

# **Dundee Sustainable Technologies Inc.**

## Condensed Interim Consolidated Financial Statements (Unaudited)

As at and for the three and six months ended June 30, 2022.  
(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.

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# Dundee Sustainable Technologies Inc.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Note	As at June 30, 2022	As at December 31, 2021
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		760,635	457,716
Accounts receivable	4	632,861	478,768
Sales tax receivable		4,464	-
R&D tax credit receivable		209,725	170,664
Other assets		111,693	110,230
Prepaid expenses		45,000	35,212
		<b>1,764,378</b>	<b>1,252,590</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	765,211	839,840
Intangible assets	6	2,883,633	3,114,324
		<b>3,648,844</b>	<b>3,954,164</b>
<b>Total assets</b>		<b>5,413,222</b>	<b>5,206,754</b>
<b>Liabilities and Deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,104,745	1,025,562
Sales tax payable		-	21,791
Contract liabilities		50,153	255,326
Current portion of lease liability	5	134,421	121,041
Current portion of long-term debts	8	56,714	56,714
Current portion of convertible debenture	8	100,000	-
		<b>1,446,033</b>	<b>1,480,434</b>
<b>Non-current liabilities</b>			
Lease liability	5	805,268	878,764
Long-term debts	8	1,064,877	761,425
Promissory note from a related party	7	1,525,440	1,015,640
Loan from a related party	7	9,578,032	9,076,175
Convertible debenture	8	4,329,786	4,183,847
<b>Total liabilities</b>		<b>18,749,436</b>	<b>17,396,285</b>
<b>Deficiency</b>			
Share capital	9	68,907,882	68,533,937
Contributed surplus	10	9,300,272	9,039,217
Deficit		(91,544,368)	(89,762,685)
<b>Total deficiency</b>		<b>(13,336,214)</b>	<b>(12,189,531)</b>
<b>Total liabilities and deficiency</b>		<b>5,413,222</b>	<b>5,206,754</b>
<b>Going concern</b>	1		

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

## Dundee Sustainable Technologies Inc.

### Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended		Six months ended	
		2022	2021	2022	2021
		\$	\$	\$	\$
Sale of services		987,306	1,352,206	2,063,997	2,065,359
<b>Expenses</b>					
Operating expenses related to services		892,863	1,005,258	1,668,637	1,628,714
Research and development, net of credits	12	111,519	299,565	368,932	554,738
Professional and consulting fees		118,912	50,508	166,491	175,750
Administrative		102,688	70,030	184,975	133,978
Wages and compensation		147,734	134,884	258,992	300,597
Shareholder communication		37,484	9,157	60,889	24,087
Depreciation of property, plant and equipment		6,860	6,859	13,720	13,719
Amortization of intangible assets		115,346	115,346	230,691	230,691
Total expenses		1,533,406	1,691,607	2,953,327	3,062,274
<b>Operating (loss) income</b>		<b>(546,100)</b>	<b>(339,401)</b>	<b>(889,330)</b>	<b>(996,915)</b>
Other income		5,648	6,436	8,356	11,036
Finance income		-	-	19,557	-
Finance cost	7,8	(479,604)	(395,884)	(936,997)	(784,292)
(Loss) gain on foreign currency exchange		12,545	(25,434)	16,731	(53,327)
<b>Net loss and comprehensive loss</b>		<b>(1,007,511)</b>	<b>(754,283)</b>	<b>(1,781,683)</b>	<b>(1,823,498)</b>
<b>Basic and diluted net loss per share</b>		<b>(0.02)</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.03)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>		<b>66,695,774</b>	<b>63,167,997</b>	<b>65,565,326</b>	<b>63,167,997</b>

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

**Dundee Sustainable Technologies Inc.**  
Consolidated Statements of Changes in Deficiency  
For the six months ended June 30, 2022 and 2021  
(Expressed in Canadian dollars, except number of shares)

		Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Note	Number	\$	Number	\$	\$	\$	\$
<b>Balance – December 31, 2021</b>	9	<b>2,500,000</b>	<b>3,963,875</b>	<b>60,667,997</b>	<b>64,570,062</b>	<b>9,039,217</b>	<b>(89,762,685)</b>	<b>(12,189,531)</b>
Issuance of shares	9	-	-	3,527,777	635,000	-	-	635,000
Fair value warrants issuance					(261,055)	261,055	-	-
Net and comprehensive loss for the period		-	-	-	-	-	(1,781,683)	(1,781,683)
<b>Balance – June 30, 2022</b>		<b>2,500,000</b>	<b>3,963,875</b>	<b>64,197,774</b>	<b>64,944,007</b>	<b>9,300,272</b>	<b>(91,554,368)</b>	<b>(13,336,214)</b>

		Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Note	Number	\$	Number	\$	\$	\$	\$
<b>Balance – December 31, 2020</b>	9	<b>2,500,000</b>	<b>3,963,875</b>	<b>60,667,997</b>	<b>64,570,062</b>	<b>8,577,051</b>	<b>(86,374,030)</b>	<b>(9,263,042)</b>
Net and comprehensive loss for the period		-	-	-	-	-	(1,823,498)	(1,823,498)
<b>Balance – June 30, 2021</b>		<b>2,500,000</b>	<b>3,963,875</b>	<b>60,667,997</b>	<b>64,570,062</b>	<b>8,577,051</b>	<b>(88,197,528)</b>	<b>(11,086,540)</b>

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

# Dundee Sustainable Technologies Inc.

## Consolidated Statements of Cash Flows

For the six months period ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Note	2022 \$	2021 \$
<b>Operating activities</b>			
Net loss for the period		(1,781,683)	(1,823,498)
Adjusted for:			
Depreciation of property, plant and equipment	5	13,720	13,719
Depreciation of property, plant and equipment included in research and development	5	60,909	60,929
Amortization of intangible assets	6	230,691	230,694
Debt discounts	7	(87,270)	-
Amortization of debt discounts	7,8	248,958	189,417
Finance cost accrued	7,8	617,761	520,096
		(696,914)	(808,606)
Changes in non-cash operating working capital items:			
Accounts receivable		(154,093)	(171,333)
R&D tax credit receivable		(39,061)	(51,339)
Sales tax receivable/payable		(26,255)	(8,575)
Other assets		(1,463)	7,197
Prepaid expenses		(9,788)	(44,243)
Accounts payable and accrued liabilities		79,183	258,974
Contract liabilities		(205,173)	802,326
		(356,650)	793,007
<b>Net cash (used) generated in operating activities</b>		<b>(1,053,564)</b>	<b>(15,659)</b>
<b>Financing activities</b>			
Principal elements of lease payments	5	(60,117)	(52,082)
Long-term loan		359,956	-
Long-term debts payment	8	(28,356)	(28,356)
Issuance of shares		635,000	-
Promissory note from a related party		450,000	-
<b>Net cash provided by (used in) financing activities</b>		<b>1,356,483</b>	<b>(80,438)</b>
Net change in cash and cash equivalents during the period		302,919	(96,097)
Cash and cash equivalents – beginning of period		457,716	926,734
<b>Cash and cash equivalents – end of period</b>		<b>760,635</b>	<b>830,637</b>

### Supplemental information

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

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

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### 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, the Corporation is in advanced discussions with several gold companies about including the CLEVR Process™ as part of new projects, as well as the GlassLock Process™. At June 30, 2022, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the six months ended June 30, 2022, the Corporation incurred a loss of \$1,781,683 (\$1,823,498 for the six months ended June 30, 2021) and has a working capital of \$318,345 (2021 – a negative working capital of \$227,844). Deficit as at June 30, 2022 amounted to \$91,544,368 (2021 – \$89,762,685) and cash flows used in operating activities for the six months ended June 30, 2022 amounted to \$1,053,564 (cash used in operating activities of \$15,659 for the six months ended June 30, 2021).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to June 30, 2023. 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 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 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 10, 2022, these condensed interim consolidated financial statements were approved by the Board of Directors

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

### 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 preparation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), 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, 2021 which were prepared in accordance with IFRS as issued by the IASB.

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, 2021.

