



Management's Discussion and Analysis – Quarterly Highlights

For the three and nine months ended September 30, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

The following Management Discussion and Analysis (“MD&A”) of the financial condition and results of operations of dynaCERT Inc. (“dynaCERT” or the “Company”) was prepared by management as at November 11, 2022 and was reviewed and approved by the Audit Committee. The following discussion of performance, financial condition and future prospects should be read in conjunction with the unaudited condensed consolidated interim financial statements of dynaCERT Inc. and notes thereto for three and nine months ended September 30, 2022. The information provided herein supplements but does not form part of the financial statements. All amounts are stated in Canadian dollars unless otherwise indicated. Additional information related to the Company is available for view on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

NATURE OF BUSINESS

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

dynaCERT is a growing cleantech sector Company that specializes in delivering Carbon Emission Reduction Technologies to the global diesel engine marketplace. Throughout dynaCERT’s years in business, the Company has worked to provide a reliable and effective electrolysis unit that can generate hydrogen and oxygen on demand to: (a) address the growing requirements to reduce toxic emissions; and (b) address the desire to provide lower operating costs including an increase in fuel economy.

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The Company is engaged in the design, engineering, manufacturing, testing, and distribution of a transportable hydrogen generator aftermarket product, currently in use in the heavy Class 6-8 tractor trailer industry, the smaller Class 2-5 trucks, stationary power generation, off-road construction machinery, and mining, as well as public sector fleet vehicles that are light, medium and heavy duty and targeted for use in refrigerated trailers and containers, and forestry industries, with potential for application in the ocean shipping, agricultural and trans-continental rail industries.

The system is a patented and patent-pending retrofit product that is designed to provide performance enhancements by introducing hydrogen and oxygen into the air intake manifold resulting in greater fuel efficiency and reduced carbon emissions.

Impact of Covid-19

The COVID-19 pandemic has continued to rapidly evolve and fluctuate throughout 2021 and 2022, and the Company will continue to monitor the effects of COVID-19 on its business in Canada and around the world. The extent to which COVID-19 may impact *dynaCERT's* business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the emergence of variants of concern, the geographic spread of the disease, the duration and degree of future waves of infection, business closures or business disruptions, public health restrictions on travel and in-person interactions, and the effectiveness of actions to contain and treat the disease in Canada, the United States, Mexico, Europe, South America, the Middle East and India, and other markets where the Company may seek to offer its products. The Company cannot presently predict with accuracy the duration, scope, and severity of any potential business closures or disruptions, or the overall effects of COVID-19 on its business over time. Though many shutdowns and restrictions have been lifted and businesses have re-opened in many parts of the world, future shutdowns or other business interruptions could result in material and negative effects on the Company's ability to conduct its business in the manner and on the timelines presently planned, which could have a material adverse impact on the Company's business, results of operation, and financial condition.

***dynaCERT* Facilities and Dealers**

The Company operates in many jurisdictions around the world with owned facilities in Canada and through agents and dealers in Canada and internationally. The Company's headquarters are located in Toronto, Canada where accounting, sales, engineering, R&D, manufacturing, and distribution operate. The Company, through its *dynaCERT* GmbH division, has an office and warehouse in Germany where it provides sales, engineering support, parts warehouse and quick-delivery services to its European clients of the HydraGEN™ family of products. In September 2021, *dynaCERT* GmbH moved to a new facility in Upper Bavaria.

With now 47 qualified agents and dealers operating in over 55 countries worldwide, the *dynaCERT* HydraGEN™ line of products is ready to be presented to a market potential of more than 100,000,000 vehicles.

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In 2021 and 2022, the Company signed the following new Dealers in the respective jurisdictions outlined below:

- ZÜKO AG, Switzerland & Fürstentum Lichtenstein
- 6TAVADA LDA, Portugal
- SSiE, Canada
- ESAMETAL S.r.l., Italy
- SIMMAX Power Generation, Canada
- Simply Green Ltd, Canada
- 6TAVADA Iberica SL, Spain
- GridFix, Australia
- ACR Industrial Supplies, Colombia and Peru

Municipalities and Utilities

In November 2022, Alectra Utilities Corporation (“Alectra”), the largest municipally owned electric utility in Canada by customer base, purchased seventy-three (73) dynaCERT HydraGEN™ Technology Units. This purchase order following Alectra’s successful pilot programme, under which an initial 15 units were purchased. Alectra has now purchased a total of eighty-eight (88) HydraGEN™ Technology Units. Alectra has been recognized by the Windfall Ecology Centre, a Canadian non-profit social enterprise, for its use of dynaCERT’s HydraGEN™ Technology to reduce the emissions and fuel costs of fleet vehicles.

