

Dundee Sustainable Technologies Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

As at and for the three and nine months ended September 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 September 30, 2022 \$	As at December 31, 2021 \$
Assets			
Current assets			
Cash and cash equivalents		807,795	457,716
Accounts receivable	4	735,590	478,768
R&D tax credit receivable		132,440	170,664
Other assets		93,387	110,230
Prepaid expenses		31,768	35,212
		1,800,980	1,252,590
Non-current assets			
Property, plant and equipment	5	727,897	839,840
Intangible assets	6	2,768,288	3,114,324
		3,496,185	3,954,164
Total assets		5,297,165	5,206,754
Liabilities and Deficiency			
Current liabilities			
Accounts payable and accrued liabilities		1,001,000	1,025,562
Sales tax payable		24,724	21,791
Contract liabilities		18,890	255,326
Current portion of lease liability	5	139,159	121,041
Current portion of long-term debts	8	56,714	56,714
Promissory note from a related party	7	2,062,690	-
Loan from a related party	7	9,843,604	-
Convertible debenture	8	4,459,125	-
		17,605,906	1,480,434
Non-current liabilities			
Lease liability	5	768,377	878,764
Long-term debts	8	1,076,263	761,425
Promissory note from a related party	7	-	1,015,640
Loan from a related party	7	-	9,076,175
Convertible debenture	8	-	4,183,847
Total liabilities		19,450,546	17,396,285
Deficiency			
Share capital	9	68,907,882	68,533,937
Contributed surplus	10	9,402,047	9,039,217
Deficit		(92,463,310)	(89,762,685)
Total deficiency		(14,153,381)	(12,189,531)
Total liabilities and deficiency		5,297,165	5,206,754
Going concern	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 nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars, except number of shares)

	Note	Three months ended September 30,		Six months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
Sale of services		987,307	1,174,537	3,051,304	3,239,896
Expenses					
Operating expenses related to services		642,406	936,235	2,311,043	2,564,949
Research and development, net of credits	12	385,014	61,065	753,946	615,803
Professional and consulting fees		64,179	8,531	230,670	184,281
Administrative		71,937	75,682	256,912	209,660
Wages and compensation		108,846	92,847	367,838	393,444
Shareholder communication		15,941	8,842	76,830	32,929
Share based payments		101,775	462,166	101,775	462,166
Depreciation of property, plant and equipment		6,859	6,860	20,579	20,579
Amortization of intangible assets		115,345	115,345	346,036	346,036
Total expenses		1,512,302	1,767,573	4,465,629	4,829,847
Operating (loss) income		(524,995)	(593,036)	(1,414,325)	(1,589,951)
Other income		67,712	447	76,068	11,483
Finance income		13,654	28,957	33,211	28,957
Finance cost	7,8	(504,29)	(411,244)	(1,441,288)	(1,195,536)
(Loss) gain on foreign currency exchange		28,978	9,611	45,709	(43,716)
Net loss and comprehensive loss		(918,942)	(965,265)	(2,700,625)	(2,788,763)
Basic and diluted net loss per share		(0.01)	(0.02)	(0.04)	(0.04)
Weighted average number of shares outstanding – basic and diluted		66,695,774	63,167,997	65,946,283	63,167,997

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Changes in Deficiency

For the nine months ended September 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	\$	\$	\$	\$
Balance – December 31, 2021	9	2,500,000	3,963,875	60,667,997	64,570,062	9,039,217	(89,762,685)	(12,189,531)
Issuance of shares	9	-	-	3,527,777	635,000	-	-	635,000
Fair value warrants issuance					(261,055)	261,055	-	-
Shar-based payments		-	-	-	-	101,775	-	101,775
Net and comprehensive loss for the period		-	-	-	-	-	(2,700,625)	(2,700,625)
Balance – September 30, 2022		2,500,000	3,963,875	64,197,774	64,944,007	9,402,047	(92,463,310)	(14,153,381)

		Multiple voting shares		Subordinate voting shares		Contributed surplus	Deficit	Total deficiency
	Note	Number	\$	Number	\$	\$	\$	\$
Balance – December 31, 2020	10	2,500,000	3,963,875	60,667,997	64,570,062	8,577,051	(86,374,030)	(9,263,042)
Share-based payments	12	-	-	-	-	462,166	-	462,166
Net and comprehensive loss for the period		-	-	-	-	-	(2,788,763)	(2,788,763)
Balance – September 30, 2021		2,500,000	3,963,875	60,667,997	64,570,062	9,039,217	(89,162,793)	(11,589,639)

