



Condensed Interim Consolidated Financial Statements

**For the Three and Nine Months Ended
September 30, 2017**

(Expressed in Canadian dollars)

Unaudited – Prepared by Management

The accompanying unaudited condensed interim consolidated financial statements of dynaCERT Inc. for the three and nine months ended September 30, 2017 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that these unaudited condensed interim consolidated financial statements have not been reviewed by its auditor.

dynaCERT Inc.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(Unaudited)

(Expressed in Canadian dollars)

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	2017	2016
Revenue	\$ 28,396	\$ -	1,647,483	\$ -
Cost of goods sold	14,797	-	817,947	-
Gross profit	13,599	-	829,536	-
Operating expenses				
Amortization	44,512	6,892	133,536	18,324
Business development and promotion	91,958	55,309	295,818	113,243
Foreign exchange loss (gain)	(47,301)	-	(77,695)	-
General and administration	131,093	15,720	297,060	91,387
Interest	2,436	10,216	28,054	26,321
Inventory write-off	30,054	-	366,981	-
Investor relations and regulatory	55,258	7,500	174,128	107,725
Legal and audit	29,065	240	161,887	21,403
Rent (note 6)	41,630	12,909	106,124	38,727
Research and development	-	66,132	-	266,856
Stock-based compensation	382,800	141,943	685,515	150,893
Testing and validation	9,630	-	57,005	-
Warranty and service costs	54,605	-	101,897	-
Wages and benefits (note 6)	765,342	213,681	1,173,165	586,936
	1,591,082	530,542	3,479,865	1,421,365
Net operating loss	1,577,483	530,542	2,650,329	1,421,365
Other items				
Loss on settlement of debt (note 4)	-	-	22,786	-
Reversal of impairment of intangible assets (note 3)	-	-	(585,702)	-
Net loss and comprehensive loss for the period	\$ 1,577,483	\$ 530,542	\$ 2,087,413	\$ 1,421,365
Basic and diluted loss per share	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding	236,963,662	178,978,822	233,252,164	178,415,838

The accompanying notes are an integral part of these financial statements

dynaCERT Inc.**Condensed Interim Condensed Statements of Changes in Shareholders' Equity**

(Unaudited)

(Expressed in Canadian dollars)

	Capital Stock		Warrants and Share- based Payments Reserve	Deficit	Total Equity (Deficit)
		\$	\$	\$	\$
Balance, December 31, 2015	194,469,871	25,505,538	2,185,814	(27,847,198)	(156,026)
Share-based compensation	-	-	154,107	-	154,107
Private placement of units	14,786,100	821,791	543,212	-	1,365,003
Units issued as finders' fees	213,900	36,363	12,422	-	48,785
Shares issued on exercise of options	30,000	5,676	(2,676)	-	3,000
Net loss and comprehensive loss for the period	-	-	-	(1,421,365)	(1,421,365)
Balance September 30, 2016	209,499,871	26,369,188	2,892,879	(29,268,563)	(6,496)
Balance, December 31, 2016	229,745,980	30,804,948	3,850,324	(32,338,130)	2,317,142
Shares issued on exercise of options	4,008,000	1,272,433	(645,846)	-	626,587
Transfer on expiry of options	-	-	(109,585)	109,585	-
Share-based payments	855,537	748,282	-	-	748,282
Share-based compensation	-	-	685,715	-	1,685,715
Private placement of units	4,285,712	2,571,429	428,571	-	3,000,000
Financing costs	-	(28,865)	5,775	-	(23,090)
Net loss and comprehensive loss for the period	-	-	-	(2,087,413)	(2,087,413)
Balance September 30, 2017	238,895,299	35,368,227	4,214,574	(34,315,578)	5,267,223

The accompanying notes are an integral part of these financial statements

dynaCERT Inc.
Condensed Interim Consolidated Statement of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	For the nine months ended September 30	
	2017	2016
Cash flows from operating activities:		
Net income (loss) for the period	\$(2,087,413)	\$ (1,421,365)
Accretion of interest on promissory note	14,998	24,645
Amortization of property and equipment	70,829	18,324
Amortization of intangibles	62,707	-
Inventory adjustments	366,981	-
Share-based compensation	685,515	154,107
Loss on settlement of debt	22,786	-
Reversal of impairment of intangible assets	(585,702)	-
Changes in non-cash working capital:		
Accounts receivable	(1,152,620)	-
HST recoverable	(34,851)	(106)
Inventory	(2,775,646)	(5,735)
Prepaid expenses	99,514	(87,707)
Accounts payable and accrued liabilities	(152,760)	(481,240)
Net cash provided by (used in) operating activities	(5,465,662)	(1,799,077)
Cash flows used in investing activities:		
Acquisition of property and equipment	(223,952)	(58,961)
Acquisition of intangible assets	(756,163)	-
Net cash used in investing activities	(980,115)	(58,961)
Cash flows from financing activities:		
Proceeds from issuance of private placement	3,000,000	1,413,788
Financing costs on private placement	(23,090)	-
Proceeds from exercise of options	626,587	3,000
Net cash provided by (used in) financing activities	3,603,497	1,416,788
Increase (decrease) in cash during the period	(2,842,280)	(441,251)
Cash, beginning of period	2,875,638	925,919
Cash, end of period	\$ 33,358	\$ 484,668

