



Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of dynaCERT Inc. ("dynaCERT" or the "Company") was prepared by management as at November 29, 2017 and was reviewed and approved by the Audit Committee. The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited interim consolidated financial statements of dynaCERT Inc. and notes thereto for the three and nine months ended September 30, 2017. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for view on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking statements. When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", and "believe", used by any of the Company's management, are intended to identify forward-looking statements. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's views with respect to future events and are subject to certain risks, uncertainties, and assumptions. Many factors could cause the Company's performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events, or developments.

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NATURE OF BUSINESS

dynaCERT Inc. is domiciled in Canada with its registered head office at 501 Alliance Avenue, Suite 101, Toronto Ontario, M6N 2J1. The Company is listed on the TSX Venture Exchange (DYA), the Frankfurt DAX (DMJ) and the OTCQB (DYFSF).

The Company is engaged in the design, engineering, manufacturing, testing, and distribution of a transportable hydrogen generator aftermarket product, originally targeted for use in the heavy Class 6-8 tractor trailer industry and now expanding this development into the smaller Class 2-5 trucks, refrigerated trailers and containers, stationary power generation and off-road construction machinery, with potential for application in the ocean shipping and trans-continental rail industries. The system is a patent pending retrofit product that provides performance enhancements by injecting hydrogen and oxygen into the air intake manifold resulting in greater fuel efficiency and reduced fuel emissions. In 2014 the company acquired the intellectual property (including all patents and patents pending) of the HydraGEN™ Technology.

Foreseeing scaling up production for assembly of the HydraGEN™, in September 2016 the Company strategically secured production space of 7,032 square feet adjacent to its current facility. dynaCERT has now fully occupied this expansion facility. In May, 2017 the Company has signed an agreement to acquire an additional 5,118 square feet of manufacturing space to support anticipated future sales.

Over the past year, the Company has initiated ongoing programs within Canada to further test and validate the HydraGEN™ Technology. As required by the Ontario Government's requirement for a validation process to ensure qualification under any of the Provincial or Federal Government's funding programs, an extensive schedule of third party testing was undertaken to validate and determine proper flow rates of its flagship HydraGEN™ HG1 product for Class 6-8 trucks. These tests were completed at the University of Ontario Institute of Technology (UOIT), a facility deemed an "Automotive Centre of Excellence".

UOIT verified in the testing under simulated road and traffic conditions that trucks using the HG1 experienced up to 19.2% fuel consumption reductions. As well the HydraGEN™ Technology reduced greenhouse gas emissions by up to 40% for the tested Class 8 diesel truck engines. Particulate matter was reduced by up to 65%, which will significantly reduce any black smoke being emitted into the environment by trucks using the HydraGEN™ units. The testing at UOIT resulted in 550-plus pages of results, which have provided the design team with valuable data, enabling us to further program our new Smart ECU to maximize performance for all types of applications.

The independent testing with HG1 units now having the new DYA Smart ECU began in June 2017 and continues at the North American-accredited PIT Group in Montreal. As reported in the news release dated November 20, 2017, the PIT Group report finds that the HydraGEN™ Technology HG1 unit provided a 5.9% improvement in fuel consumption. Testing also proved that emissions were reduced significantly - CO by 48.1%, THC by 50.0%, and NOx by 46.1%, all of which exceeded our estimates.

The PIT testing was conducted under outdoor laboratory conditions whereby the test vehicle was driven up to the optimal operating condition of 105 kph (65mph) and, at that time, the cruise

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control was set and the test equipment activated. The driver then steered the vehicle around the test track at this constant speed and setting for 100 kilometers to complete the test. At that time, the test equipment and cruise control was turned off and vehicle returned to the start line. The testing was conducted with no change in elevations, no change in speed (up nor down), minimal wind conditions, and optimal weather conditions as would be experienced in perfect on-the-road conditions. This is the standard fuel consumption testing protocol for all vehicles regardless of make, model or options.

PIT wrote to dynaCERT in an email separate to the report: "...for any kind of automotive technology, 5.9 % fuel savings is a result to be envied".