Commencing in August 2022, dynaCERT announced the installation of ten (10) HydraGEN™ Units on a variety of diesel-powered vehicles for the City of Timmins (“Timmins” or the “City”) in Ontario, Canada. Timmins has committed to run a very comprehensive pilot programme to determine the economic, social, and governance (“ESG”) objectives of the City. The deployment of the benefits of dynaCERT’s Technology will be closely monitored on vehicles employed by the City of Timmins. Both fuel reductions and emissions will be meticulously monitored with dynaCERT’s HydraLytics™ proprietary telematics technology and other accepted methods of measurement for such purposes. Deployment of these innovative technologies commenced in September 2022 on an initial selection of the Timmins Fleet to determine emission reductions and fuel savings specific to their current utilization. Buses, co-collection trucks, landfill equipment, and Public Works diesel-powered equipment have had HydraGEN™ Technology installed. Timmins is a City surrounded by a progressive mining and forestry community and distinguishes itself as being dynaCERT’s first City in Canada where the need for such GHG savings technologies requires the robust ability to function in Canada’s severe Northern climate on a year-round basis. dynaCERT and the City of Timmins have agreed that, for such purposes, the pilot programme will run well into the Canadian winter months to ensure compliance with the City’s short term and long term GHG objectives.

dynaCERT is also working with Provincial and Federal Governments, several municipalities, and power utility providers across Ontario supplying quotes and extensive analyst reports for their fleets showing the potential fuel savings and more importantly the emissions reductions and Greenhouse

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Gas reductions that could potentially be realized with the utilization of HydraGEN™ “Carbon Emission Reduction Technology”.

In September 2020, two MAN Euro VI dump trucks of the Austrian Province of Carinthia’s public services were equipped with the HydraGEN™ technology.

The Company has equipped a conventional public transit bus and a recycling packer truck diesel of the City of Woodstock, Canada (“Woodstock” or the “City”) with the Company’s HydraGEN™ HG2R technology units.

Sparta Group

The Company signed a dealer agreement with Sparta Group’s affiliate, TruckSuite Canada Ltd., and received a corresponding purchase order for 150 the Company’s HG1 units. The fulfillment of this order was initially delayed, largely due to the COVID-19 pandemic. Of the 150 unit purchase order, Sparta has taken delivery of 10 units under this order to date. With the US border now open to cross-border traffic, the Company and Sparta Group continue to discuss delivery of the foregoing units and the Company’s US sales team is currently working with Sparta Group on its marketing plan for these units.

***dynaCERT* International Strategic Holdings Inc.**

The Company has established a 100%-owned subsidiary called *dynaCERT* International Strategic Holdings Inc. (“DISH”) to be used to support efforts worldwide with investments in strategically unique and exceptional CleanTech innovators directly related to *dynaCERT*’s business.

United Nations Smart Sustainable Cities

In August 2020, the Company received the Smart Sustainable Company Rating Seal based on the results of the rigorous analysis of Triple-A Analytics GmbH of Austria (“Triple-A”). This honourable distinction of *dynaCERT* and its HydraGEN™ technology as it applies to the United Nations Sustainable Development Goals and the United Nations Global Compact Principals has been evaluated as “high”, the highest global ranking in its category.

In *dynaCERT*’s Triple-A Smart Sustainable Company Evaluation, Triple-A reports that the United Nations Sustainable Development Goals and the Paris Climate Accord form the world’s strongest common agenda for achieving peace and prosperity on a healthy earth.

The extraordinary Triple-A endorsement of *dynaCERT* allows its dealers to engage with cities with the assurance that the Company’s HydraGEN™ technology has a significant contribution to the Sustainable Development Goals.

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Technology Validation, Certifications and Advancements

Independent testing with HG1 units now having the new DYA Smart ECU began in June 2017 at the North American-accredited PIT Group in Quebec. The PIT Group report found that the HydraGEN™ technology HG1 unit provided a 5.9% improvement in fuel consumption. Testing also proved that emissions were reduced significantly - CO by 48.1%, THC by 50.0%, and NOx by 46.1%, all of which exceeded *dynaCERT*'s estimates.