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Cash Flows

For the nine months period ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Note	2022 \$	2021 \$
Operating activities			
Net loss for the period		(2,700,625)	(2,788,763)
Adjusted for:			
Depreciation of property, plant and equipment	5	20,579	20,579
Depreciation of property, plant and equipment included in research and development	5	91,364	91,364
Amortization of intangible assets	6	346,036	346,036
Debt discounts	7	(100,924)	(96,619)
Amortization of debt discounts	7,8	387,581	295,098
Finance cost accrued	7,8	950,516	791,553
		(903,698)	(878,586)
Changes in non-cash operating working capital items:			
Accounts receivable		(256,822)	(147,005)
R&D tax credit receivable		38,224	(51,339)
Sales tax receivable/payable		2,933	(39,478)
Other assets		16,843	(8,276)
Prepaid expenses		3,444	(25,348)
Accounts payable and accrued liabilities		(24,562)	283,015
Contract liabilities		(236,436)	228,635
		(456,376)	250,204
Net cash (used) generated in operating activities		(1,360,074)	(628,382)
Financing activities			
Principal elements of lease payments	5	(92,269)	(80,028)
Long-term loan		359,956	296,806
Long-term debts payment	8	(42,534)	(42,534)
Transaction cost on debt conversion		-	(13,000)
Issuance of shares		635,000	-
Promissory note from a related party		950,000	550,000
Convertible debenture payment		(100,000)	(50,000)
Net cash provided by (used in) financing activities		1,710,153	661,244
Net change in cash and cash equivalents during the period		350,079	32,862
Cash and cash equivalents – beginning of period		457,716	926,734
Cash and cash equivalents – end of period		807,795	959,596

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 nine months ended September 30, 2022 and 2021

(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, 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 September 30, 2022, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the nine months ended September 30, 2022, the Corporation incurred a loss of \$2,700,625 (\$2,788,763 for the nine months ended September 30, 2021) and has a negative working capital of \$15,804,926 (2021 – a negative working capital of \$227,844). Deficit as at September 30, 2022 amounted to \$92,463,310 (2021 – \$89,762,685) and cash flows used in operating activities for the nine months ended September 30, 2022 amounted to \$1,360,074 (cash used in operating activities of \$628,382 for the nine months ended September 30, 2021).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to September 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.

Dundee Sustainable Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

On November 10, 2022, these condensed interim 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 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 nine months ended September 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.

	As at September 30, 2022	As at December 31, 2021
	\$	\$
Technical services	735,590	478,768
	735,590	478,768

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Notes to the Condensed Interim Consolidated Financial Statements

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5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Right of use asset	Total
Gross carrying amount	\$	\$	\$
Balance – January 1, 2022	47,000	1,296,521	1,343,521
Balance – September 30, 2022	47,000	1,296,521	1,343,521
Accumulated depreciation			
Balance – January 1, 2022	47,000	456,681	503,681
Depreciation	-	111,943	111,943
Balance – September 30, 2022	47,000	568,624	615,624
Net carrying amount – September 30, 2022	-	727,897	727,897
Net carrying amount – December 31, 2021	-	839,840	839,840

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	Nine months ended September 30	
	2022	2021
		\$
Balance – beginning of the year	999,805	1,108,605
Principal portion of lease payments	(60,116)	(80,028)
Balance – end of the year	939,689	1,028,577
Current lease liability	134,421	121,041
Non-current lease liability	805,268	907,536

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

	Nine months period ended September 30,	
	2022	2021
	\$	\$
Depreciation ROU asset	20,579	20,579
Depreciation ROU asset included in research and development	91,364	91,364
Interest expense included in finance cost	84,214	94,231

Dundee Sustainable Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

Intangible assets	Nine months ended	
	September 30	
Gross carrying amount	2022	2021
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)
	4,613,813	4,613,813
Accumulated amortization		
Balance – January 1	1,499,489	1,038,108
Amortization	346,036	346,036
Balance – September 30	1,845,525	1,384,144
Net carrying amount – September 30	2,768,288	3,229,669