During the last several months the dynaCERT team has worked closely with NeuronicsWorks and technical consultants to finalize the electronic interface, design and manufacturing of the "DYA Smart ECU". The corresponding patents have now been filed for worldwide coverage.

The "Smart ECU" has shown significant advantages and improvements over the older version of the ECU in several key areas: reading; collecting and storing of data pertaining to fuel efficacy and emissions reduction; communicating with the engine's onboard computer; learning and altering the flow of gases produced; providing General Packet Radio Service (GPRS) capability for remote access and allowing for future tracking and monitoring of Carbon Credits. This will provide users with accurate data for which to promote and use the carbon credits to a competitive financial advantage.

Sales

In the third quarter, revenue of \$28 thousand was recorded on deliveries of 4 units. As stated in the second quarter, expected deliveries were postponed due to technical issues with electronic components from one supplier. These issues were identified only during final assembly testing. A redesign of the electronic system began in early June and was completed in August. This redesign resulted in the Company recording an inventory write-off of \$361 thousand related to the defective electronic components. The Company has shifted component production to another supplier.

The Company has filed a Statement of Claim with the Ontario Superior Court of Justice to recover costs associated with the loss due to the defective components, the work related to the redesign, and the delays in income related to business interruption in the total amount of C\$47.7 million. Included in the amount claimed is \$46.8 million relating to the opportunity loss on potential sales of \$70.8 million to June 30, 2017.

International Activities

dynaCERT hosted executives from the All India Motor Transport Congress (AIMTC) in Toronto in November 2017 to learn about our HydraGEN™ Technology. Of particular interest to the group were the environmental improvements that the HydraGEN™ can offer. The AIMTC is an association that began in 1936. Currently the AIMTC members manage over 10 million trucks and 5 million buses in the India market. Discussions were held on several trade positions including direct sales from Canada and future manufacturing in India for the South Asian region which

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includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Pakistan, Nepal and Sri Lanka. The South Asian countries have a combined population of nearly 2 billion people.

In Europe, dynaCERT is in the process of Homologation Certification in Germany working with TÜV NORD GROUP, the largest German safety organization. For this purpose, the Company has created dynaCERT GMBH as a wholly-owned subsidiary in Germany. The homologation process is expected to be the key final regulatory requirement to permit sales in the European Market. TÜV NORD GROUP is a technical service provider with worldwide activities. Founded in 1869 and headquartered in Hanover, Germany, the Group employs more than 10,000 people in more than 70 countries of Europe, Asia, America and Africa. Efforts are underway to install more units into the power generation market within Germany, a market opportunity of approximately 250,000 HydraGEN™ units where multiple HG1 units would be deployed on large single generation sets.

BUSINESS DEVELOPMENTS

HG1

dynaCERT engaged a third party for further validation testing of the HydraGEN™ Technology. This testing was conducted at the accredited PIT Group in Montreal who use the official Transport Canada's test track to provide test results in a controlled manner. The joint protocol TMC/SAE J1321 Type II is the recommended practice providing a standardized test procedure for comparing the in-service fuel consumption and emissions of a test vehicle to another equal vehicle. The unchanged control vehicle is operated in tandem with the test vehicle which has an HG1 unit operating on it to provide reference fuel consumption and carbon emissions performance data.

The two-day Stage 1 procedure began in June 2017 to certify two identical vehicles for both fuel consumption and emissions levels with full data recorded. Once Stage 1 verification was completed dynaCERT engineers installed a HG1 unit with a SMART ECU onto one of the trucks, and the trucks were released back into commercial use to begin Stage 2 driving. Truck A (with the HG1 unit onboard) was scheduled to operate until it had reached the equivalent of a minimum of 30 working days at 8hrs/day to activate the hydrogen into the engine. Truck A was remotely monitored daily by the dynaCERT engineers for operational performance to ensure water levels were maintained and the unit itself was always available for use.

PIT Group test report for Stage 2 as announced in the press release dated September 21, 2017 states "The results are showing significant decreases in emission levels between baseline and final measurements, of almost half for carbon monoxide (CO), total hydrocarbons (THC), and for mono-nitrogen oxides (NOx)."