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

In May 2018, the Company began testing for the Homologation Certification process of the Transport Ministry of Germany, Kraftfahrt-Bundesamt ("KBA"), in cooperation with TUV NORD and TUV SUD in Germany to European standards for an Allgemeine Betriebserlaubnis ("ABE") (the general operating permit) that is required for all equipment used on pan-European road vehicles.

In August 2019, the Company received the ABE Homologation from KBA. In 2019, and 2020, the German Federal Motor Transport Authority (KBA) issued a general operating license (ABE) for *dynaCERT*' HydraGEN™ technology on the basis of UN-ECE Regulation 143 for MAN & Mercedes engine families.

The Company's "Smart ECU" has shown significant advantages and improvements over the older version of the ECU in several key areas: reading, collecting, storing and transmitting of data and altering the flow of gases produced; GPS capability; providing General Packet Radio Service ("GPRS") capability for remote access and allowing for future tracking.

In July 2020, the Company reported that in the United Arab Emirates, where the Company has an active dealer, Castle Star General Trading LLC, the Company's products have received homologation of *dynaCERT*'s HydraGEN™ technology by way of seven (7) unique Certificates of Conformity and Schedules of Certification under the Emirates Conformity Assessment Scheme, based on recent TUV South testing in Germany. The Company's products can now be offered to numerous markets in Dubai and other parts of the UAE and the Middle East.

Research and Development Initiatives

Generally, the Company's HydraGEN™ Technology has depended entirely on R&D expenditures related to securing the Company's line of innovative patents, patents-pending and associated global trademarks showcasing the Company's advancements in Hydrogen Technology.

More specifically, on the Company's HG1 models, the Company has reduced the number of unique parts from over 300 to under 210 in order to reduce costs (making the product more robust, easier to manage, assemble and service), enhanced the engineering of the HG1 to allow it to function in high temperature and low temperature climates and environments, enhanced safety features of the

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HydraGEN™ technology, and made the product more user friendly, such as with the automatic distilled water filling mechanism.

On its HG2 models, the Company has developed these units to adapt *dynaCERT*'s HydraGEN™ Technology that was originally developed for the HG1 to work on smaller size diesel engines (under 8 litres of displacement and for refrigerated trailers (“Reefers”) in order to address a sizeable world market for such smaller engines.

Using the HydraGEN™ Technology, several years of R&D by the Company also resulted in the larger HGxC series of products, namely the HG4C and HG6C products, which are to be used primarily in heavy mining industry vehicles and construction equipment markets.

R&D expenditures have also consisted of expenditures that are required for PIT Group studies in Canada and subsequently for German Homologation and India's iCAT certification requirements.

dynaCERT also spent required R&D funds to develop its original Smart ECU and the current model Smart ECU2, developing both the hardware and related software and, over time, the related continuous enhancements, as well as reporting software, thereby providing alarms and warnings to both users and *dynaCERT* remotely in real time.

In furthering the functionality of the Smart ECU versions, *dynaCERT* has also developed its HydraLytics™ Telematics system and subsequent enhancements whereby users can monitor both carbon emissions savings and fuel savings in real time for each vehicle outfitted with HydraGEN™ Technology units. See “Business Developments – HydraLytics™ Telematics”.

As more HydraGEN™ units are deployed in the field, *dynaCERT* continues its R&D to further enhance its line of HG1, HG2, HG4C and HG6C products, and HydraLytics™ services to end users.

dynaCERT's HydraGEN™ electrolyser has gone through a series of transformations over the past 17 years to meet market demand. *dynaCERT*'s Alkaline Hydrogen HG3 electrolyzer is best suited for hydrogen applications up to a pressure of 15 bars and production capacity requirements of up to 500 L/hour. The stackable horizontal design makes it capable to meet higher hydrogen and oxygen demand.

dynaCERT's R&D Department has commenced developing a larger-volume AEM electrolyser to produce Hydrogen Gas under pressure in larger quantities than its current HydraGEN™ technology. This has been done to date using current and available known technologies while R&D developed a unique Flow Field Plate and applied for a patent for this plate, which is unique to the industry. AEM technology, although not new to the industry, to date has not been widely used or understood.

Refer to "Results of operations for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021", for a breakdown of expenditures on research and development initiatives for the three and nine months ended September 30, 2022.