7. PROMISSORY NOTES AND LOANS FROM A RELATED PARTY

7.1 Promissory notes

On September 16, 2020, September 8, 2021, January 6 and August 3, 2022, the Corporation signed four promissory notes in the principal amounts of \$450,000, \$550,000, \$450,000 and \$500,000 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 September 30, 2022, the principal amount of the promissory note totaled \$1,950,000 (2021 – \$1,000,000) and the finance cost accrued during the nine months ended September 30, 2022 amounted to \$98,360 (\$29,699 for the nine months ended September 30, 2021). In the case of the last promissory note signed on August 3, 2022, the Corporation granted, the note was secured by a hypothec over all of the Corporation's intellectual property. The fair value of the promissory note was estimated at \$414,266, \$521,043, \$430,443 and \$486,347 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	Nine months ended	
	September 30,	
	2022	2021
	\$	\$
Balance – beginning of period	1,015,640	427,591
Principal amount advanced	950,000	550,000
Finance cost accrued	98,360	29,699
Promissory note discounted at fair value	(33,210)	(28,957)
Amortization of promissory note discount	31,900	8,845
Balance – end of period	2,062,690	987,178

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

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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 September 30, 2022, the principal amount of the loan totaled \$8,484,534 (2021 – 8,484,534) and the finance cost accrued during the nine months ended September 30, 2022 amounted to \$579,428 (\$507,677 for the nine months ended September 30, 2021).

Short-term loans	Nine months ended	
	September 30,	
	2022	2021
	\$	\$
Balance – beginning of period	9,076,175	8,142,799
Finance cost accrued	579,4278	507,677
Amortization of promissory note discount	188,001	153,207
Balance – end of period	9,843,604	8,803,683

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 nine months ended September 30, 2022, the Corporation accrued \$270,016 in interest (\$252,366 during the nine months ended September 30, 2021).

Dundee Sustainable Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Nine months ended September 30,	
	2022	2021
	\$	\$
Carrying amount of the liability – beginning of period	4,183,847	3,784,602
Finance costs accrued	270,016	252,366
Payment	(100,000)	(50,000)
Cash issuance cost	-	(13,000)
Amortization of convertible debenture discount	105,262	90,370
Carrying amount of the liability – end of period	4,459,125	4,064,338

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 nine months ended September 30, 2022, amounted to \$17,280 (\$11,044 for the nine months ended September 30, 2021).

	Nine months ended September 30,	
	2022	2021
	\$	\$
Carrying amount of the liability – beginning of period	576,806	317,718
Finance cost accrued	2,711	1,812
Principal amount advanced	359,956	296,806
Loan discounted at fair value	(67,713)	(67,662)
Amortization of convertible debenture discount	42,094	19,912
Carrying amount of the liability – end of period	913,854	568,586

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.

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For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

	Nine months ended September 30,	
	2022	2021
	\$	\$
Balance – beginning of period	241,333	268,085
Payments	(42,534)	(42,534)
Amortization of long-term debt discount	20,324	22,764
Balance – end of period	219,123	248,315
Current portion	56,714	56,714
Non-current portion	162,409	191,601
Total	219,123	248,315

9. SHARE CAPITAL

9.1 Authorized

On September 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

Nine months ended September 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.

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10 WARRANTS

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

	2022		Nine months ended September 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	-	-
Balance – end	4,242,062	461,055	714,285	200,000

As at September 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
4,242,062	Outstanding	

11. STOCK OPTION PLAN

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

	2022		Nine months ended September 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
Balance – end of period	4,687,500	0.47	5,435,000	0.52

Dundee Sustainable Technologies Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2022 and 2021

(Expressed in Canadian dollars)

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

Number of options	Weighted average exercise price	Expiry date
	\$	
347,083	0.44	October 29, 2022 ⁽¹⁾
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
3,220,833 Exercisable		
1,466,667	0.35	September 29, 2025
4,687,500 Outstanding		

⁽¹⁾The options were not exercised before the expiry date.

The residual weighted average contractual term of outstanding options was 2.47 years as at September 30, 2022.

12. RESEARCH AND DEVELOPMENT

	Nine months ended September 30,	
	2022	2021
	\$	\$
Research and development	805,893	784,708
Tax credit and other government subsidies	(51,947)	(168,905)
	753,946	615,803

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended September 30,	
	2022	2021
	\$	\$
Finance cost paid	18,978	14,635
Finance cost on lease payments	84,214	94,231