### 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements for the six months ended June 30, 2022 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.

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, 2021.

### 4. ACCOUNTS RECEIVABLE

Technical services receivable are generated from customers to evaluate processing alternatives using the Corporation's processing facility.

	<b>As at June 30, 2022</b>	<b>As at December 31, 2021</b>
	\$	\$
Technical services	632,861	478,768
	<b>632,861</b>	<b>478,768</b>

## Dundee Sustainable Technologies Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

#### 5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Right of use asset	Total
<b>Gross carrying amount</b>	\$	\$	\$
Balance – January 1, 2022	47,000	1,296,521	1,343,521
Balance – June 30, 2022	47,000	1,296,521	1,343,521
<b>Accumulated depreciation</b>			
Balance – January 1, 2022	47,000	456,681	503,681
Depreciation	-	74,629	74,629
Balance – June 30, 2022	47,000	531,310	578,310
<b>Net carrying amount – June 30, 2022</b>	-	<b>765,211</b>	<b>765,211</b>
<b>Net carrying amount – December 31, 2021</b>	-	<b>839,840</b>	<b>839,840</b>

#### Leases

The Corporation recognized a 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 September 2023 and July 2028, respectively. As is common for such leases, the Corporation pays to the landlord its share of common costs that are expensed as incurred.

Lease liability	Six months ended June 30	
	2022	2021
		\$
Balance – beginning of the year	999,805	1,108,605
Principal portion of lease payments	(60,116)	(52,083)
<b>Balance – end of the year</b>	<b>939,689</b>	<b>1,056,522</b>
Current lease liability	134,421	116,834
Non-current lease liability	805,268	939,688

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases for the six months ended June 30, 2022:

	Six months period ended June 30,	
	2022	2021
	\$	\$
Depreciation ROU asset	13,719	13,719
Depreciation ROU asset included in research and development	60,909	60,909
Interest expense included in finance cost	57,040	63,598

## Dundee Sustainable Technologies Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

#### 6. INTANGIBLE ASSETS

Intangible assets	Six months ended	
	2022	June 30, 2021
<b>Gross carrying amount</b>		
Balance – January 1 and December 31:	\$	\$
Intellectual properties	605,000	605,000
Patent application fees	129,474	129,474
Development cost	5,809,233	5,809,233
Less: SR&ED tax credit	(1,929,894)	(1,929,894)
	<b>4,613,813</b>	<b>4,613,813</b>
<b>Accumulated amortization</b>		
Balance – January 1	1,499,489	1,038,108
Amortization	115,346	230,691
Balance – June 30	1,730,180	1,268,799
<b>Net carrying amount – June 30</b>	<b>2,883,633</b>	<b>3,345,014</b>

#### 7. PROMISSORY NOTES AND LOANS FROM A RELATED PARTY

##### 7.1 Promissory notes

On September 16, 2020 and September 8, 2021, and January 6, 2022 the Corporation signed three promissory notes in the principal amounts of \$450,000, \$550,000 and \$450,000 respectively, payable to a wholly owned subsidiary of Dundee. The promissory notes have a maturity date of July 13, 2023 along with interest at a rate of 8% per annum. As at June 30, 2022, the principal amount of the promissory note totaled \$1,450,000 (2021 – \$1,000,000) and the finance cost accrued during the six months ended June 30, 2022 amounted to \$60,187 (\$17,852 for the six months ended June 30, 2021). The fair value of the promissory note was estimated at \$414,266, \$521,043 and \$430,443 respectively, using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar financing with a third party. The discounted amount was recognized as finance income in the consolidated statement of loss.

