
DYNACERT INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice To Reader

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

DynaCERT INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at September 30, 2021	As at December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,295,832	\$ 18,836,013
Accounts and other receivable (note 4)	337,827	431,133
Sales tax receivable	214,531	294,536
Inventory (note 5)	2,674,905	2,332,493
Prepaid expenses (note 3)	1,357,175	1,608,202
Note receivable from associate (note 10)	921,832	807,463
Total current assets	16,802,102	24,309,840
Non-current assets		
Property and equipment (note 6)	2,143,745	1,837,456
Intangible assets (note 7)	917,513	730,574
Right-of-use asset (note 8)	1,763,967	5,776
Investment in associates (note 10)	782,792	612,512
Total assets	\$ 22,410,119	\$ 27,496,158
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 893,370	\$ 835,493
Deferred revenue	39,071	233,442
Lease obligation (note 9)	383,542	1,854
Promissory note (note 11)	-	76,086
Total current liabilities	1,315,983	1,146,875
Non-current liabilities		
Lease obligation (note 9)	1,485,495	4,845
Total liabilities	2,801,478	1,151,720
Shareholders' equity		
Share capital (note 12)	90,085,757	89,660,391
Warrant reserve (note 14)	1,403,573	1,403,573
Share-based payments reserve (note 13)	14,635,955	11,871,701
Deficit	(86,516,644)	(76,591,227)
Total shareholders' equity	19,608,641	26,344,438
Total shareholders' equity and liabilities	\$ 22,410,119	\$ 27,496,158

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

Nature of operations and going concern (note 1)

Contingencies (note 18)

Subsequent event (note 19)

Approved on behalf of the Board:

"Jim Payne"

Director

"Wayne Hoffman"

Director

DynaCERT INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenue	\$ 92,484	\$ 36,973	\$ 556,780	\$ 369,362
Operating expenses				
Cost of goods sold	112,042	11,268	383,847	73,033
Accretion on promissory note	-	10,199	8,477	41,054
Business development and marketing	1,113,894	548,631	2,412,718	1,500,790
General and administrative	63,215	319,449	1,339,066	1,543,937
Interest income	(77,772)	(46,776)	(233,700)	(135,801)
Legal and audit	27,427	51,401	116,286	252,261
Research and development	924,130	1,313,911	2,286,607	2,966,331
Loss on investment in associate (note 10)	30,137	43,542	79,720	83,542
Canada Emergency Wage Subsidy	-	-	(596,688)	-
Wages, benefits, and third-party consultants (note 16)	576,866	625,415	1,618,537	1,183,407
	2,769,939	2,877,040	7,414,870	7,508,554
Foreign exchange (gain) loss	(23,247)	(29,093)	(29,993)	16,971
Share based compensation (note 13)	-	3,714,766	3,097,320	3,900,026
Loss on debt settlement (note 11)	-	-	-	14,985
Total comprehensive loss for the period	\$ 2,654,208	\$ 6,525,740	\$ 9,925,417	\$ 11,071,174
Basic and diluted net loss per share	\$ 0.007	\$ 0.018	\$ 0.026	\$ 0.032
Weighted average number of common shares outstanding	381,438,466	352,977,896	381,191,643	348,961,159

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

DynaCERT INC.

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian Dollars)

