
DYNACERT INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed interim consolidated financial statements of DynaCERT INC. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

DynaCERT INC.**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****Unaudited**

	As at September 30, 2019	As at December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 698,602	\$ 109,327
Accounts receivable	836,086	198,803
Sales tax receivable	119,680	191,518
Inventory (note 3)	1,373,373	2,260,525
Prepaid expenses	248,910	529,821
Total current assets	3,276,651	3,289,994
Non-current assets		
Property and equipment (note 4)	691,116	543,010
Intangible assets (note 5)	400,668	321,976
Right-of-use asset (note 6)	142,867	-
Total assets	\$ 4,511,302	\$ 4,154,980
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,356,087	\$ 3,129,533
Deferred revenue	1,029,592	493,673
Lease obligation (note 7)	148,432	-
Promissory note (note 8)	203,124	-
Total current liabilities	2,737,235	3,623,206
Non-current liabilities		
Promissory note (note 8)	144,085	-
Total liabilities	2,881,320	3,623,206
Shareholders' equity		
Share capital (note 9)	48,133,671	43,071,876
Warrant reserve (note 11)	3,760,466	1,364,853
Share-based payments reserve (note 10)	7,267,745	6,308,175
Deficit	(57,531,900)	(50,213,130)
Total shareholder's equity	1,629,982	531,774
Total shareholders' equity and liabilities	\$ 4,511,302	\$ 4,154,980

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)

Subsequent events (note 13)

Approved on behalf of the Board:

Director

Director

DynaCERT INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****Unaudited**

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Revenue	\$ 161,716	\$ 57,921	\$ 210,594	\$ 66,864
Operating expenses				
Cost of goods sold	42,418	36,991	61,616	42,375
Accretion on promissory note	40,638	-	40,638	-
Business development and marketing	437,819	61,834	1,525,412	546,531
General and administrative	386,876	389,818	1,115,176	926,659
Interest and accretion	1,078	819	5,939	34,807
Legal and audit	5,410	44,880	121,850	165,337
Research and development	628,751	1,016,336	1,790,123	1,780,787
Wages, benefits, and third-party consultants	386,195	549,659	1,078,702	1,340,386
	1,929,185	2,100,337	5,739,456	4,836,882
Foreign exchange loss	(3,838)	-	43,038	-
Share based compensation	365,397	126,605	1,289,129	1,599,685
Loss on debt settlement (note 8)	-	-	575,133	-
Fair market value adjustment on promissory note	(117,392)	-	(117,392)	-
Total comprehensive loss for the period	\$ 2,011,636	\$ 2,169,021	\$ 7,318,770	\$ 6,369,703
Basic and diluted net loss per share	\$ 0.007	\$ 0.009	\$ 0.026	\$ 0.026
Weighted average number of common shares outstanding	292,214,716	253,562,016	285,252,990	248,813,985

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

DynaCERT INC.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Operating activities		
Net loss for the period	\$ (7,318,770)	\$ (6,369,703)
Adjustments for:		
Loss on disposal of property, plant and equipment	63,835	-
Amortization of property, plant and equipment	102,682	105,497
Amortization of intangible assets	59,670	47,482
Share based compensation	1,479,129	1,599,685
Accretion of right-of-use asset	15,766	-
Amortization of right-of-use asset	96,885	-
Changes in non-cash working capital items:		
Amounts receivable and sales tax receivable	(565,445)	266,774
Inventory	887,152	(308,965)
Prepaid expenses	280,911	159,946
Amounts payable and other liabilities	(1,773,448)	393,539
Deferred revenue	535,919	156,790
Promissory note	347,209	-
Net cash used in operating activities	(5,788,505)	(3,948,955)
Investing activities		
Acquisition of property and equipment	(314,623)	(536,785)
Acquisition of intangible assets	(138,362)	(52,495)
Lease obligation expense	(107,084)	-
Net cash used in investing activities	(560,069)	(589,280)
Financing activities		
Proceeds from issuance of units in private placement	5,250,000	4,138,600
Finance costs	(8,750)	(9,668)
Proceeds from exercise of options	963,600	468,750
Advances from director	-	65,000
Warrants exercised	732,999	-
Net cash provided by financing activities	6,937,849	4,662,682
Net change in cash and cash equivalents	589,275	124,447
Cash and cash equivalents, beginning of period	109,327	9,174
Cash and cash equivalents, end of period	\$ 698,602	\$ 133,621

