

Dundee Sustainable Technologies Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)

As at and for the three months ended March 31, 2023.
(Expressed in Canadian dollars)

Dundee Sustainable Technologies Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Note	As at March 31, 2023	As at December 31, 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,856,920	511,691
Accounts receivable	4	585,973	612,212
R&D tax credit receivable		111,000	111,000
Sales tax receivable		54,748	-
Other assets		107,213	98,271
Prepaid expenses		23,563	24,796
		<u>2,739,417</u>	<u>1,357,970</u>
Non-current assets			
Property, plant and equipment	5	653,268	690,582
Intangible assets	6	2,537,597	2,652,942
		<u>3,190,865</u>	<u>3,343,524</u>
Total assets		5,930,282	4,701,494
Liabilities and Deficiency			
Current liabilities			
Accounts payable and accrued liabilities		1,245,026	1,010,206
Sales tax payable		-	58,530
Contract liabilities		30,578	19,381
Current portion of lease liability	5	131,309	135,291
Current portion of long-term debts	8	327,921	327,921
Promissory note from a related party	7	4,178,254	2,119,877
Loan from a related party	7	10,390,942	10,116,538
Convertible debenture	8	4,719,324	4,588,245
		<u>21,023,354</u>	<u>18,375,989</u>
Non-current liabilities			
Lease liability	5	709,045	739,143
Long-term debts	8	751,337	814,045
Total liabilities		<u>22,483,736</u>	<u>19,929,177</u>
Deficiency			
Share capital	9	68,907,882	68,907,882
Contributed surplus	10	9,402,047	9,402,047
Deficit		(94,863,383)	(93,537,612)
Total deficiency		<u>(16,553,454)</u>	<u>(15,227,683)</u>
Total liabilities and deficiency		5,930,282	4,701,494
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 months ended March 31, 2023 and 2022

(Expressed in Canadian dollars, except number of shares)

	Note	2023	2022
		\$	\$
Sale of services		745,599	1,076,691
Expenses			
Operating expenses related to services		623,305	775,774
Research and development, net of credits	12	249,910	257,413
Professional and consulting fees		302,775	47,579
Administrative		73,942	82,287
Wages and compensation		126,997	111,258
Shareholder communication		34,975	23,405
Depreciation of property, plant and equipment		6,860	6,860
Amortization of intangible assets		115,345	115,345
Total expenses		1,543,109	1,419,921
Operating loss		(797,510)	(343,230)
Other income		-	2,708
Finance income	7,8	57,667	19,557
Finance cost	7,8	(580,083)	(457,393)
Gain (loss) on foreign currency exchange		(5,845)	4,186
Net loss and comprehensive loss		(1,325,771)	(774,172)
Basic and diluted net loss per share		(0.02)	(0.01)
Weighted average number of shares outstanding – basic and diluted		66,695,774	64,422,318

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Changes in Deficiency

For the three months ended March 31, 2023 and 2022

(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, 2022	9	2,500,000	3,963,875	64,195,774	64,944,007	9,402,047	(93,537,612)	(15,227,683)
Net loss and comprehensive loss for the period		-	-	-	-	-	(1,325,771)	(1,325,771)
Balance – March 31, 2023		2,500,000	3,963,875	64,195,774	64,944,007	9,402,047	(94,863,383)	(16,553,454)

		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	-	-
Net and comprehensive loss for the period		-	-	-	-	-	(774,172)	(774,172)
Balance – March 31, 2022		2,500,000	3,963,875	64,197,774	64,944,007	9,300,272	(90,536,857)	(12,328,703)

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

Dundee Sustainable Technologies Inc.

Consolidated Statements of Cash Flows

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

	Note	2023 \$	2022 \$
Operating activities			
Net loss for the period		(1,325,771)	(774,172)
Adjusted for:			
Depreciation of property, plant and equipment	5	6,860	6,860
Depreciation of property, plant and equipment included in research and development	5	30,454	30,454
Amortization of intangible assets	6	115,345	115,345
Debt discounts	7,8	(57,667)	(19,557)
Amortization of debt discounts	7,9	172,794	119,039
Finance cost accrued	7,8	369,419	303,962
		(688,566)	(218,068)
Changes in non-cash operating working capital items:			
Accounts receivable		26,239	(148,789)
R&D tax credit receivable			-
Sales tax payable		(113,278)	(4,292)
Other assets		(8,942)	(14,680)
Prepaid expenses		1,233	(26,570)
Accounts payable and accrued liabilities		234,820	34,046
Contract liabilities		11,197	(222,252)
		151,269	(383,537)
Net cash used in operating activities		(537,297)	(601,605)
Financing activities			
Issuance of units		-	635,000
Principal elements of lease payments	5	(34,080)	(29,620)
Long-term debts payment	8	(83,394)	(14,178)
Promissory note from a related party	7	2,000,000	450,000
Net cash provided by financing activities		1,882,526	1,041,202
Net change in cash and cash equivalents during the period		1,345,229	439,597
Cash and cash equivalents – beginning of the period		511,691	457,716
Cash and cash equivalents – end of the period		1,856,920	897,313