Unaudited

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Operating activities		
Net loss for the period	\$ (9,925,417)	\$(11,071,174)
Adjustments for:		
Depreciation of property and equipment	250,813	143,924
Amortization of intangible assets	117,125	80,310
Share based compensation	3,097,320	3,900,026
Accretion of lease obligations	94,216	-
Amortization of right-of-use asset	272,372	97,462
Loss on investment in associate	79,720	83,542
Accrued interest	(114,369)	-
Accretion of promissory note	2,565	-
Changes in non-cash working capital items:		
Sales tax receivable, and accounts and other receivables	(196,014)	77,431
Inventory	(342,412)	(833,335)
Prepaid expenses	251,027	(1,097,520)
Accounts payable and accrued liabilities	246,677	(247,516)
Deferred revenue	(194,371)	2,166
Long term note receivables	-	(37,138)
Net cash used in operating activities	(6,360,748)	(8,901,822)
Investing activities		
Acquisition of property and equipment	(782,226)	(718,258)
Acquisition of intangible assets	(204,064)	(317,003)
Note receivable	369,325	(1,020,293)
Investment in associate	(250,000)	(516,479)
Net cash used in investing activities	(866,965)	(2,572,033)
Financing activities		
Proceeds from issuance of units	-	8,367,400
Share issuance costs	-	(725,830)
Proceeds from exercise of options	92,300	1,992,619
Proceeds from exercise of warrants	-	1,998,383
Repayment of promissory note	(78,651)	(162,482)
Lease obligation expense	(326,117)	(101,494)
Net cash (used in) provided by financing activities	(312,468)	11,368,596
Net change in cash and cash equivalents	(7,540,181)	(105,259)
Cash and cash equivalents, beginning of period	18,836,013	16,319,235
Cash and cash equivalents, end of period	\$ 11,295,832	\$ 16,213,976
Supplemental information		
Shares issued for debt (note 12(b)(ii))	\$ -	\$ 142,000
Loan receivable (note 12(b)(iii))	\$ 340,000	\$ -

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

DynaCERT INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

Unaudited

	Share capital	Warrants reserve	Share- based reserve	Deficit	Total
Balance, December 31, 2019	\$ 69,902,351	\$ 1,721,713	\$ 10,171,798	\$ (62,866,178)	\$ 18,929,684
Units issued in private placement	8,367,400	-	-	-	8,367,400
Shares issued to settle debt	142,000	-	-	-	142,000
Exercise of stock options	3,551,870	-	(1,559,251)	-	1,992,619
Share based compensation	-	-	3,900,026	-	3,900,026
Exercise of warrants	2,054,371	(55,988)	-	-	1,998,383
Share issuance costs	(725,830)	-	-	-	(725,830)
Net loss for the period	-	-	-	(11,071,174)	(11,071,174)
Balance, September 30, 2020	\$ 83,292,162	\$ 1,665,725	\$ 12,512,573	\$ (73,937,352)	\$ 23,533,108
Balance, December 31, 2020	\$ 89,660,391	\$ 1,403,573	\$ 11,871,701	\$ (76,591,227)	\$ 26,344,438
Exercise of stock options	765,366	-	(333,066)	-	432,300
Loan receivable	(340,000)	-	-	-	(340,000)
Share based compensation	-	-	3,097,320	-	3,097,320
Net loss for the period	-	-	-	(9,925,417)	(9,925,417)
Balance, September 30, 2021	\$ 90,085,757	\$ 1,403,573	\$ 14,635,955	\$ (86,516,644)	\$ 19,608,641

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

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(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 were listed on the TSX-V under the trading symbol DYA until July 7, 2020, at which point the common shares of the Company commenced trading on the Toronto Stock Exchange (“TSX”) under the same trading symbol and were concurrently delisted from the TSX-V. On June 9, 2020, the common shares of the Company were listed on the USA OTCQX under the symbol “DYFSF” and delisted from the OTCQB. These unaudited condensed consolidated interim financial statements include the results of DynaCERT and its wholly owned subsidiaries, DynaCERT GmbH Inc, its wholly owned German subsidiary, and DynaCERT International Strategic Holdings Inc. (“DISH”).

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, 2021, the Company incurred a net loss of \$9,925,417 (nine months ended September 30, 2020 - \$11,071,174) and had negative operating cash flows of \$6,360,748 (September 30, 2020 - \$8,901,822). Although the Company has generated 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 \$86,516,644 since inception (December 31, 2020 - \$76,591,227).