The accompanying notes are an integral part of these financial statements

DynaCERT Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

dynaCERT Inc. (“dynaCERT” or the “Company”) was incorporated under the laws of the Province of Ontario. The address of the Company’s head office is 501 Alliance Avenue – Suite 101, Toronto, Ontario. The Company’s shares are listed on the TSX-Venture Exchange under the trading symbol DYA and on the OTCQB under the trading symbol DYFSF. These consolidated financial statements include the results of dynaCERT and its wholly owned subsidiary, Dynamic Fuel Systems USA Inc. (“Dynamic”).

The Company is engaged in the design, engineering, testing, manufacturing and distribution of a patent pending transportable hydrogen generator aftermarket product. The system is a patent pending aftermarket retrofit product that provides performance enhancements by injecting hydrogen and oxygen into the air intake manifold, resulting in improved fuel efficiency and reduced carbon emissions.

During 2016 the Company completed programs to test and validate the technology, and the technical feasibility of the HydraGen™ (the “HG unit”) has been confirmed. The Company has invested in plant and equipment to enable the production of the HG unit on a commercial scale. The Company received a number of orders in late 2016 and began manufacturing, assembling and shipping the HG units in early 2017.

These unaudited interim consolidated financial statements have been prepared on a going concern basis in accordance with IFRS, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. 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 (see note 8).

These unaudited interim consolidated financial statements do not include any adjustments which could be significant to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to obtain equity or debt financings or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements as at and for the year ended December 31, 2016.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2017.

The policies applied in these condensed interim consolidated financial statements follow the same accounting policies and methods of application as our most recent annual financial statements.

DynaCERT Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Use of estimates and judgments (continued)

Accordingly, they should be read in conjunction with our audited financial statements for the year ended December 31, 2016.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Use of estimates and judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

Significant areas requiring the use of estimates and assumptions include the determination of the useful lives of property and equipment and intangible assets with finite lives, provisions, recoverability of deferred tax assets, valuation of share-based payments, and the determination of impairment of indefinite life intangible assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of select significant accounting policies used by the Company.

a) Inventory

Inventory is measured at the lower of cost and net realizable value, with cost being determined on a first-in first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable variable selling costs.

b) Revenue recognition

The Company recognizes revenue upon delivery of the product when the consideration can be reliably measured, and it is probable that the future economic benefits will flow to the entity. The Company sets up a corresponding warranty provision for sales during the year.

The Customer is responsible for the installation of the product, and the customer may contract with the Company to perform the installation. In such situations, the Company records installation revenue upon completion of the installation.

c) Intangible assets

Intangible assets with finite useful lives are measured at cost and are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization method are reviewed annually with the effect of any changes in estimate being accounted for on a prospective basis. All intangible assets with finite lives are reviewed for impairment where there are indicators that the carrying value may not be recoverable. In addition, intangible assets with indefinite useful lives are reviewed to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate. Impairment losses recognized in prior periods are assessed at each reporting period for any indication that the loss has decreased or no longer exists.

DynaCERT Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Intangible assets (continued)

Patents and patents pending held by the Company, which will be used in the manufacture of the HydraGEN products, are carried at cost and once the patents are put into use are amortized on a straight-line basis over their useful lives, being from 5 to 10 years. External costs incurred in filing and protecting patent applications, for which no future benefit is reasonably assured, are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognized only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. At December 31, 2016 all development costs have been expensed as incurred as their recoverability could not be regarded as assured.

During 2016, the Company determined that the technical feasibility of the HG product had been successfully demonstrated. In addition, the Company has received orders to deliver the HG unit in early 2017. As a result, the Company considers that the criteria to defer and amortize research and development costs has been met as of January 1, 2017. The company also determined that the impairment of the intellectual property in the amount of \$585,702 that was previously recorded should be reversed, as the indicators that gave rise to the impairment are no longer present.