Supplemental information

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

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(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.

While these technologies are currently being commercialized, they are subject to all the risks inherent in their ongoing adaptation to potential customers’ specifications 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. At March 31, 2023, Dundee Corporation (“Dundee”) was the principal and majority shareholder of the Corporation.

For the three months ended March 31, 2023, the Corporation incurred a loss of \$1,325,771 (2022 – \$726,245) and has a negative working capital of \$18,283,937 (2022 – \$17,018,019). Deficit as at March 31, 2023 amounted to \$94,863,383 (2022 – \$93,537,612) and cash flows used in operating activities for the three months ended March 31, 2023 amounted to \$537,297 (2022 – \$601,605).

Management estimates that the Corporation will not have sufficient funds to meet its obligations and budgeted expenditures through to March 31, 2024. The Corporation will therefore have to raise additional funds to continue operations and pay or renegotiate its debts. 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 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 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 May 8, 2024, 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.

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

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, 2022 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, 2022.

3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim consolidated financial statements for the three months ended March 31, 2023 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, 2022.

4. ACCOUNTS RECEIVABLE

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

	As at December 31, 2022	As at December 31, 2022
	\$	\$
Technical services	585,973	612,212
	585,973	612,212

As at March 31, 2023, accounts receivable from related parties amounted to \$Nil (2022 – \$35,911).

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Vehicles and equipment	Right of use asset	Total
Gross carrying amount	\$	\$	\$
Balance – January 1, 2023	47,000	1,296,521	1,343,521
Balance – March 31, 2023	47,000	1,296,521	1,343,521
Accumulated depreciation			
Balance – January 1, 2023	47,000	605,939	652,939
Depreciation	-	37,314	37,314
Balance – March 31, 2023	47,000	643,253	690,253
Net carrying amount – March 31, 2023	-	653,268	653,268
Net carrying amount – December 31, 2022	-	690,582	690,582

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	Three months ended March 31,	
	2023	2022
		\$
Balance – beginning of the period	874,434	999,805
Principal portion of lease payments	(34,080)	(29,620)
Balance – end of the period	840,354	970,185
Current lease liability	131,309	129,831
Non-current lease liability	709,045	840,354

The consolidated statement of loss and comprehensive loss shows the following amounts relating to leases for the three months ended March 31, 2023:

	Three months ended March 31	
	2023	2022
	\$	\$
Depreciation ROU asset	6,860	6,860
Depreciation ROU asset included in research and development	30,454	30,454
Interest expense included in finance cost	25,247	28,957

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars)

6. INTANGIBLE ASSETS

Intangible assets	Three months ended	
	March 31	
Gross carrying amount	2023	2022
Balance – January 1 and March 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	1,960,871	1,499,489
Amortization	115,345	115,346
Balance – March 31	2,076,216	1,614,835
Net carrying amount – March 31	2,537,597	2,998,978

7. PROMISSORY NOTES AND LOANS FROM A RELATED PARTY

7.1 Promissory notes

On September 16, 2020, September 8, 2021, January 6, August 3, 2022 and January 12, 2023, the Corporation signed five promissory notes in the principal amounts of \$450,000, \$550,000, \$450,000, \$500,000 and \$2,000,000 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 March 31, 2023, the principal amount of the promissory note totaled \$3,950,000 (2022 – \$1,950,000) and the finance cost accrued during the three months ended March 31, 2023 amounted to \$77,104 (\$29,437 for the three months ended March 31, 2022). In the case of the last two promissory note signed on August 3, 2022, and January 12, 2023, the note was secured by a hypothec over all of the Corporation's intellectual property. The fair value of the promissory notes was estimated at \$414,266, \$521,043, \$430,443, \$486,347 and \$1,942,333 respectively, using an effective rate of 11% for the first 4 notes and 14% for the last notes signed in 2023, 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 and comprehensive loss.