Promissory notes	Six months ended	
	2022	June 30, 2021
	\$	\$
Balance – beginning of period	1,015,640	427,591
Principal amount advanced	450,000	-
Finance cost accrued	60,186	17,852
Promissory note discounted at fair value	(19,557)	-
Amortization of promissory note discount	19,171	5,190
<b>Balance – end of period</b>	<b>1,525,440</b>	<b>450,633</b>

##### 7.2 Loans from a related party

The Corporation held 2 short-term loans, from a wholly owned subsidiary of Dundee, bearing interest at the rate of 12.68% per annum and 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

# Dundee Sustainable Technologies Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

On July 31, 2020, the Corporation entered into a debt settlement agreement with respect to its short-term debt to convert a total of \$5,940,384 of its debt into subordinate voting shares. As part of the debt settlement agreement, the remaining portion of the debt owed to Dundee by the Corporation, totaling an amount of \$8,484,534, was consolidated 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 fair value of the loan was estimated at \$7,781,253 using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar financing with a third party. The discounted amount of \$703,281 was recognized as finance income in the consolidated statement of loss during that year.

As at June 30, 2022, the principal amount of the loan totaled \$8,484,534 (2021 – 8,484,534) and the finance cost accrued during the six months ended June 30, 2022 amounted to \$380,337 (\$336,592 for the six months ended June 30, 2021).

Short-term loans	Six months ended	
	2022	June 30, 2021
	\$	\$
Balance – beginning of period	9,076,175	8,142,799
Finance cost accrued	380,336	336,592
Amortization of promissory note discount	121,521	98,875
<b>Balance – end of period</b>	<b>9,578,032</b>	<b>8,578,266</b>

## 8 CONVERTIBLE DEBENTURE AND LOANS

### 8.1 Convertible debenture

In 2015, the Corporation signed a secured convertible debenture with IQ (the “IQ Loan”) for a total amount of \$4,000,000. The IQ Loan had a term of five years from its inception date, bearing interest at a rate of 8% per annum, payable quarterly, and with a conversion right 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. 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.

On July 31, 2020, the Corporation entered into a debt settlement agreement with IQ, with respect to the settlement of a portion of the debt by the issuance of subordinated voting shares in the capital of the Corporation to IQ. At the date of the conversion, the principal amount of the debenture totaled \$4,000,000 and the finance cost accrued amounted to \$1,418,368. According to the terms of the debt settlement agreement, 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 share based on the 20-day volume-weighted average price of the shares. The Guarantee from Dundee in favor of IQ has been reduced to \$1,250,000.

The remaining debt totalling an amount of \$4,000,000 has been amended providing an extension of the maturity date to July 13, 2023.

The fair value of the amended debt was estimated at \$3,673,442 using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing. The discounted amount of \$326,558 was recognized as finance income in the consolidated statement of loss. During the six months ended June 30, 2022, the Corporation accrued \$177,239 in interest (\$165,653 during the six months ended June 30, 2021).

## Dundee Sustainable Technologies Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Six months ended	
	June 30,	
	2022	2021
	\$ \$	
Carrying amount of the liability – beginning of period	4,183,847	3,784,602
Finance costs accrued	177,238	165,653
Amortization of convertible debenture discount	68,701	58,809
<b>Carrying amount of the liability – end of period</b>	<b>4,429,786</b>	<b>4,009,064</b>

#### 8.2 Long-term IQ Innovation loan

On July 15, 2020, the Corporation received a loan offer from IQ for a total amount of \$1,107,500. The loan has been granted under IQ's Support for Innovation Program and will be used by the Corporation to apply against business development expenses (the "IQ Innovation Loan"). IQ advanced \$428,100 on December 14, 2020, \$296,806 on August 9, 2021, and \$359,956 on June 6, 2022. The fair value of the advances were estimated at \$316,662, \$229,144 and \$292,243 respectively, using an effective rate of 11% corresponding to a rate that the Corporation would have obtained for a similar non-subsidized financing.

The IQ Innovation Loan will mature six years since the initial disbursement and will bear interest at a rate of 3.04% per annum. The Corporation benefits from a 24-month moratorium period on the repayment of capital since the first disbursement, after which, the capital will be reimbursed in 48 monthly installments. The IQ Innovation Loan is secured by a second-degree hypothec over all of the Corporation's property other than the intellectual property. The finance cost paid during the six months ended June 30, 2022, amounted to \$11,678 (\$6,454 for the six months ended June 30, 2021).