Testing verified that the HydraGEN™ HG1 unit reduced emissions of CO by 48.1%, THC by 50.0%, and NOx by 46.1%, all of which exceeded our estimates. This points to dynaCERT's HydraGEN™ Technology providing a clear path to benefit our clients within the International Carbon Economy (carbon credits).

While the truck was operated for 36 days, this operation was not continuous as had been planned in order to decarbonize the engine with the HG1 unit. As a consequence, the test engine did not meet the necessary planned break-in requirements for achieving expected fuel efficiency, but such break-in is not required to realize emission reductions.

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In consultation with the PIT Group, it was mutually agreed that the testing for fuel consumption would continue for an additional 4-6 weeks on this exact test truck in order for the engine to reach the break-in threshold requirements. As reported in the news release dated November 20, 2017 the final Stage 3 testing by PIT Group showed an improvement in fuel consumption of 5.9%. This result is very encouraging as it is based on an outdoor laboratory environment on a flat terrain without undue influence from elevation changes, wind, climate and the normal stop-and-go traffic patterns. Real life performance improvements are expected to be higher.

Historically shown in real on-road conditions and confirmed through tests performed at the Automotive Centre of Excellence, specific amounts of hydrogen and oxygen introduced to the air intake of a diesel engine resulted in increased torque and power to the drive train, showing additional benefits when the truck is under stress, pulling loads uphill, and against strong wind and adverse weather conditions along with the lessened amount of gear changes required, even greater fuel economy can be realized.

dynaCERT has expanded the product offering for the HG1 line to two models - a HG1-25 for the 5-10L diesel engines and a HG1-45 which targets the 10-15L diesel engines.

HG2

The HydraGEN™ HG2 is designed for use on diesel engines of truck classes 2-5, refrigerated trailers and containers and also applications such as off-road construction equipment and stationary power generators up to 300hp. A production facility to produce the HG2 at 501 Alliance Avenue in Toronto is under construction.

The development of the announced HG2 unit is progressing through engineering and design to prototype build and test. A full-scale model has been manufactured complete with a newly developed HG reactor design, built-in water tank, relays, and the next generation SMART ECU identified as ECU2.

Bench scale testing has confirmed our engineering analysis that the HG2 unit, which is approximately 25% of the size of the HG1 unit, will produce, under normal operating conditions, H₂ gas flows suitable for diesel engines from 1-10 litres in displacement. As reference the HG1 unit operates normally in the 8 - 15 litre engine displacement size.

Manufacturing equipment, component parts and supplies have been ordered with pre-production expected to begin at the end of 2017. Commercial production will begin ramp up in Q1-2018 with capacity planned to be 10,000 units per month.

The initial planned models include the HG2-15 for the 1-3L diesel engines and the HG2-25 for the 3-5L diesel engines. Future models will be developed for larger engines using the smaller footprint HG2 design.

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QUARTER IN REVIEW

The following is a summary of the significant events and transactions that occurred during the three months ended September 30, 2017 and for the subsequent period to the report date:

Recent

- On November 20, 2017 the Company announced the closing of the first tranche in the amount of \$1,260,000 of a non-brokered private placement of convertible notes of up to \$3,500,000. The convertible notes are priced at \$0.84 and carry a coupon of \$0.07, payable annually on September 30, and mature on September 30, 2020. Each note is convertible at the option of the holder into a Unit, with each Unit consisting of one common share of the company and one half of a common share purchase warrant. Each whole warrant has an exercise price of \$1.00 and expires two years from the date of issuance of the notes. If the common shares of the Company trade over the price of \$2.00 per share on the TSX Venture Exchange for twenty consecutive trading days, the Company has the right to give notice to holders that the conversion feature will expire within 30 days of the notice. The convertible notes have a hold period of four months plus one day from the date of issuance and are subject to final approval by the TSX Venture Exchange.
- On November 20, 2017 the Company announced the results of its performance tests on refrigerated trailer ('Reefer') diesel engines. The test protocol measured hourly results at different temperature set points of the Reefer's refrigeration unit to benchmark the engine's fuel consumption and emission results under various climatic conditions. This was conducted over many months to verify results. The tests, conducted by dynaCERT, provided the following average results:
 - Fuel consumption decreased by 25% from 4.6 lb/hr to 3.5 lb/hr;
 - NOx emissions decreased by 30% from 150.5 g/hr to 105.8 g/hr;
 - Carbon monoxide (CO) emissions decreased by 51% from 156.9 g/hr to 77.5 g/hr; and
 - Carbon Dioxide (CO2) emissions decreased by 44% from 1,713.2 g/hr to 952.8 g/hr.
- On November 20, 2017 the Company announced the final report of the PIT Group testing for fuel consumption and emissions tests of the Hydragen Technology. Performance of the HG1 unit reduced fuel consumption by 5.9% when run at a constant speed of 105 km/hour for 100 kilometres on a flat track.
- On October 24, 2017 the Company announced an update on its initiatives in Europe, where dynaCERT is in the process of Homologation Certification in Germany working with TÜV NORD GROUP, the largest German safety organization. For this purpose, the Company has created dynaCERT GMBH as a wholly-owned subsidiary in Germany. The homologation process is expected to be the key final regulatory requirement to permit sales in the European Market. TÜV NORD GROUP is a technical service provider with worldwide activities. Founded in 1869 and headquartered in Hanover, Germany, the Group employs more than 10,000 people in more than 70 countries of Europe, Asia, America and Africa.
- On October 5, 2017 the Company announced that it had successfully filed a Provisional Patent Application in the United States for the following patent: "Systems and Methods for Tracking

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Greenhouse Gas Emissions Associated With an Entity". Our system incorporates dynaCERT's proprietary technology which has been developed after years of extensive trials and research. dynaCERT now has the state-of-the-art capability to accurately track, measure and report on greenhouse gas emissions associated with many proponents operating in a diverse set of trades such as Residential, Industrial, Commercial, Power Generation, Railway, Marine, Aviation, On/Off Road and Agricultural applications. The data collected will be used to determine the amount of greenhouse gas credits or offsets with a view to certify carbon credits in a scientific manner and moreover, do so quickly and in opportune time.

- On September 21, 2017 the Company announced that it received initial results from independent PIT Group testing on the HG1 unit. The results showed significant decrease in emission levels between baseline and final measurements of 48.1% for carbon monoxide (CO), 50.0% for total hydrocarbons (THC) and 46.1% for mono-nitrogen oxides (NOx).
- On August 3, 2017 the Company announced the closing of the non-brokered private placement and that it had raised gross proceeds of \$3,000,000 and had issued 4,285,712 units at \$0.70 per unit. All of the securities issued under the private placement are subject to a four month resale restriction.
- On August 3, 2017 the Company announced that Shmuel Farhi, owner Farhi Holdings Corporation and a successful real estate investor and developer, is joining the Company's Advisory Board.
- On July 28, 2017 the Company announced that Marc Bertrand, the former President and CEO of Mega Brands, Inc., is joining the Company's Advisory Board.
- On July 28, 2017 the Company announced that it had amended the terms and increased the amount of the private placement from \$1,000,000 to \$3,000,000. Each unit will be issued at \$0.70 and will be comprised of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable into one common share at a price of \$1.00 for a period of 24 months from the date of issue. The warrants include an acceleration clause to the effect that if at any time after four months and one day following the issuance of the warrants, the closing price of the common shares on the TSX Venture Exchange is greater than \$1.75 per common share for a period of 10 consecutive trading days, then the Company may give notice to the holder following which the holder of the warrants shall have a period of 30 days to exercise the warrants, failing which the warrants will automatically expire.
- On July 13, 2017 the Company announced that certain major shareholders and directors of the company have extended and increased the formal strategic Voluntary Lock-Up Agreement to over 75,000,000 shares. The Voluntary Lock-Up Agreement stipulates that these shareholders shall not assign, deal in, pledge, sell, trade or transfer in any manner whatsoever, or agree to do so in the future, any of the shares or any beneficial interest in them, on or before December 31, 2017.