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 in light of the impact of the COVID-19 on the global capital markets. As a result management has determined that it would be prudent to disclose that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The rapid spread of COVID-19 worldwide has caused significant economic contraction and uncertainty, resulting in delays in sales. The worldwide pandemic starting in late 2019 slowed down parts of the Company’s supply chain, thereby stopping all final assembly work on existing client orders until raw material deliveries resumed and were received towards the end of March 2020. Further, European shut down of non-essential commerce in January through September significantly affected the Company’s ability to delivery finished goods as our customers were not able to accept incoming goods or install HydraGEN™ Technology Units on their trucks and equipment.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(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 consolidated interim 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 consolidated interim financial statements are based on IFRS, which have been applied consistently to all periods presented. These unaudited condensed consolidated interim financial statements were issued and effective as of November 12, 2021, the date the Board of Directors approved the statements.

The preparation of financial statements in accordance with International Accounting Standards (IAS) 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to these unaudited condensed consolidated interim financial statements were the same as those that applied to the Company's annual consolidated financial statements as at and for the year ended December 31, 2020.

Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

Functional and presentation currency

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's presentation currency. The functional currency of each individual entity is measured using the currency of the primary economic environment in which the entity operates.

Basis of consolidation

These unaudited condensed consolidated interim financial statements include the results of DynaCERT and its wholly owned subsidiaries, which include DynaCERT GmbH Inc, its wholly owned German subsidiary, and DISH.

These unaudited condensed consolidated interim financial statements incorporate the assets, liabilities and results of operations of all entities controlled by the Company. The effects of all transactions between entities in the consolidated group have been eliminated.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements Three and Nine Months Ended September 30, 2021 (Expressed in Canadian Dollars) Unaudited

2. Basis of preparation (continued)

New standards not yet adopted

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period".
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

3. Prepaid expenses

	As at September 30, 2021	As at December 31, 2020
Prepaid expenses (note 16)	\$ 351,980	\$ 374,242
Software development deposits ⁽¹⁾	1,005,195	1,233,960
	\$ 1,357,175	\$ 1,608,202

⁽¹⁾ In September 2020, the Company entered into a 25-month software development contract related to development of its HydraGEN™ Technology, and HydraLytica™ Technology, and placed a deposit with the vendor. Further in February 2021, the Company entered into 11-month software development contract for Carbon Credit Data Technology, and placed a deposit with the same vendor.

4. Accounts and other receivables

	As at September 30, 2021	As at December 31, 2020
Accounts receivables	\$ 184,375	\$ 68,783
Other receivables (note 16)	153,452	362,350
	\$ 337,827	\$ 431,133

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

5. Inventory

	As at September 30, 2021	As at December 31, 2020
Raw materials	\$ 2,203,862	\$ 1,950,127
Work in process	322,457	69,631
Finished goods	148,586	312,735
	\$ 2,674,905	\$ 2,332,493

During the nine months ended September 30, 2021, \$383,847 (nine months ended September 30, 2020 - \$73,033) of inventory has been included in cost of goods sold.

6. Property and equipment

	September 30, 2021			December 31, 2020		
	Accumulated Cost	Net Amortization	Book Value	Accumulated Cost	Net Amortization	Book Value
Plant equipment	\$ 1,705,107	\$ 1,146,710	\$ 558,397	\$ 1,652,842	\$ 1,054,228	\$ 598,614
Tooling equipment	390,274	141,104	249,170	337,255	86,186	251,069
Office equipment	243,760	237,205	6,555	243,760	236,048	7,712
Furniture and fixtures	603,902	520,895	83,007	572,553	509,703	62,850
Leasehold improvements	1,557,624	365,957	1,191,667	317,378	276,302	41,076
Vehicles	56,358	1,409	54,949	-	-	-
Construction in progress ⁽¹⁾	-	-	-	876,135	-	876,135
	\$ 4,557,025	\$ 2,413,280	\$ 2,143,745	\$ 3,999,923	\$ 2,162,467	\$ 1,837,456

⁽¹⁾ Assets included in construction in progress represent leasehold improvements on new facilities not yet completed or otherwise not ready for use (note 16), and development of new software. During the nine months ended September 30, 2021, the amounts in construction in progress were transferred \$100,000 to Software (note 7), and \$776,135 transferred to leasehold improvements. The Company moved into its new facilities on February 1, 2021.