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DynaCERT INC.**Condensed Interim Consolidated Statements of Changes in Equity****(Expressed in Canadian Dollars)****Unaudited**

	Share capital	Equity component of debt	Warrants reserve	Share based reserve	Deficit	Total
Balance, December 31, 2017	\$ 35,386,102	\$ 341,597	\$ 434,346	\$ 4,703,192	\$ (38,799,728)	\$ 2,065,509
Units issued in private placement	3,704,957	-	433,643	-	-	4,138,600
Finance costs	(9,668)	-	-	-	-	(9,668)
Units issued on redemption of convertible notes	1,128,753	(341,597)	152,534	-	-	939,690
Shares issued on exercise of options	770,945	-	-	(302,195)	-	468,750
Share based compensation	-	-	-	1,599,685	-	1,599,685
Net loss for the period	-	-	-	-	(6,369,703)	(6,369,703)
Balance, September 30, 2018	\$ 40,981,089	\$ -	\$ 1,020,523	\$ 6,000,682	\$ (45,169,431)	\$ 2,832,863
Balance, December 31, 2018	\$ 43,071,876	\$ -	\$ 1,364,853	\$ 6,308,175	\$ (50,213,130)	\$ 531,774
Units issued in private placement	4,217,825	-	1,032,175	-	-	5,250,000
Finance costs	(8,750)	-	-	-	-	(8,750)
Revaluation of warrants	(1,473,963)	-	1,473,963	-	-	-
Exercise of stock options	1,483,159	-	-	(519,559)	-	963,600
Share based compensation	-	-	-	1,479,129	-	1,479,129
Warrants exercised	843,524	-	(110,525)	-	-	732,999
Net loss for the period	-	-	-	-	(7,318,770)	(7,318,770)
Balance, September 30, 2019	\$ 48,133,671	\$ -	\$ 3,760,466	\$ 7,267,745	\$ (57,531,900)	\$ 1,629,982

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

1. Nature of operations and going concern

Nature of business

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-V under the trading symbol DYA. These consolidated financial statements include the results of DynaCERT and its wholly owned subsidiary, Dynamic Fuel Systems USA Inc. ("Dynamic") and DynaCERT GmbH Inc, its wholly owned German subsidiary.

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.

Going concern uncertainty

At each reporting period, management assesses the basis of preparation of the financial statements. These financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These financial statements do not include any adjustments to amounts and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

For the nine months ended September 30, 2019, the Company incurred a net loss of \$7,318,770 (September 30, 2018 - \$6,369,703) and had negative operating cash flows of \$5,788,505 (September 30, 2018 - \$3,948,955). Although the Company has generated marginal revenue from customer sales, the sales volumes achieved to date have not been significant and has not generated sufficient margins to cover the Company's operating costs and research and development costs. The Company has an accumulated deficit of \$57,531,900 since inception (December 31, 2018 - \$50,213,130) and does not have sufficient cash and receivables as at September 30, 2019 to meet its expected obligations over the next twelve months. These factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to generate cash flows from operations and to complete negotiations to obtain and successfully close additional funding from debt financing, equity financings or through other arrangements. While the Company has been successful in arranging financing in the past, there can be no assurance the debt financing or any equity offering will be successful. These conditions indicate the existence of a material uncertainty that may cast significant doubt regarding the Company'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 and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

The Company may need to raise additional capital to fund operations. This need may be adversely impacted by uncertain market conditions, approval by regulatory bodies, and adverse results from operations. The Company believes it will be able to acquire sufficient funds to cover planned operations through the next twelve months from anticipated revenue growth during fiscal 2019 and by securing additional financing through additional private placements if required. The outcome of these matters cannot be predicted at this time.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

2. Basis of preparation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 28, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2018, other than those noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

New standards adopted

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At January 1, 2019, the Company adopted the following and there was no material impact on the Company's financial statements. The Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonable certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

2. Basis of preparation (continued)

New standards adopted (continued)

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The Company adopted this standard and the impact on the Company's unaudited condensed interim consolidated financial statements are disclosed in notes 6 and 7.

