadian dollars)

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

2000 Peel Street, Suite 860, Montréal, QC, H3A 2W5
Tel.: 514.866.6001 / www.dundeetechnologies.com

Dundee Sustainable Technologies Inc.

Consolidated Statements of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	Note	As at June 30, 2020 \$	As at December 31, 2019 \$ (audited)
Assets			
Current assets			
Cash and cash equivalents		1,212,300	116,261
Accounts receivable	4	576,917	367,350
Sales tax receivable		-	37,153
Other assets		91,648	73,395
Prepaid expenses		60,602	45,212
		1,941,467	639,371
Non-current assets			
Investment in a related company		79,000	59,250
Property, plant and equipment	5	1,063,727	1,340,398
Intangible assets	6	3,806,395	4,037,086
		4,949,122	5,436,734
Total assets		6,890,589	6,076,105
Liabilities and Deficiency			
Current liabilities			
Accounts payable and accrued liabilities		1,233,844	1,391,127
Sales tax payable		12,628	-
Contract liabilities	7	1,123,508	222,135
Current portion of lease liability	5	101,220	99,156
Promissory notes from a related party	8	7,378,369	5,731,100
Short-term loans from a related party	8	14,338,548	13,814,573
Short-term portion of long-term debt	9	56,714	47,262
Convertible debenture	9	5,383,068	5,156,632
		29,627,899	26,461,985
Non-current liabilities			
Lease liability	5	1,056,523	1,310,744
Long-term debt	9	210,158	213,579
Total liabilities		30,894,580	27,986,308
Deficiency			
Share capital	10	55,057,673	55,057,673
Contributed surplus		8,068,668	8,068,668
Deficit		(87,130,332)	(85,036,544)
Total deficiency		(24,003,991)	(21,910,203)
Total liabilities and deficiency		6,890,589	6,076,105
Going concern	1		
Subsequent events	15		

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended		Six months ended	
		2020	June 30, 2019	2020	June 30, 2019
		\$	\$	\$	\$
Sale of services		1,047,939	411,292	1,525,584	584,128
Expenses					
Operating expenses related to services		569,858	348,259	1,036,153	493,804
Research and development	13	36,342	285,579	427,900	834,700
Professional and consulting fees		45,514	11,187	156,864	88,333
Administrative		62,862	69,686	150,640	190,535
Wages and compensation		172,046	198,620	402,227	383,386
Shareholder communication		4,424	11,674	32,507	34,337
Depreciation of property, plant and equipment		6,860	-	19,191	-
Amortization of intangible assets		115,346	115,346	230,691	230,691
Total expenses		1,013,252	1,040,351	2,456,173	2,255,786
Operating Income (loss)		34,687	(629,059)	(930,589)	(1,671,658)
Other income		128,759	-	129,559	-
Finance cost	8,9	(673,206)	(621,747)	(1,340,336)	(1,202,027)
Gain on foreign currency exchange		(63,250)	(386)	47,578	2,365
Net loss and comprehensive loss		(573,010)	(1,251,192)	(2,093,788)	(2,871,320)
Basic and diluted net loss per share	10	(0.03)	(0.07)	(0.11)	(0.16)
Weighted average number of shares outstanding – basic and diluted		18,247,121	18,247,121	18,247,121	18,247,121

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Changes in Deficiency

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars, except number of shares)

		Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Note	Number	\$	Number	\$	\$	\$	\$
Balance – December 31, 2019	10	2,500,000	3,963,875	15,747,121	51,093,798	8,068,668	(85,036,544)	(21,910,203)
Net and comprehensive loss for the period		-	-	-	-	-	(2,093,788)	(2,093,788)
Balance – June 30, 2020		2,500,000	3,963,875	15,747,121	51,093,798	8,068,668	(87,130,332)	(24,003,991)

		Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Note	Number	\$	Number	\$	\$	\$	\$
Balance – December 31, 2018	10	2,500,000	3,963,875	15,747,121	51,093,798	8,068,668	(79,483,310)	(16,356,969)
Net and comprehensive loss for the period		-	-	-	-	-	(2,871,320)	(2,871,320)
Balance – June 30, 2019		2,500,000	3,963,875	15,747,121	51,093,798	8,068,668	(82,354,630)	(19,228,289)