7. Intangible assets

	September 30, 2021			December 31, 2020		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	\$ 830,340	\$ 304,339	\$ 526,001	\$ 658,874	\$ 268,476	\$ 390,398
Trademarks	135,405	19,335	116,070	102,807	5,037	97,770
Software	599,403	323,961	275,442	499,403	256,997	242,406
	\$ 1,565,148	\$ 647,635	\$ 917,513	\$ 1,261,084	\$ 530,510	\$ 730,574

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

8. Rights-of-use assets

Right-of-use assets at January 1, 2019	\$ 110,572
Additions	3,858
Amortization	(108,654)
Balance, December 31, 2020	5,776
Additions	2,030,563
Amortization	(272,372)
Balance, September 30, 2021	\$ 1,763,967

Right-of-use assets consist of office equipment amortized over 48 months, and office lease is amortized over 60 months.

Maturity analysis - contractual undiscounted cash flows

As at September 30, 2021	
Less than one year	\$ 369,965
Greater than one year	1,435,395
Total undiscounted lease obligation	\$ 1,805,360

9. Lease obligations

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 lease liabilities are operating type leases for office equipment and premises. The continuity of the lease liabilities is presented in the table below:

Balance, January 1, 2019	\$ 116,423
Additions	3,858
Interest expense	6,783
Lease payments	(120,365)
Balance, December 31, 2020	6,699
Additions	2,094,239
Interest expense	94,216
Lease payments	(326,117)
Balance, September 30, 2021	\$ 1,869,037

As at September 30, 2021	
Less than one year	\$ 383,542
Greater than one year	1,485,495
Total lease obligation	\$ 1,869,037

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

10. Investment in associate

Galaxy Power

In July 2021, the Company acquired 20% of the shares of Galaxy Power Inc. ("Galaxy Power"), a private Canadian corporation for \$250,000, as the investment represents a 20% holding in issued and outstanding common shares of Galaxy the Company has accounted for the investment under the equity method.

During the nine months ended September 30, 2021, the Company's share of the losses of Galaxy Power of \$491 (nine months ended September 30, 2020 - \$nil) have been recorded in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

Summarized financial information of associate

The following table summarized, in aggregate, the financial information of Galaxy Power:

	As at September 30, 2021 \$	As at December 31, 2020 \$
Cash	\$ 227,250	\$ -
Total current assets	\$ 247,250	\$ -
Total assets	\$ 247,250	\$ -
Current liabilities (excluding accounts payable)	\$ -	\$ -
Total current liabilities	\$ 295	\$ -
Non-current liabilities	\$ -	\$ -

	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Loss from continuing operations	\$ 2,455	\$ -
Total comprehensive loss	\$ 2,455	\$ -

KarbonKleen Inc

During the year ended December 31, 2020, the Company purchased 2,000 shares in KarbonKleen Inc ("KK"), a private Delaware corporation, for \$516,479 (\$367,000 USD) in cash payments. The Company has granted to KK, dynaCERT's Preferred Service Provider, the exclusive Dealership rights in the trucking industry in the United States of America until December 31, 2024, subject to certain conditions. The investment represents a 20% holding in issued and outstanding common shares of KK; and as a result the Company has accounted for the investment under the equity method. During the year ended December 31, 2020, the Company advanced \$1,020,293 (\$725,000 USD) to KK as a note receivable. The note bears interest at 10% per annum calculated monthly and matures on December 31, 2021. The fair value of the loan on the date of purchase was determined to be \$750,522, and the fair value of the investment in associate was determined to be \$786,249.