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FINANCIAL INFORMATION

The following table presents a summary of select financial information for the current and comparable prior year quarters for the company. These have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS as issued by IASB, and are presented in Canadian dollars which is the presentation and functional currency of the Company.

	Three Months Ended September 30		Nine Months Ended September 30	
	2017 \$	2016 \$	2017 \$	2016 \$
Revenue	28,396	-	1,647,483	-
Cost of goods sold	14,797	-	841,557	-
Gross profit	13,599	-	805,926	-
Expenses	1,591,082	530,542	3,479,865	1,421,365
Net loss	1,577,483	530,542	2,087,413	1,421,365
Loss per common share - Basic and diluted	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01

Revenue and Cost of Sales

The Company commenced commercial production of the HG1 unit during the first quarter and recorded revenue of \$28,396 during the third quarter, for total sales of \$1,647,483 in the nine months ended September 30, 2017. This represents the delivery of 253 HG1 units. Included in cost of sales for the nine months are direct material costs of \$650,804. The balance of \$167,483 consists of production overhead and labor of approximately \$116,000, startup costs of approximately \$51,000 that included training for installation of units.

Operating Expenses

Operating expenses have increased due to the commencement of commercial production. The Company has taken on additional staff and additional production space, which accounts for much of the increase in operating expenses. Total operating expenses before stock-based compensation were \$1,150,342 for the three months ended September 30, 2017 (2016 – 388,599). As the company is now capitalizing research and development expenses, there were no expenses for research and development in the first nine months of 2017 (2016 - \$266,856).

Wages and benefits increased during the third quarter to \$765,342 (2016 - \$213,681) as additional staff and consultants were engaged to assist with product development, and business development and marketing.

Stock-based compensation expense for the third quarter was \$382,800 (2016 - \$141,943).

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SUMMARY OF QUARTERLY RESULTS

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Total assets	\$5,922,281	\$6,135,474	\$4,716,945	\$3,468,675
Working capital (deficit)	3,567,573	2,931,166	2,161,342	2,049,773
Shareholders' equity (deficiency)	5,267,223	4,325,796	3,241,917	2,317,142
Total revenue	28,396	238,737	1,380,350	-
Gross profit	13,599	103,596	688,731	-
Operating expenses, excluding share-based compensation	1,208,282	1,072,915	850,198	918,338
Share-based compensation	382,800	-	302,715	2,536,642
Net income (loss)	(1,577,483)	(992,105)	424,435	(3,454,980)
Basic income (loss) per share	(0.01)	(0.00)	(0.00)	(0.02)
Diluted income (loss) per share	(0.01)	(0.00)	(0.00)	(0.02)

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Total assets	\$909,183	\$1,247,075	\$1,800,600	\$1,216,249
Working capital (deficit)	250,412	642,360	1,094,228	116,870
Shareholders' equity (deficiency)	(6,496)	378,890	853,435	(156,026)
Total revenue	-	-	-	-
Operating expenses, excluding share-based compensation	388,599	456,546	425,327	318,522
Share-based compensation	141,943	4,475	4,475	225,815
Net loss	(530,542)	(461,021)	(429,802)	(544,337)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Quarterly results vary in accordance with the Company's research and development, financing and non-cash expenses such as share-based compensation. The Company's professional fees vary in each quarter depending on financing.

Research and development expenditures vary depending on amount of work being done on product development and testing. During the nine months ended September 30, 2016 the Company has capitalized expenditures in the amount of \$756,163 related to intangible assets.

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SELECTED ANNUAL INFORMATION

Comparative information for annual periods from December 31, 2016, 2015 and 2014 has been presented in accordance with IFRS.

	December 31, 2016	December 31, 2015	December 31, 2014
Revenues	\$ -	\$ -	\$ -
Operating expense	4,876,345	1,719,965	1,025,655
Net income (loss)	(4,876,345)	(1,710,825)	(1,626,522)
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)
Total assets	3,468,675	1,216,249	161,752

Results of Operations

The following discussion addresses the operating results and financial condition of the Company for the year ended December 31, 2016 compared with the year ended December 31, 2015. The MD&A should be read in conjunction with the Company's audited consolidated financial statements and the accompanying notes for the year ended December 31, 2016.