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Cash Flows

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

	Note	2020	2019
		\$	\$
Operating activities			
Net loss for the period		(2,093,788)	(2,871,320)
Adjusted for:			
Depreciation of property, plant and equipment	5	19,191	-
Depreciation of property, plant and equipment included in research and development	5	69,907	68,545
Amortization of intangible assets	6	230,691	230,691
Amortization of long-term debt discount	9	15,483	13,776
Amortization of convertible debenture discount	9	18,514	86,086
Finance cost accrued	8, 9	1,234,167	1,021,211
		(505,835)	(1,451,011)
Changes in non-cash operating working capital items:			
Accounts receivable		(209,567)	113,698
Sales tax receivable		49,781	(91,366)
Other assets		(18,253)	6,577
Prepaid expenses		(15,390)	(27,215)
Investments		(19,750)	-
Accounts payable and accrued liabilities		(157,283)	(104,663)
Contract liabilities		901,373	19,661
		530,911	(83,328)
Net cash generated (used) in operating activities		25,076	(1,534,339)
Financing activities			
Principal elements of lease payments	5	(64,585)	(30,204)
Long-term loan payments	9	(9,452)	-
Promissory note from a related party	8	1,145,000	1,564,000
Net cash provided by financing activities		1,070,963	1,533,796
Net change in cash and cash equivalents during the period		1,096,039	(543)
Cash and cash equivalents – beginning of period		116,261	116,185
Cash and cash equivalents – end of period		1,212,300	115,642

Supplemental information

14

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

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Dundee Sustainable Technologies Inc. (“DST” or the “Corporation”) was incorporated under the Canada Business Corporations Act on July 22, 1997. The Corporation’s head office is located at 2000 Peel Street, Suite 860, Montréal, Quebec, Canada, H3A 2W5.

The Corporation is commercializing two primary metallurgical processes for the treatment of complex and refractory material from mining operations. DST’s processes are applied for the extraction of precious metals and for the removal and stabilization of contaminants, such as arsenic, antimony, and cadmium from ores and concentrates. The Corporation provides environmentally friendly, viable and efficient processes capable of handling ores which may not be processed with conventional approaches due to metallurgical issues or environmental considerations. The precious metal recovery process now called the CLEVR Process™ uses sodium hypochlorite with a catalytic amount of sodium hypobromite in acidic conditions to put the gold into solution. The efficiency of the process, coupled with its closed-loop operating conditions, plant size and construction material allow for competitive operating and capital costs. When dealing with arsenic-bearing ores often associated with copper, gold, silver or polymetallic deposits, the Corporation has developed new processes to remove and incorporate arsenic into a highly stable glass matrix. The Corporation refers to this technology as the GlassLock Process™. The costs of sequestering the arsenic using DST’s GlassLock Process™ are lower than those of conventional approaches, such as the formation of scorodite, and produces a stable, insoluble glass residue meeting environmental requirements.

While these technologies are currently being commercialized, they are subject to all the risks inherent in their ongoing development and adoption. They may require significant additional development, testing and investment prior to any final acceptance by the market. 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 a reasonable cost or be successfully marketed. To date, the Corporation has not earned significant revenues from its patented technologies. However, since the Corporation is in advanced discussions with several gold companies about including the CLEVR Process™ as part of new projects, the intangible assets have been amortized since October 1, 2018. At June 30, 2020, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the six months ended June 30, 2020, the Corporation incurred a loss of \$2,093,788 (\$2,871,320 for the six months ended June 30, 2019) and has negative working capital of \$27,686,432 (2019 – \$25,822,614). The deficit as at June 30, 2020 amounted to \$87,130,332 (2019 – \$85,036,544) and cash flows generated in operating activities for the six months ended June 30, 2020 amounted to \$25,076 (\$1,534,339 used in operating activities for the six months ended June 30, 2019).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to June 30, 2021. 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. The Corporation entered into two debt settlement agreements with respect to the settlement of a portion of various debts by the issuance of subordinated voting shares in the capital of the Corporation (see Note 15). Although there is no assurance that the Corporation will be successful in these actions, management believes 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.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

The first half of 2020 was marked by the severity of the Coronavirus global outbreak. The extent and duration of impacts that the Coronavirus may have on the Corporation's operations including suppliers, contractors, service providers, employees and on global financial markets is not known at this time but could be material. The Thetford site was temporarily closed as a result of the measures taken by the Quebec provincial government on March 23, 2020. Operations have resumed in May with employees and contractors following the control and practices that have been established on site. The Corporation is monitoring developments and has taken appropriate actions in order to mitigate the risk, including safety procedures and contingency plans to continue operations at its plant in Thetford Mines.