During the nine months ended September 30, 2021, the Company's share of the losses of KK of \$79,229 (nine months ended September 30, 2020 - \$83,542) have been recorded in the unaudited condensed consolidated interim statements of loss and comprehensive loss.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

10. Investment in associate (continued)

Summarized financial information of associate

The following table summarized, in aggregate, the financial information of KK in USD:

	As at September 30, 2021	As at December 31, 2020
Cash	\$ -	\$ 170,881
Total current assets	\$ 239,965	\$ 307,611
Total assets	\$ 277,075	\$ 345,622
Current liabilities (excluding accounts payable)	\$ 753,022	\$ 727,021
Total current liabilities	\$ 1,106,398	\$ 822,709
Non-current liabilities	\$ -	\$ -

	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Revenue	\$ 155,649	\$ -
Loss from continuing operations	\$ 396,145	\$ 417,710
Total comprehensive loss	\$ 396,145	\$ 417,710

11. 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 the Company consigned at Urtech's premises (valued at USD \$716,301) would be transferred to Urtech and all accounts payable by the Company to Urtech (valued at USD \$641,822) would be replaced with a single promissory note whereby the Company shall pay to Urtech USD\$400,000 interest free in 24 equal monthly installments commencing May 1, 2019.

The promissory note was recorded at its net present value of \$427,837 using the effective interest rate method with an effective interest rate of 25% per annum and a term of 24 months. On April 1, 2021, the promissory note was settled in full. As of September 30, 2021, the balance owed on the promissory note was \$nil (December 31, 2020 - \$76,086).

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

12. 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, 2020, the Company completed a public bought deal financing of 12,305,000 units at a price of \$0.68 per unit for an aggregate of \$8,367,400. 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 \$1.00 per share expiring June 18, 2022. In conjunction with the public bought deal financing, \$725,830 of financing costs were recognized and 598,260 broker warrants were issued.

(ii) During the nine months ended September 30, 2020, the Company issued 200,000 common shares valued at \$142,000, and \$55,000 of cash to settle debt of \$197,000 pursuant to shares for debt settlements with a previous employee.

(iii) During the nine months ended September 30, 2021, a loan of \$340,000 was granted to an officer and director of the Company to the exercise of options. The amount recorded as a reduction of capital represents loans secured by their respective shares. Upon receipt of repayment the amount of consideration received would be recorded as an increase in share capital (note 16).

	Number of common shares	Amount
Balance, December 31, 2019	336,893,260	\$ 69,902,351
Units issued on private placement (i)	12,305,000	8,367,400
Finance costs (i)	-	(725,830)
Shares issued to settle debt (ii)	200,000	142,000
Exercise of stock options (note 13(v))	7,037,500	3,551,870
Exercise of warrants (note 14)	4,380,166	2,054,371
Balance, September 30, 2020	360,815,926	\$ 83,292,162
Balance, December 31, 2020	380,514,180	\$ 89,660,391
Exercise of stock options (note 13(vi))	960,000	765,366
Loan receivable (iii)	-	(340,000)
Balance, September 30, 2021	381,474,180	\$ 90,085,757

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

13. Stock options

(i) During the nine months ended September 30, 2020, the Company granted 275,000 stock options to its employees, consultants, directors and officers, with an exercise price \$0.70. The options vested immediately, and expire on February 12, 2025. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 1.39%; expected life in years – 5; expected volatility 114.40%; and expected forfeiture rate – 0%.

(ii) During the nine months ended September 30, 2020, the Company granted 6,765,000 stock options to its employees, consultants, directors and officers, with an exercise price \$0.70. The options vested immediately, and expire on July 2, 2025. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 0.30% - 0.38%; expected life in years – 5; expected volatility 119.91% - 120.53%; and expected forfeiture rate – 0%.