Results of operations for the year ended December 31, 2016 as compared to the year ended December 31, 2015

The Company reported a net loss from operations for the year ended December 31, 2016 of \$4,876,345 as compared to a loss for the year ended December 31, 2015 of \$1,710,825. The most significant items accounting for the increased loss are share based compensation, which was \$2,690,749 in 2016 (2015 - \$783,138), and increased expenditures on research and development, which totaled \$1,265,846 in 2016 (2015 - \$285,837).

Expenses related to business development and promotion also increased significantly in 2016 to \$442,609 (2015 - 93,688) as the Company progressed toward commercial production of the HydraGEN units. General and administrative expenses also increased from \$284,431 in 2015 to \$493,675 in 2016 as the company brought in additional management to assist with the ongoing development of the technology and the business development opportunities.

LIQUIDITY AND CAPITAL

As at September 30, 2017, cash on hand was \$33,358 as compared to \$2,875,638 at December 31, 2016. This decrease in cash was largely due to the commencement of production of the HG1 units, and the related use of funds for the production of units sold and inventory. The Company also has accounts receivable in the amount of \$1,152,620 at September 30, 2017 (December 31, 2016 - \$nil). There was also HST recoverable in the amount of \$94,086 at September 30, 2017 compared to \$59,235 at December 31, 2016.

Intangible assets, consisting of acquired technology, patents and trademarks, increased by \$1,341,865 during the nine months ended September 30, 2017. This increase consisted of the reversal of the impairment in the amount of \$585,702, with the balance of \$756,163 being costs incurred relating to the development of new products, primarily the HG2 unit.

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At September 30, 2017 the Company had accounts payable and accrued liabilities of \$655,058 as compared to \$751,590 at December 31, 2016.

Subsequent to September 30, 2017 the Company announced the closing of the first tranche in the amount of \$1,260,000 of a non-brokered private placement of convertible notes of up to \$3,500,000. The convertible notes are priced at \$0.84 and carry a coupon of \$0.07, payable annually on September 30, and mature on September 30, 2020. Each note is convertible at the option of the holder into a Unit, with each Unit consisting of one common share of the company and one half of a common share purchase warrant. Each whole warrant has an exercise price of \$1.00 and expires two years from the date of issuance of the notes. If the common shares of the Company trade over the price of \$2.00 per share on the TSXV for twenty consecutive trading days, the Company has the right to give notice to holders that the conversion feature will expire within 30 days of the notice. The convertible notes have a hold period of four months plus one day from the date of issuance and are subject to final approval by the TSX Venture Exchange.

The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities.

TRANSACTIONS WITH RELATED PARTIES

The Company paid or accrued the following costs incurred on transactions with the directors and officers and companies controlled by them:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Rent	\$ 41,630	\$ 12,909	\$ 106,124	\$ 38,727

Key management compensation

Key management includes directors and other key personnel, including the CEO, COO and CFO, who have authority and responsibility for planning, directing, and controlling the activities of the Company. The compensation paid to these key management personnel for the three and nine months ended September 30, 2017 and 2016 is outlined below:

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term benefits	\$ 215,600	\$ 65,100	\$ 566,785	\$ 179,200
Share-based compensation	-	-	141,930	-
	\$ 215,600	\$ 65,100	\$ 708,715	\$ 179,200

OFF BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off-balance sheet arrangements or transactions.

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PROPOSED TRANSACTIONS

The Company does not currently have any proposed asset or business acquisitions or dispositions.

COMMITMENTS

The Company has commitments for leasing of its office space at 501 Alliance Avenue, Toronto, Ontario at rent of \$4,303 per month. The lease expires on December 31, 2017. The Company also has commitments for leasing manufacturing space at the same location at rent of \$6,446 per month. This lease expires on September 30, 2018. In May, 2017 the Company signed an agreement for an additional 5,118 square feet of space at its production facility in Toronto for \$4,691 per month. The lease commenced on August 1, 2017 for an initial period of 14 months.