(b) Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company adopted this standard at January 1, 2019 and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

Unaudited

3. Inventory

	As at September 30, 2019	As at December 31, 2018
Raw materials	\$ 1,197,849	\$ 1,789,364
Work in process	103,035	415,777
Finished goods	72,489	55,384
	\$ 1,373,373	\$ 2,260,525

4. Property and equipment

	September 30, 2019			December 31, 2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Plant equipment	\$ 1,212,417	\$ 900,061	\$ 312,356	\$ 1,203,245	\$ 846,345	\$ 356,900
Tooling equipment	231,001	14,974	216,027	159,265	60,742	98,523
Office equipment	243,760	233,322	10,438	243,760	230,907	12,853
Furniture and fixtures	515,783	500,385	15,398	513,729	498,431	15,698
Leasehold improvements	276,302	239,405	36,897	276,302	217,266	59,036
Construction in progress	100,000	-	100,000	-	-	-
	\$ 2,579,263	\$ 1,888,147	\$ 691,116	\$ 2,396,301	\$ 1,853,691	\$ 543,010

During the nine months ended September 30, 2019 the Company disposed of \$131,662 worth of tooling equipment. As a result of this disposal the Company recorded a loss on disposal of property and equipment of \$63,835.

5. Intangible assets

	September 30, 2019			December 31, 2018		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	\$ 454,943	\$ 214,733	\$ 240,210	\$ 323,473	\$ 199,166	\$ 124,307
Trademarks	6,848	2,601	4,247	6,032	2,323	3,709
Software	321,153	164,942	156,211	315,078	121,118	193,960
	\$ 782,944	\$ 382,276	\$ 400,668	\$ 644,583	\$ 322,607	\$ 321,976

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

6. Rights-of-use assets

IFRS 16 - right-of-use asset recognition	\$ 239,752
Right-of-use assets at January 1, 2019	239,752
Depreciation	(96,885)
Balance, September 30, 2019	\$ 142,867

Right-of-use assets consist of office space amortized over 24 months and office equipment amortized over 48 months.

Maturity analysis - contractual undiscounted cash flows

As at September 30, 2019	
Less than one year	\$ 142,778
Greater than one year	16,898
Total undiscounted lease obligation	\$ 159,676

7. Lease liabilities

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate. The continuity of the lease liabilities are presented in the table below:

Balance, December 31, 2018	\$ 239,752
Interest expense	15,764
Lease payments	(107,084)
Balance, September 30, 2019	\$ 148,432

As at September 30, 2019	
Less than one year	\$ 148,432
Total lease obligation	\$ 148,432

8. Promissory note

On April 23, 2019, the Company and Urtech Manufacturing Inc., Urtech Florida LLC, Urtech U.S. Inc., and Urtech International Inc., jointly and severally (collectively referred to as "Urtech") entered into Minutes of Settlement whereby all title to inventory of dynaCERT consigned at Urtech's premises would be transferred to Urtech and all accounts payable by dynaCERT to Urtech would be replaced with a single payable secured by a promissory note whereby dynaCERT shall pay to Urtech USD\$400,000 in 24 equal monthly installments commencing May, 1, 2019.

The promissory note was recorded at its net present value of \$417,888 using the effective interest rate method with an effective interest rate of 25% per annum and a term of 24 months. The Company recorded a fair market value adjustment on promissory note of \$117,392 and \$117,392 for the three and nine months ended September 30, 2019 respectively. During the three and nine months ended September 30, 2019 the Company has recorded accretion expense on promissory note of \$40,638 and \$40,638 respectively.

As a result of the settlement of accounts payable with a promissory note and inventory a loss on settlement of debt of \$575,133 was recorded in the statement of comprehensive loss. This inventory was to be used specifically for the ECU1 and its value is included in the Statement of Claim mentioned above.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

9. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

(i) During the nine months ended September 30, 2018 the Company closed a non-brokered private placement of 7,472,856 units at a price of \$0.42 per unit, for total proceeds of \$3,138,600. Each unit consists of one common share and one-half of one common share purchase warrant; with each whole warrant entitling the holder to purchase one common share at a price of \$0.50 for a period of two years from the date of issue. During nine months ended September 30, 2018 the Company also closed an additional non-brokered private placement of 4,000,000 units at a price of \$0.25 per unit, for total proceeds of \$1,000,000; Each unit consists of one common share and one-half of one common share purchase warrant; with each whole warrant entitling the holder to purchase one common share at a price of \$0.50 for a period of two years from the date of issue.