(iii) During the nine months ended September 30, 2021, the Company granted 850,000 stock options to its consultants, with an exercise price \$0.55. The options vested immediately, and expire on January 8, 2026. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 0.44%; expected life in years – 5; expected volatility 122.59%; and expected forfeiture rate – 0%.

(iv) During the nine months ended September 30, 2021, the Company granted 7,960,000 stock options to its employees, consultants, directors and officers, with an exercise price \$0.50. Directors and officers were granted 3,300,000 stock options (note 16). The options vested immediately, and expire on May 30, 2026. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 0.39%; expected life in years – 5; expected volatility 118.94%; and expected forfeiture rate – 0%.

(v) During the nine months ended September 30, 2020, certain employees exercised 7,037,500 stock options with a Black-Scholes value of \$1,559,251 and exercise prices between \$0.10 and \$0.80.

(vi) During the nine months ended September 30, 2021, certain consultants, and directors exercised 960,000 stock options with a Black-Scholes value of \$333,066 and an exercise price between \$0.10 and \$0.80.

(vii) During the nine months ended September 30, 2020, 22,000 stock options with a Black-Scholes value of \$15,463 were forfeited with exercise prices between \$0.25 and \$0.65.

	Number of stock options	Weighted average exercise price
Balance, December 31, 2019	29,815,306	\$ 0.45
Issued (i)(ii)	7,040,000	0.70
Exercised (v)	(7,037,500)	0.29
Forfeited (vii)	(22,000)	0.34
Balance, September 30, 2020	29,795,806	\$ 0.54
Balance, December 31, 2020	27,405,806	\$ 0.53
Issued (iii)(iv)	8,810,000	0.50
Exercised (vi)	(960,000)	0.45
Balance, September 30, 2021	35,255,806	\$ 0.55

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

13. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2021:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding
November 30, 2021	0.40	0.17	500,000
December 16, 2021	0.80	0.21	2,850,000
March 13, 2022	0.71	0.45	350,000
September 19, 2022	0.58	0.97	1,000,000
October 23, 2022	0.58	1.06	1,166,000
January 31, 2023	0.50	2.09	3,770,000
April 05, 2023	0.50	1.51	238,096
October 04, 2023	0.25	2.01	326,000
March 01, 2024	0.38	2.42	4,059,210
May 15, 2024	0.35	3.38	250,000
July 30, 2024	0.50	2.83	600,000
September 11, 2024	0.50	2.95	500,000
October 11, 2024	0.50	3.03	50,000
November 12, 2024	0.50	3.12	882,000
December 09, 2024	0.52	3.95	2,804,500
December 17, 2024	0.55	3.97	400,000
July 02, 2025	0.70	3.76	5,255,000
August 04, 2025	0.70	3.85	1,345,000
October 30, 2025	0.55	4.08	100,000
January 08, 2026	0.55	4.28	850,000
May 30, 2026	0.55	4.67	7,960,000
		2.97	35,255,806

14. Warrants

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	37,014,268	\$ 0.48
Issued (note 12b(i))	6,750,760	0.97
Exercised	(4,380,164)	0.45
Balance, September 30, 2020	39,384,864	\$ 0.57
Balance, December 31, 2020 & September 30, 2021	21,650,260	\$ 0.75

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

14. Warrants (continued)

The following table reflects the actual share purchase warrants issued and outstanding as of September 30, 2021:

Expiry date	Remaining contractual life (years)	Number of warrants outstanding	Exercise price (\$)
November 15, 2021 ⁽¹⁾	0.13	900,000	0.65
November 28, 2021 ⁽²⁾	0.16	14,000,000	0.65
June 18, 2022	0.72	6,152,000	1.00
June 18, 2022 ⁽²⁾	0.72	598,260	0.68
		21,650,260	

(1) Broker warrants

(2) 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 \$0.80 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.