Although these 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 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.

On August 11, 2020, these consolidated financial statements were approved by the Board of Directors

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation

These condensed 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". These condensed 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, 2019 which were prepared in accordance with IFRS as applicable for annual financial statements.

The condensed interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in Note 2 to the audited consolidated financial statements as at and for the year ended December 31, 2019.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements for the six months ended June 30, 2020 are made 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.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

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 these condensed interim consolidated financial statements from those judgments, estimates and assumptions disclosed in note 3 to the audited consolidated financial statements as at and for the year ended December 31, 2019.

4. ACCOUNTS RECEIVABLE

The accounts receivable includes revenues from technical services, unbilled services and other receivables. Technical services receivables are generated from customers to evaluate processing alternatives using the Corporation's processing facility. Other receivables are the reimbursements of project expenses generated under the collaboration agreement with a related party.

	As at June 30, 2020	As at December 31, 2019
	\$	\$
Technical services	509,812	229,892
Unbilled revenues	67,105	137,458
	576,917	367,350

As at June 30, 2020, accounts receivable from related parties amount to \$101,888 (2019 – \$161,152).

5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Right of use asset	Total
Gross carrying amount	\$	\$	\$
Balance – January 1, 2020	47,000	1,481,163	1,528,163
Deductions	-	(184,642)	(184,642)
Balance – June 30, 2020	47,000	1,296,521	1,343,521
Accumulated depreciation			
Balance – January 1, 2020	47,000	140,765	187,765
Depreciation	-	92,029	92,029
Balance – June 30, 2020	47,000	232,794	279,794
Net carrying amount – June 30, 2020	-	1,063,727	1,063,727
Net carrying amount – December 31, 2019	-	1,340,398	1,340,398

Leases

The Corporation recognized a Right of Use ("ROU") asset and its related lease liability in connection with the head office lease and the demonstration plant facilities. The ROU asset is depreciated on a straight-line basis over the term of the lease, which is expected to mature in July 2028 and September 2023, respectively. As is common for such leases, the Corporation pays to the landlord its share of common costs that are expensed as incurred. On April 2020, the Corporation negotiated a reduction of the leased space at its demonstration plant facilities. The reduction prompted a reduction of its lease liability by the amount of \$203,916.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

Lease liability	Six months ended	
	2020	June 30, 2019
		\$
Balance – beginning of period	1,409,900	1,370,917
Deductions	(203,916)	-
Principal portion of lease payments	(48,241)	(30,206)
Balance – End of period	1,157,743	1,340,711
Current lease liability	101,220	69,425
Non-current lease liability	1,056,523	1,271,286

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases for the six months ended June 30, 2020:

		\$
Depreciation of ROU asset	19,191	-
Depreciation of ROU asset included in research and development	69,907	68,546
Interest expense included in finance cost	70,641	79,471

6. INTANGIBLE ASSETS

Intangible assets	Six months ended	
	2020	June 30, 2019
Gross carrying amount		
Balance – January 1 and March 31:	\$	\$
Intellectual properties – Oxide	605,000	605,000
Patent application fees – Oxide	129,474	129,474
Development cost – Oxide	5,809,233	5,809,233
Less: SR&ED tax credit	(1,929,894)	(1,929,894)
	4,613,813	4,613,813
Accumulated amortization		
Balance – January 1	576,727	115,345
Amortization	230,691	230,691
Balance – March 31	807,418	346,036
Net carrying amount – March 31	3,806,395	4,267,777