(ii) The Company also completed a debt settlement whereby the holders of the existing convertible notes redeemed their notes for a total amount of \$1,281,288 representing principal and interest accrued, with the redemption being settled through the issuance of 3,050,686 units, with each unit having the same terms as those issued in the placement described above, resulting in the issuance of 3,050,686 shares and 1,525,343 warrants.

(iii) During the nine months ended September 30, 2019, the Company announced a private placement of units at a price of \$0.25 per unit for an aggregate of \$5,250,000. Each unit consists of one common share and one-half of one common share purchase warrant; each whole warrant entitled the holder to purchase one share at an exercise price of \$0.35 per share expiring December 1, 2020, subject to a 30-day acceleration clause if, for any ten consecutive trading days during the unexpired term of such warrants, the closing price of the Company's shares is greater than \$0.50 on the TSX Venture Exchange. In conjunction with the private placement, \$8,750 of financing costs were recognized. The warrants have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.78%; expected life in years – 1.75; expected volatility 63.36%; and expected forfeiture rate – 0%.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

9. Share capital (continued)

	Number of common shares	Amount
Balance, December 31, 2017	239,128,474	\$ 35,386,102
Units issued on private placement (i)	11,472,856	4,138,600
Value of warrants	-	(433,643)
Finance costs	-	(9,668)
Units issued on redemption of convertible notes (ii)	3,050,686	1,281,288
Value of warrants (ii)	-	(152,534)
Share issued on exercise of options	3,335,000	770,945
Balance, September 30, 2018	256,987,016	\$ 40,981,090
Balance, December 31, 2018	266,804,936	\$ 43,071,876
Private placement (iii)	21,000,000	5,250,000
Value of warrants issued on private placement (iii)	-	(1,032,175)
Finance costs (iii)	-	(8,750)
Warrant revaluation (note 11)	-	(1,473,963)
Exercise of stock options (note 10(vi))	5,016,790	1,483,159
Exercise of warrants (note 11)	2,122,857	843,524
Balance, September 30, 2019	294,944,583	\$ 48,133,671

10. Stock options

(i) During the nine months ended September 30, 2018, the Company granted 5,913,096 stock options to its employees, consultants, directors and officers, with an exercise price \$0.43. The options vested immediately, except for options granted to persons performing investor relations which vest 25% per quarter over one year and are exercisable for a period of five years from the date of grant. The options expire 5 years from the date of issue and have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 2.18%; expected life in years – 5; expected volatility 108%; and expected forfeiture rate – 0%.

(ii) During the nine months ended September 30, 2019, the Company granted 5,000,000 stock options to its employees, consultants, directors and officers, with an exercise price \$0.38. The options vested immediately, and expire on March 1 2024. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.78%; expected life in years – 5; expected volatility 63.36%; and expected forfeiture rate – 0%.

(iii) During the nine months ended September 30, 2019, the Company granted 550,000 stock options to its employees, consultants, directors and officers, with an exercise price \$0.35. The options vested immediately, and expire on May 15 2024. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.53%; expected life in years – 5; expected volatility 23.54%; and expected forfeiture rate – 0%.

(iv) During the nine months ended September 30, 2019, the Company granted 600,000 stock options to its employees, consultants, directors and officers, with an exercise price \$0.50. The options vested immediately, and expire on July 30, 2024. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.43%; expected life in years – 5; expected volatility 69.05%; and expected forfeiture rate – 0%.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

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10. Stock options (continued)

(v) During the nine months ended September 30, 2019, the Company granted 700,000 stock options to its employees, consultants, directors and officers, with an exercise price \$0.50. The options vested immediately, and expire on September 11, 2024. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.42%; expected life in years – 5; expected volatility 69.05%; and expected forfeiture rate – 0%.