Promissory notes	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Balance – beginning of period	2,119,877	1,015,640
Principal amount advanced	2,000,000	450,000
Finance cost accrued	77,104	29,437
Promissory note discounted at fair value	(57,667)	(19,557)
Amortization of promissory note discount	38,940	9,204
Balance – end of period	4,178,254	1,484,724

7.2 Loan 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 Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(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 and comprehensive loss during that year.

As at March 31, 2023, the principal amount of the loan totaled \$8,484,534 (2022 – 8,484,534) and the finance cost accrued during the three months ended March 31, 2023 amounted to \$202,697 (\$187,261 for the three months ended March 31, 2022).

Short-term loans	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Balance – beginning of period	10,116,538	9,076,175
Finance cost accrued	202,697	187,261
Amortization of promissory note discount	71,707	58,924
Balance – end of period	10,390,942	9,322,360

8 CONVERTIBLE DEBENTURE AND LOANS

8.1 Convertible debenture

On July 31, 2020, the Corporation entered into a secured convertible loan agreement in the amount of \$4,000,000 (the “IQ Loan”) with Investissement Québec (“IQ”). The IQ Loan has a maturity date of July 13, 2023, bears interest at a rate of 8% per annum and can be converted 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 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 \$1,250,000. The fair value of the debt was estimated as \$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 and comprehensive loss. Pursuant to the agreement, the Corporation made a partial payment to the capital in the amount of \$50,000 in 2021 and \$100,000 in 2022. During the three months ended March 31, 2023, the Corporation capitalized interest expense of \$92,419 (\$87,264 for the three months ended March 31 2022).

	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Carrying amount of the liability – beginning of period	4,588,245	4,183,847
Finance costs accrued	92,419	87,264
Amortization of convertible debenture discount	38,660	33,493
Carrying amount of the liability – end of period	4,719,324	4,304,304

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

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 after 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 three months ended March 31, 2023, amounted to \$7,959 (\$5,434 for the three months ended March 31, 2022).

	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Carrying amount of the liability – beginning of period	930,688	576,806
Finance cost accrued	(2,801)	-
Principal amount paid	(69,216)	-
Amortization of discount	17,385	10,458
Carrying amount of the liability – end of period	876,056	930,688

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, Quebec. 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 Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

(Expressed in Canadian dollars)

	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Balance – beginning of period	211,278	241,333
Payments	(14,178)	(14,178)
Amortization of long-term debt discount	6,102	6,989
Balance – end of period	203,202	234,144
Current portion	56,714	56,714
Non-current portion	146,488	177,430
Total	203,202	234,144

9. SHARE CAPITAL

9.1 Authorized

On March 31, 2023 and December 31, 2022, 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.

10 WARRANTS

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

	Three months ended			
	March 31,			
	2023		2022	
	Number of warrants	Carrying amount	Number of warrants	Carrying amount
		\$		\$
Balance – beginning of period	3,527,777	261,055	714,285	200,000
Issued	-	-	3,527,777	261,055
Balance – end of period	3,527,777	261,055	4,242,062	461,055

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As at March 31, 2023, outstanding warrants are as follows:

Number of warrants	Weighted average exercise price	Expiry date
	\$	
3,527,777	0.31	February 28, 2027
3,527,777	Outstanding	

11. STOCK OPTION PLAN

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

	Three months ended March 31,			
	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Balance – beginning of period	3,952,500	0.43	5,435,000	0.52
Expired	(330,000)	0.50	-	-
Forfeited	-	-	(405,000)	1.00
Balance – end of period	3,622,500	0.43	5,030,000	0.48

As at March 31, 2023, outstanding options are as follows:

Number of options	Weighted average exercise price	Expiry date
	\$	
172,500	2.00	April 18, 2023 ⁽¹⁾
3,450,000	0.35	September 29, 2025
3,622,500	Outstanding	

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

The residual weighted average contractual term of outstanding options was 2.38 years as at March 31, 2023.

12. RESEARCH AND DEVELOPMENT

	Three months ended March 31,	
	2023	2022
	\$	\$
Research and development	249,910	257,413
	249,910	257,413

Dundee Sustainable Technologies Inc.

Notes to Consolidated Financial Statements

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(Expressed in Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended	
	March 31,	
	2023	2022
	\$	\$
Finance cost paid	9,822	23,111
Finance cost on lease payments	25,247	124,038