7. GOVERNMENT AND OTHER ASSISTANCE

In January 2018, the Corporation was awarded funding by the Government of Canada through the Sustainable Development Technology Canada Foundation (“SDTC”) for continued development of its patented GlassLock Process™. This funding assisted the Corporation in constructing and operating a demonstration plant using the Corporation’s proprietary arsenic stabilization technology (the “GlassLock™ demo plant”) at a metal processing facility. The construction and operation of the Arsenic demo plant was completed in the last quarter of 2019. Under the terms of the agreement, the SDTC will contribute up to the lesser of 20.7% of eligible project costs or \$1.25 million. As at December 31, 2019, the Corporation has received a total of \$1,125,000 from the SDTC and it is expecting to receive the balance of \$125,000 during the second half of 2020. The contribution was recognized through comprehensive loss.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

8. PROMISSORY NOTES AND SHORT-TERM LOANS FROM A RELATED PARTY

8.1 Promissory notes

The Corporation signed twelve promissory notes payable on demand to a wholly owned subsidiary of Dundee along with interest at a rate of 18% per annum. As at June 30, 2020, the principal amount of the promissory notes totaled \$5,884,000 (2019 – \$4,739,000) and the finance cost accrued during the six months ended June 30, 2020 amounted to \$502,269 (\$307,138 for the six months ended June 30, 2019). On July 31, 2020, the Corporation entered into a debt settlement agreement with respect to the promissory notes (see Note 15).

Promissory notes	Six months ended	
	2020	June 30, 2019
	\$	\$
Balance – beginning of period	5,731,100	2,950,905
Principal amount advanced	1,145,000	1,564,000
Finance costs accrued	502,269	307,138
Balance – end of period	7,378,369	4,822,043

8.2 Short-term loans

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. In 2019, the maturity date of the loans was extended to the earlier of November 30, 2020 and the date at which the Corporation raises the sum of \$10,000,000 or greater by way of issuing debt or equity. The Corporation has the option to repay the loans at any time. On July 31, 2020, the Corporation entered into a debt settlement agreement with respect to a portion of its short-term debt (see Note 15).

As at June 30, 2020, the principal amount of the loans totaled \$8,310,000 (2019 – \$8,310,000).

Short-term loans	Six months ended	
	2020	June 30, 2019
	\$	\$
Balance – beginning of period	13,814,573	12,760,865
Finance costs accrued	523,975	522,524
Balance – end of period	14,338,548	13,283,389

9 CONVERTIBLE DEBENTURE AND LOANS

9.1 Convertible debenture

In May 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.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

The IQ Loan, which is evidenced by a secured convertible debenture, with a term of five years from its inception date, bears interest at a rate of 8% per annum, is 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. The Corporation has the right to redeem the IQ Loan subject to a 10% premium. Starting October 1, 2016, interest has been capitalized. During the six months ended June 30, 2020, the Corporation capitalized \$207,921 in interest (\$191,551 during the six months ended June 30, 2019). In May 2020, The Corporation reached an agreement with IQ to extend the maturity date of the loan from May 2020, to August 2020. On July 31, 2020, the Corporation entered into a debt settlement agreement with respect to a portion of its debt (see Note 15).

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.

The fair value of the debt advanced in 2016 and 2015 was estimated at \$1,857,543 and \$1,642,950, respectively, using an effective rate of 11.7% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing. The debentures have no equity component as the conversion price is equal to the closing market price of the shares on the day prior to conversion.

	Six months ended	
	June 30,	
	2020	2019
	\$	\$
Carrying amount of the liability – beginning of period	5,156,632	4,582,124
Capitalized interest expense	207,921	191,551
Amortization of convertible debenture discount	18,515	86,087
Carrying amount of the liability – end of period	5,383,068	4,859,762

9.2 CED contribution agreement

Under an amended agreement dated October 12, 2016, the Corporation received from Canada Economic Development for Quebec Regions ("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 from three years after the end of the Project which was in March 2020. CED advanced \$324,575 in December 2016 and the remaining balance of \$72,425 in May 2017.

The fair values of the debt advanced in December 2016 and May 2017 were respectively estimated at \$149,944 and \$35,495 using an effective rate of 11.7%. Such rate corresponds to a rate that the Corporation would have obtained for a similar non-subsidized financing. In February 2020, the Corporation started repaying the loan as stated in the agreement.