(vi) During the nine months ended September 30, 2019, certain employees exercised 5,016,790 stock options with a Black-Scholes value of \$519,559 and an exercise price between \$0.10 and \$0.25.

	Number of stock options	Weighted average exercise price
Balance, December 31, 2017	18,699,000	\$ 0.34
Issued (i)	5,913,096	0.43
Exercised	(3,335,000)	0.12
Balance, September 30, 2018	21,277,096	\$ 0.40
Balance, December 31, 2018	23,023,096	\$ 0.39
Issued (ii), (iii), (iv), (v)	6,850,000	0.40
Exercised (vi)	(5,016,790)	0.23
Balance, September 30, 2019	24,856,306	\$ 0.43

The following table reflects the actual stock options issued and outstanding as of September 30, 2019:

Expiry date	Exercise price (\$)	Weighted average Remaining contractual life (years)	Number of options outstanding
February 26, 2020	0.15	0.41	2,040,000
December 11, 2020	0.10	1.20	3,830,000
July 13, 2021	0.10	1.79	350,000
November 30, 2021	0.40	2.17	500,000
December 16, 2021	0.80	2.21	3,550,000
March 13, 2022	0.71	2.45	450,000
March 13, 2022	0.94	2.45	300,000
September 19, 2022	0.58	2.97	1,000,000
October 23, 2022	0.58	3.07	1,218,000
January 31, 2023	0.50	3.34	4,210,000
April 5, 2023	0.50	3.52	238,096
August 17, 2023	0.25	3.88	100,000
October 4, 2023	0.25	4.01	686,000
November 9, 2023	0.22	4.11	150,000
March 1, 2024	0.38	4.42	4,384,210
March 1, 2024	0.35	4.63	550,000
July 30, 2024	0.50	4.84	600,000
September 11, 2024	0.50	4.95	700,000
		2.54	24,856,306

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

11. Warrants

On February 4, 2019, the Company received approval from the TSX Venture Exchange to extend and reprice all outstanding share purchase warrants with expiry dates ranging from February to August 2019 to December 1, 2020 and exercise prices of \$0.50 to \$1.00 to \$0.35. As a result a revaluation of the warrants was recorded in the statement of changes in equity to reflect the new valuation of the amended warrants.

During the nine months ended September 30, 2019, 2,000,000 previously issued warrants were approved. The warrants expire on December 1, 2020. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.78%; expected life in years – 1.82; expected volatility 63.36%; and expected forfeiture rate – 0%.

As a result, as of this date, all of the outstanding non-dealer warrants shall expire on December 1, 2020 and have an exercise price of \$0.35. If at any time after the date that is four months and one day after the date hereof, the closing trading price of the Common Shares on the TSX Venture Exchange is greater than Cdn\$0.50 per Common Share for a period of 10 consecutive Business Days, then the Company may, at its discretion give notice of the acceleration of some or all of the Warrants to the Holder and, in such case, the Expiry Time shall be 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is deemed to have been given by the Company to the Holder.

The Company also has 400,000 dealer warrants outstanding to purchase common shares at an exercise price of \$0.25 until December 1, 2020 and 16,350 dealer warrants outstanding to purchase common shares at an exercise price of \$1.00 until December 1, 2020.

	Number of warrants	Weighted average exercise price
Balance, December 31, 2017	2,159,205	\$ 1.00
Issued (note 9 b(i),(ii))	7,261,771	0.50
Balance, September 30, 2018	9,420,976	\$ 0.65
Balance, December 31, 2018	19,638,897	\$ 0.47
Issued (note 9 b(iii))	10,500,000	0.35
Revaluation of warrants	2,000,000	0.35
Exercised	(2,122,857)	0.35
Balance, September 30, 2019	30,016,040	\$ 0.35

DynaCERT INC.**Notes to Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended September 30, 2019****(Expressed in Canadian Dollars)****Unaudited**

11. Warrants (continued)

The following table reflects the actual share purchase warrants issued and outstanding as of September 30, 2019:

Expiry date	Remaining contractual life (years)	Number of warrants outstanding	Exercise price (\$)
December 1, 2020 ⁽¹⁾	1.17	29,874,690	0.35
December 1, 2020 ⁽²⁾	1.17	125,000	0.25
December 1, 2020 ⁽²⁾	1.17	16,350	1.00
		30,016,040	

(1) If at any time after the date that is four months and one day after the date hereof, the closing trading price of the Common Shares on the TSX Venture Exchange is greater than Cdn\$0.50 per Common Share for a period of 10 consecutive Business Days, then the Company may, at its discretion give notice of the acceleration of some or all of the Warrants to the Holder and, in such case, the Expiry Time shall be 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is deemed to have been given by the Company to the Holder.