15. Loss per share

For the period ended September 30, 2021, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$9,925,417 (September 30, 2020 - \$11,071,174) and the weighted average number of common shares outstanding of 381,191,643 (September 30, 2020 - 348,961,159). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

16. 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, 2021 and September 30, 2020:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Rent	\$ 121,343	\$ 60,630	\$ 343,634	\$ 181,890
Consulting fees paid to directors	91,285	91,375	330,456	442,466
	\$ 212,628	\$ 152,005	\$ 674,090	\$ 624,356

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

16. Related party transactions (continued)

Key management includes directors and other key employees, who have authority and responsibility for planning, directing, and controlling the activities of the Company.

Included in prepaid expenses as at September 30, 2021 is \$nil (December 31, 2020 - \$124,465) for advance payments of salaries to an officer and director of the Company for services. These services were provided in fiscal 2021 (note 3).

Included in other receivables as at December 31, 2020 was a loan in the amount of \$362,350 bearing interest at 2.1% per annum receivable from an entity controlled by an officer and director of the Company. During the nine months ended September 30, 2021 the director repaid the loan. Total interest income earned on the loan amounted to \$6,975 for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$nil).

Included in other receivables as at September 30, 2021, is a \$150,000 subordinated note receivable to Galaxy Placements Inc., a Company controlled by an officer and director of the Company. The note bears interest at 10% per annum and matures on December 31, 2023.

As at September 30, 2021, included in construction in progress is \$nil (December 31, 2020 - \$701,880) of renovation expenditure paid to an entity controlled by the family of an officer and director of the Company (note 6). During the nine months ended September 30, 2021, the Company incurred renovation expenditures of \$613,246. As construction on the leasehold was completed and these amounts were transferred to Leasehold improvements.

See note 12(b)(ii)(iii).

As at September 30, 2021, loans to officers, and directors were granted by the Company in the aggregate amount of \$550,000 (December 31, 2020 - \$210,000) relating to share capital (note 12). The loans are non-interest bearing and due on demand.

The compensation paid to these key management personnel for the three and nine months ended September 30, 2021 and September 30, 2020 is:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Short-term benefits	\$ 141,910	\$ 173,718	\$ 425,730	\$ 422,338
Share based compensation	-	1,172,847	1,126,162	1,358,107
	\$ 141,910	\$ 1,346,565	\$ 1,551,892	\$ 1,780,445

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, 2021, the Company paid or accrued professional fees of \$15,135 and \$45,405 (three and nine months ended September 30, 2020 - \$15,000 and \$45,000) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at September 30, 2021, MSSI was owed \$nil (December 31, 2020 - \$nil) with respect to services provided.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars)

Unaudited

17. Segmented information

The Company currently has one business segment, being the development, production and sale of hydrogen generating systems. As at September 30, 2021, the Company held \$50,521 of cash (December 31, 2020 - \$6,769) and during the three and nine months ended September 30, 2021 incurred \$163,166 and \$297,070 (September 30, 2020 - \$500,321 and \$576,892) of expenses in Germany through its German subsidiary. The Company's subsidiary DISH holds the shares in the Company's investment in KK (note 10).

Revenue by geographical location:

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Europe	\$ -	\$ 23,998	\$ 46,469	\$ 337,985
Canada and other	92,484	12,975	510,311	31,377
	\$ 92,484	\$ 36,973	\$ 556,780	\$ 369,362

18. Contingencies

In the ordinary course of business and from time to time, the Company is involved in various claims related to software, intellectual property rights, commercial, employment and other claims. Although such matter cannot be predicted with certainty, management does not consider the Company's exposure to these claims to be material to these unaudited condensed consolidated interim consolidated financial statements.

19. Subsequent event

On October 29, 2021, the Company announced that it has received approval from the Toronto Stock Exchange to extend the terms of an aggregate of 14,900,000 warrants to November 14, 2023. The warrants were initially issued with a two year term from the dates of issuance, with 14,000,000 warrants being exercisable at a price of \$0.65 on or before November 28, 2021, and the remaining 900,000 warrants being exercisable at a price of \$0.65 on or before November 14, 2021.