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.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

	Six months ended	
	June 30,	
	2020	2019
	\$	\$
Balance – beginning of period	260,841	232,430
Payments	(9,452)	-
Amortization of long-term debt discount	15,483	13,776
Balance – end of year	266,872	246,206
Short-term portion	56,714	-
Long-term portion	210,158	246,206
Total	266,872	246,206

10. SHARE CAPITAL

Authorized

On June 30, 2020 and December 31, 2019, 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.

On January 22, 2020, the Corporation consolidated its share capital on a twenty for one basis. A total of 314,942,521 Subordinate Voting Shares and 50,000,000 Multiple Voting Shares were issued and outstanding in the capital of the Corporation. Accordingly, after giving effect to the Consolidation on the basis of twenty existing Shares for one new Share, a total of 15,747,121 Subordinate Voting Shares and 2,500,000 Multi Voting Shares are now issued and outstanding in the capital of the Corporation. On July 31, 2020, the Corporation entered into two debt settlement agreements with respect to the settlement of a portion of various debts of the Corporation by the issuance of subordinated voting shares in the capital of the Corporation (see Note 15).

11 WARRANTS

The changes in the Corporation's outstanding common share purchase warrants are as follows:

	Six months ended June			
	30,			
	2020		2019	
	Number of	Carrying	Number of	Carrying
	warrants	amount	warrants	amount
		\$		\$
Balance – Beginning and end of year	714,285	200,000	714,285	200,000

The warrants' expiry date is November 23, 2022, and they are exercisable at a price of \$1.20 per common share.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

12. STOCK OPTION PLAN

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

	Six months ended June 30,			
	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – beginning of period	973,750	1.65	1,067,625	1.67
Forfeited	(22,500)	1.33	(40,000)	1.40
Balance – end of period	951,250	1.66	1,027,625	1.60

As at June 30, 2020, outstanding options, all of which are exercisable, are as follows:

Number of options	Weighted average exercise price	Expiry date
	\$	
10,000	4.00	November 18, 2020
30,000	1.00	November 18, 2020
25,000	2.00	November 18, 2020
30,000	1.00	November 7, 2020
37,500	2.00	November 7, 2020
427,500	1.00	February 3, 2022
71,250	4.00	November 27, 2022
270,000	2.00	April 18, 2023
25,000	2.00	April 26, 2023
25,000	2.00	June 18, 2023
951,250		

The residual weighted average contractual term of outstanding options was 1.9 years as at June 30, 2020.

13. RESEARCH AND DEVELOPMENT

	Six months ended June 30,	
	2020	2019
	\$	\$
Research and development	457,900	1,594,264
Recognition of a related party contribution through comprehensive loss as per eligible GlassLock demo plant expenditures incurred during the period	-	(759,564)
	457,900	834,700

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

(Unaudited)

For the three and six months ended June 30, 2020 and 2019

(Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30,	
	2020	2019
Finance cost paid	\$ 1,532	\$ 1,481

15. SUBSEQUENT EVENT

Debt settlement agreements

On July 31, 2020, DST has entered into two debt settlement agreements with Dundee and IQ, with respect to the settlement of a portion of various debts of the Corporation by the issuance of subordinated voting shares in the capital of the Corporation to Dundee and IQ.

According to the terms of the debt settlement agreement, Dundee has agreed to convert \$13,405,522 of its debt in exchange for 40,622,794 consideration shares in the capital of the Corporation and IQ has agreed to convert \$1,418,368 of its debt in exchange for 4,298,082 consideration shares in the capital of the Corporation, both using a conversion price of \$0.33 per shares based on the 20-day volume-weighted average price of the shares.

As part of the debt settlement agreements, the remaining portion of the debt owed to Dundee by the Corporation, totalling an amount of \$8,484,534, has been consolidated and will bear revised repayment terms, with the reduction of the interest from 12.68% to 8% per year, as well as the extension of the maturity date to July 13, 2023. The remaining debt owed to IQ, totalling an amount of \$4,000,000, pursuant to a convertible debenture dated May 15, 2015, issued to IQ, has been amended providing an extension of the maturity date to July 13, 2023.

Following the completion of the debt settlement agreements, there will be a total of 60,667,997 subordinate voting shares and 2.5 million multiple voting shares of the Corporation issued and outstanding.