CAPITAL MANAGEMENT

The Company's shareholders' equity comprises its capital under management. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk level.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

There have been no changes to the Company's approach to capital management during the three months ended September 30, 2017. The Company is not subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS (MANAGEMENT OF FINANCIAL RISKS)

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and receivables.

The Company's credit risk is primarily attributable to cash and cash equivalents, and accounts receivable. Management believes that the credit risk concentration with respect to cash and cash equivalents is remote, as it maintains accounts with highly-rated financial institutions.

The Company is exposed to credit risk on its receivables. Credit risk related to accounts receivable is managed through dealing with reputable, financially strong dealers who we expect to have

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ongoing relationships with. The Company requires a 25% deposit when orders are placed, and full payment is due within 30 days of delivery.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At September 30, 2017 the Company had current liabilities of \$655,058 (December 31, 2016: \$1,151,535) and cash balances and accounts receivable of \$1,280,064 (December 31, 2016 - \$2,934,873) available to satisfy the liabilities.

For the nine months ended September 30, 2017, the Company incurred a net loss of \$2,087,413 (September 30, 2016: \$1,421,365) and negative cash flow of \$2,842,280 (September 30, 2016: \$441,251). The Company currently has working capital of \$3,567,573 (December 31, 2016: \$2,049,773). The lack of profitable operations and cash flow deficiency may cast significant doubt on the Company's ability to continue as a going concern.

The ability to continue as a going concern is dependent on completing equity or debt financings and generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue profitable operations.

The Company announced a \$3,500,000 financing subsequent to September 30, 2017 and has closed \$1,260,000 through the private placement to date, subject to final approval by the TSX Venture Exchange.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices. The Company is not exposed to any significant interest rate risk volatility.

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OUTSTANDING SHARE DATA as at November 29, 2017:

- a) Authorized:
 Unlimited number of shares, without par value
- b) Issued and outstanding:
 238,895,229 common shares
- c) Outstanding incentive stock options:
 As at September 30, 2017 and December 31, 2016 the following incentive stock options were outstanding:

Expiry Date	Number of Options		Exercise Price
	2017	2016	
August 16, 2017	-	1,025,000	0.19
March 4, 2018	1,300,000	1,450,000	0.12
July 15, 2019	1,525,500	3,051,000	0.10
September 19, 2019	1,000,000	-	0.58
February 26, 2020	2,725,000	3,075,000	0.15
December 11, 2020	5,380,500	6,040,000	0.10
July 13, 2021	1,200,000	1,200,000	0.10
September 1, 2021	250,000	500,000	0.12
November 30, 2021	-	500,000	0.40
December 16, 2021	3,625,000	3,925,000	0.80
March 13, 2022	450,000	-	0.71
March 24, 2022	300,000	-	0.94
	17,756,000	20,766,000	

Subsequent to September 30, 2017, the Company granted 1,218,000 options to employees and consultants with an exercise price of \$.065 and an expiry date of October 23, 2022.

d) Warrants:

During the quarter ended September 30, 2017, the Company closed a private placement and issued 4,285,712 units, consisting of 4,285,712 common shares and 2,142,855 warrants. Each warrant is exercisable into one common share of the Company at \$1.00 for a period of 24 months from issuance, expiring on August 4, 2019. In connection with the financing the Company also issued 16,350 broker warrants on the same terms.

The warrants include an acceleration clause to the effect that if at any time after four months and one day following the issuance of the warrants, the closing price of the common shares on the TSX Venture Exchange is greater than \$1.75 per common share for a period of ten consecutive trading days, then the Company may give notice to the holder of the warrants following which the holder thereof shall have a period of thirty days to exercise the warrants, failing which the warrants will automatically expire.

There are no other warrants outstanding as of November 29, 2017.

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RISKS AND UNCERTAINTIES

The reader is cautioned to keep these risk factors in mind and refrain from attributing undue certainty to any forward-looking statements which speak only as of the date of this report.