	Six months ended	
	June 30,	
	2022	2021
	\$ \$	
Carrying amount of the liability – beginning of period	576,806	317,718
Principal amount advanced	359,956	-
Loan discounted at fair value	(67,713)	-
Amortization of convertible debenture discount	25,797	11,174
<b>Carrying amount of the liability – end of period</b>	<b>894,847</b>	<b>328,892</b>

#### 8.3 Long-term 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 three years after the end of the Project on 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.

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 the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

	Six months ended	
	June 30,	
	2022	2021
	\$	\$
Balance – beginning of period	241,333	268,085
Payments	(28,356)	(28,356)
Amortization of long-term debt discount	13,766	15,369
<b>Balance – end of period</b>	<b>226,743</b>	<b>255,098</b>
<b>Current portion</b>	56,714	56,714
<b>Non-current portion</b>	170,029	198,384
<b>Total</b>	<b>226,743</b>	<b>255,098</b>

## 9. SHARE CAPITAL

### 9.1 Authorized

On June 30, 2022 and December 31, 2021, 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.

### 9.2 Issued and outstanding

#### Six months ended June 30, 2022

On March 1, 2022, the Corporation issued 3,527,777 units at \$0.18 per unit for total consideration of \$635,000 pursuant to a non-brokered private placement. A unit consists of one common share and one common share purchase warrant, with each warrant entitling its holder to purchase a common share at \$0.31 until February 28, 2027. The fair value of the 3,527,777 warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.64%, average expected volatility of 111.1%, expected dividend per share nil and expected life of warrants of five years. The fair value of the warrants issued estimated at \$261,055 was deducted from share capital and recorded as an increase in contributed surplus.

## Dundee Sustainable Technologies Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2022 and 2021

(Expressed in Canadian dollars)

#### 10 WARRANTS

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

	2022		Six months ended June 30, 2021	
	Number of warrants	Carrying amount \$	Number of warrants	Carrying amount \$
Balance – beginning	714,285	200,000	714,285	200,000
Issued	3,527,777	261,055	-	-
<b>Balance – end</b>	<b>4,242,062</b>	<b>461,055</b>	<b>714,285</b>	<b>200,000</b>

As at June 30, 2022, outstanding options are as follows:

Number of warrants	Weighted average exercise price \$	Expiry date
714,285	1.20	November 23, 2022
3,527,777	0.31	February 28, 2027
<b>4,242,062</b>	<b>Outstanding</b>	

#### 11. STOCK OPTION PLAN

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

	2022		Six months ended June 30, 2021	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance – beginning of period	5,435,000	0.53	5,477,500	0.53
Forfeited	(747,500)	0.80	(42,500)	2.06
<b>Balance – end of period</b>	<b>4,687,500</b>	<b>0.47</b>	<b>5,435,000</b>	<b>0.52</b>

## Dundee Sustainable Technologies Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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As at June, 2022, outstanding options are as follows:

Number of options	Weighted average exercise price	Expiry date
	\$	
242,500	0.64	March 31, 2022 <sup>(1)</sup>
347,083	0.44	October 29, 2022
46,250	4.00	November 27, 2022
202,500	2.00	April 18, 2023
25,000	2.00	June 18, 2023
2,600,000	0.35	September 29, 2025
<b>3,220,833 Exercisable</b>		
1,466,667	0.35	September 29, 2025
<b>4,687,500 Outstanding</b>		

<sup>(1)</sup>The options were not exercised before the expiry date.

The residual weighted average contractual term of outstanding options was 2.78 years as at June 30, 2022.

#### 12. RESEARCH AND DEVELOPMENT

	Six months ended June 30,	
	2022	2021
	\$	\$
Research and development	475,706	642,077
Tax credit and other government subsidies	(106,774)	(87,339)
	<b>368,932</b>	<b>554,738</b>

#### 13. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30,	
	2022	2021
	\$	\$
Finance cost paid	13,238	11,179
Finance cost on lease payments	57,040	63,598

#### 14. SUBSEQUENT EVENT

##### Promissory note

On August 3, 2022, the Corporation signed a promissory note in the principal amount of \$500,000 payable to a wholly owned subsidiary of Dundee. The promissory notes have a maturity date of July 13, 2023 along with interest at a rate of 8% per annum.