4. PROMISSORY NOTE PAYABLE

On October 30, 2014, dynaCERT acquired the technology that underlies its principal product, the HydraGen™ Technology, as well as acquiring the right to manufacture, sell and distribute the products anywhere in the world. The Technology (including all patents, patents pending, intellectual property, etc.) was acquired for a purchase price of \$750,000 and is payable out of the sales of HydraGen™ units, (50% of the gross profits from sales) to a maximum of the principle amount owing, or within 5 years, whichever comes first. During 2014, dynaCERT paid the development company \$250,000 from proceeds of warrants exercised.

The balance of \$500,000 has been discounted at a rate of 15% which represents management's estimate of the cost of capital and is reflected in the consolidated financial statements as follows:

	September 30, 2017	December 31, 2016
Promissory note payable	\$ -	\$500,000
Discount	-	(100,055)
	\$ -	\$399,945

In May 2017 the Company announced that it had agreed to a debt settlement related to the acquisition of technology in 2014. The promissory note in the principal amount of \$500,000 and accrued interest in the amount of \$223,959 were settled through the issuance of 723,959 common shares. The Company recorded a loss on the settlement in the amount of \$22,786.

DynaCERT Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2017

(Expressed in Canadian dollars)

5. CAPITAL STOCK

The common shares of the Company are entitled to one vote per share at meetings of the shareholders of the Company, and upon dissolution or any other distribution of assets, to receive pro rata such assets of the Company as are distributable to the holders of common shares.

The Company is authorized to issue unlimited common shares without par value.

Transactions During 2017

On June 8, 2017 the Company announced a private placement of 1,176,471 units as a price of \$0.85 per unit for gross proceeds of \$1,000,000. Each unit is 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 \$1.25 for a period of 24 months from the date of issuance.

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 of the warrants 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 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. This resulted in the issuance of 4,285,712 common shares and 2,152,855 warrants. In connection with the placement, the Company paid a commission of \$22,890 and issued 16,350 broker warrants on the same terms and the financing.

Share Options

During the nine months ended September 30, 2017, the Company granted 1,750,000 (2016 – 1,950,000) stock options to its employees, consultants and officers, with a weighted average exercise price ('WAEP') of \$0.80 (2016 - \$0.11). The options vested immediately and are exercisable for terms ranging from two to five years from the date of grant. The estimated weighted average grant date fair value of the options was \$0.40 per option, as determined using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.0% to 1.25%; expected life in years – 2 to 5; expected volatility 95% - 133%; and expected forfeiture rate – 0%.

The following options were outstanding as at September 30, 2017 and December 31, 2016:

	Nine Months Ended September 30, 2017		Year Ended December 31, 2016	
	Number of Options	WAEP	Number of Options	WAEP
Opening balance	20,766,000	\$0.25	18,108,000	\$0.15
Granted	1,750,000	0.68	6,625,000	0.57
Exercised	(4,008,000)	0.21	(2,465,000)	0.13
Expired	(752,000)	0.47	(1,502,000)	0.47
Ending balance	17,756,000	\$0.29	20,766,000	\$0.25
Options exercisable	17,756,000	\$0.29	20,766,000	\$0.25

DynaCERT Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Nine Months Ended September 30, 2017

(Expressed in Canadian dollars)

5. CAPITAL STOCK (continued)

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	-	0.70
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.

Share Purchase Warrants

Share purchase warrant transactions are summarized below:

	9 Months Ended September 30, 2017		Year Ended December 31, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	-	\$ -	13,004,943	\$ 0.18
Issued	2,142,855	1.25	7,500,000	0.15
Exercised	-	-	(17,811,109)	0.17
Expired	-	-	(2,693,834)	0.17
Ending balance	2,142,855	1.25	-	-
Exercisable	2,142,855	\$ 1.25	-	\$ -

6. RELATED PARTY TRANSACTIONS

The Company paid or accrued the following amounts to directors, companies controlled by directors or companies having common directors during the three and nine months ended September 30:

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

DynaCERT Inc.**Notes to the Condensed Interim Consolidated Financial Statements**

For the Three and Nine Months Ended September 30, 2017

(Expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS (continued)**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 six months ended June 30, 2017 and 2016 is summarized below:

	Three Months Ended		Nine Months Ended	
	September 30		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

7. COMMITMENTS

The Company has commitments for the rent of its office premises in Toronto, Canada in the amount of \$4,303 per month. The lease expires on December 31, 2017.

The Company has commitments for the rent of its productions facilities in Toronto, Canada in the amount of \$6,446 per month. The lease expires on September 30, 2018 and the Company has an option to extend the lease for 5 years.

In May 2017 the Company signed a lease for an additional 5,118 square feet of space at its production facility in Toronto in the amount of \$4,691 per month. The lease commenced on August 1, 2017 for an initial period of 14 months.

8. SUBSEQUENT EVENT

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. The notes mature on September 30, 2020 and each note is convertible at the option of the holder into one 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.