Demand for and supply of our products and services may be adversely affected by numerous factors, some of which we cannot predict or control. This could adversely affect our operating results.

Numerous factors may affect the demand for and supply of our products and services, including: customer and competitor consolidation, declines in general economic conditions; and changes in environmental regulations that would limit our ability to sell products and services in specific markets;

Increased raw material and energy costs could reduce our income.

The primary raw materials are steel, plastics and electronic parts and components. However, the price of these materials can fluctuate under market conditions affecting the pricing of raw materials.

Our sales and operating results are sensitive to global economic conditions and cyclicalities, and could be adversely affected during economic downturns.

Demand for our products is affected by general economic conditions and the business conditions of the industries in which we sell our products and services. Any future downturns in general economic conditions could adversely affect the demand for our products and services, and our sales and operating results.

We may expand operations into certain international markets in which we may have limited experience or rely on business partners.

We continually look to expand our products and services into certain international markets. As we expand into new international markets, we will have only limited experience in marketing and operating products and services in such markets and may also face regulatory issues in such markets. In other instances, we may rely on the efforts and abilities of foreign business partners in such markets. Certain international markets may be slower than domestic markets in adopting our products and services, and our operations in international markets may not develop at a rate that supports our level of investment.

Our inability to attract, retain and motivate key employees could harm current and future operations.

In order to be successful, we must attract, retain and motivate executives and other key employees, including those in managerial, professional, administrative, technical, sales, marketing and information technology support positions. We also must keep employees focused on our strategies and goals. Hiring and retaining qualified executives, engineers and qualified sales representatives are critical to our future, and competition for experienced employees in these areas can be intense. The failure to hire or the loss of key employees could have a significant impact on our operations.

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We may not be able to generate sufficient cash flows to fund our operations and make adequate capital investments.

Our cash flows from operations depend primarily on sales and sales margins. To develop new product and service technologies, support future growth, achieve operating efficiencies and maintain product quality, we must make capital investments in manufacturing technology, facilities and capital equipment, research and development, and product and service technology. In addition to cash used in operations, we have from time to time utilized external sources of financing. Depending upon general market conditions or other factors, we may not be able to generate sufficient cash flows to fund our operations and make adequate capital investments. In addition, a tightening of the credit markets may occur, which may limit our ability to obtain alternative sources of cash to fund our operations.

Our ability to maintain effective internal control over financial reporting may be insufficient to allow us to accurately report our financial results or prevent fraud, and this could cause our financial statements to become materially misleading and adversely affect the trading price of our common stock.

We require effective internal control over financial reporting in order to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we cannot provide reasonable assurance with respect to our financial statements and effectively prevent fraud, our financial statements could become materially misleading which could adversely affect the trading price of our common stock.

We may have difficulty managing faster than anticipated product demand.

As products are launched, sales may be more than we expect. During periods of quicker than anticipated expansion, we may have difficulty expanding the scope of our operations to match increased demand. In addition, we may be required to place more reliance on our strategic partners and suppliers, some of whom may not be capable of meeting our production demands in terms of timing, quantity, quality or cost. Difficulties in effectively managing the budgeting, forecasting and other process control issues presented by any rapid expansion could harm our business, prospects, results of operations or financial position.

New technologies could be introduced in the future that could render our products less economical or less competitive.

New developments in technology may negatively affect the development or sale of some or all of our products or make our products uncompetitive or obsolete. Other companies are currently engaged in the development of products and technologies that are similar to, or may be competitive with, certain of our products and technologies.

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Our Common Share price may fluctuate.

The stock market in general, and the market prices of securities of technology companies in particular, can be extremely volatile, and fluctuations in our Common Share price may be unrelated to our operating performance. Our Common Share price has been and could in the future be subject to significant fluctuations in response to many factors, including actual or anticipated variations in our results of operations, the addition or loss of customers, announcements of technological innovations, new products or services by us or our competitors, additions or departures of key employees, general market conditions, and other events or factors, many of which are beyond our control.