(2) Broker warrants

12. 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, 2019 and September 30, 2018:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Rent	\$ 60,161	\$ 51,856	\$ 180,483	\$ 155,595
Consulting fees paid to directors	48,000	38,750	141,000	129,750
	\$ 108,161	\$ 90,606	\$ 321,483	\$ 285,345

Key management includes directors and other key personnel, including the CEO, President and CFO, who have authority and responsibility for planning, directing, and controlling the activities of the Company.

Included in accounts payable and accrued liabilities as at September 30, 2019 is \$nil (December 31, 2018 is \$395,685) owed to directors, companies controlled by former directors or companies having certain directors in common.

DynaCERT INC.

Notes to Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2019

(Expressed in Canadian Dollars)

Unaudited

12. Related party transactions (continued)

The compensation paid to these key management personnel for the three and three and nine months ended September 30, 2019 and September 30, 2018 is:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Short-term benefits	\$ 109,751	\$ 131,908	\$ 315,939	\$ 433,336
Share based compensation	-	-	412,463	916,052
	\$ 109,751	\$ 131,908	\$ 728,402	\$ 1,349,388

The Chief Financial Officer ("CFO") of the Company is a senior employee of Marrelli Support Services Inc. ("MSSI"). During the three and nine months ended September 30, 2019, the Company paid or accrued professional fees of \$15,000 and \$45,000 respectively (three and nine months ended September 30, 2018 - \$nil and \$nil respectively) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. MSSI also provides bookkeeping services to the Company. As at September 30, 2019, MSSI was owed \$5,700 (December 31, 2018 - \$nil) with respect to services provided.

13. Subsequent events

Subsequent to September 30, 2019, the Company announced the completion of an arm's length equity offering for aggregate gross proceeds of \$1,350,000. The Company has issued an aggregate of 2,700,000 Units at a price of \$0.50 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of \$0.65 per Share on or before November 13, 2021, subject to the following clause: If at any time after the date that is four months and one day after the date hereof, the closing trading price of the Common Shares on the TSX Venture Exchange is greater than Cdn\$0.80 per Common Share for a period of ten consecutive Business Days, then the Company may, at its discretion give notice of the acceleration of some or all of the Warrants to the Holder and, in such case, the Expiry Time shall be 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is deemed to have been given by the Company to the Holder. In accordance with applicable securities laws, all of the Shares and Warrants issued under the Offering are subject to a hold period equal to four month plus one day, which will expire on March 13, 2020.

On November 28, 2019, the Company announced the completion of an arm's length equity offering for aggregate gross proceeds of \$14,000,000 (the "Offering"), which has been fully subscribed by an entity controlled by Mr. Eric Sprott. The Company has issued an aggregate of 28,000,000 units (each, a "Unit") at a price of \$0.50 per Unit. Each Unit consists of one common share (a "Share") and one-half of one common share purchase warrant. Each whole warrant (a "Warrant") entitles the holder thereof to purchase one Share at an exercise price of \$0.65 per Share on or before November 26, 2021, subject to the following clause: If at any time after the date that is four months and one day after the date hereof, the closing trading price of the Common Shares on the TSX Venture Exchange is greater than Cdn\$0.80 per Common Share for a period of ten consecutive Business Days, then the Company may, at its discretion give notice of the acceleration of some or all of the Warrants to the Holder and, in such case, the Expiry Time shall be 5:00 p.m. (Toronto time) on the 30th day after the date on which such notice is deemed to have been given by the Company to the Holder. In accordance with applicable securities laws, all of the Shares and Warrants issued under the Offering are subject to a hold period equal to four month plus one day, which will expire on March 28, 2020.