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PRODUCTS

HG1

dynaCERT's flagship product offering for the HG1 line includes the HG1B and HG1R models in both 12vdc and 24vdc versions, which targets the 10 to 15 litre diesel engines. These HG1 units are now in production and are outfitted with the latest SMART ECU2 controller. The Company has initiated a Continuous Product Improvement (CPI) program that is focused on making enhancements to the manufacturing operation to improve product quality. When operating at capacity, it is anticipated that the Company will be able to produce 6,000 HG1 units per month in its Toronto assembly facilities. New assembly line equipment has been engineered and was implemented in early 2020. The Company has also now implemented systems based on Automotive Industry Action Group (AIAG) and ISO standards. Each unit manufactured has real time traceability for all Quality Inspections performed and logged digitally to the Company's ERP database. All supplied significant components are also traceable to the source and quality checks are performed. Layered audits are performed regularly to ensure that the integrity of these processes are sustained. All customer feedback is reviewed by *dynaCERT's* Engineering group and vetted through the Company's formal engineering change process.

The upgrades to the HG1 feature fewer moving parts, less electrical connections, a simpler design and more user-friendly operation than the existing HG145 units that had been deployed since early 2017. *dynaCERT* continues to offer existing customers with the latest upgrades to ensure its continued goodwill with end-users.

HG2

The Company launched the marketing of its HG2 line of on-board, on demand hydrogen delivery system for diesel engines in August 2019. After approximately two years of R&D, testing, verifications, modifications, and re-designs, HG2R units with HydraGEN™ technology products are available and being shipped.

The HG2 unit is reduced in size from the HG1 unit. The HG2R unit is suited for smaller diesel engines than those that are specifically suited to the HG1 line of HydraGEN™ technology. The HG2R unit is designed to be appropriate for those displacement diesel engines used in Buses, Class 2 to Class 7 trucks, Refrigerator Trailers and Containers ("Reefers"), Mobile Construction Equipment, Small Generators, and Smaller Trucks commonly found outside of North America, such as in European countries and in India and Pakistan. This market size represents approximately 20 million applications in North America and similar sized market opportunities in each of the European and Asian markets.

dynaCERT's engineers were successful in combining the benefits of two prototype HG2 models into one single more advanced and powerful model. The HG2R model includes a completely newly developed HydraGEN™ technology reactor design, a built-in water tank, a climate control system and *dynaCERT's* Smart ECU2. Under normal operating conditions, the HG2R unit will produce

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hydrogen (H₂) gas flows suitable for diesel engines from 2 to 8 litres in displacement.

HG4C & HG6C

dynaCERT's product offering also includes the HG4C targeted for 40 to 60 litre engines, and the HG6C targeted for 60 to 100 litre engines, as used in the stationary generator market in mining applications and also for the large rock hauler trucks used in open pit mines for above ground mining. This is a result of many discussions with producing mining companies that are operating mines globally, that have set corporate goals to reduce their environmental footprint. These new models have multiple HG1 reactor units inside a single large case. They are outfitted with a large distilled water tank for longer use between refills. The cases are temperature-controlled, in certain cases for up to +50C to as low as -40C functionality with availability of an additional heating system. Each case has an air filtration system to reduce dust ingress.

As models are already custom configured to match the particular model and horsepower of the end user's engine, multiple units can even be ganged together for a single engine that is larger than 100 litres.

SALES

Sales mostly represent units bought and installed on larger fleets or companies that are running initial pilot projects while closely monitoring the fuel savings and emission reductions with the support of *dynaCERT* and our HydraLytics™ telematic software installed.

During the three months ended September 30, 2022, the Company recognized sales of \$69,088 through the sale of 9 HydraGEN™ units. During the nine months ended September 30, 2022, the Company recognized sales of \$263,864 through the sale of 29 HydraGEN™ units respectively to dealers and clients.

Global Mining Industry

In Q1 2021, *dynaCERT* shipped or received confirmed orders of its flagship HG1 HydraGEN™ technology units as well as its sister HydraGEN™ HG2R, HG4C and HG6C large capacity units to international mining companies operating in Russia, China, Chile, Brazil and Peru through sales to its arms-length dealer H2Tek which specializes in the sale of HydraGEN™ technology in the mining industry. H2Tek is sponsored internationally by Export Development Corporation, a Crown Corporation of Canada. Mining operations are deploying *dynaCERT's* proprietary HydraGEN™ technology globally. The HydraGEN™ HG4C and HydraGEN™ HG6C large capacity units have been deployed in open pit mining operations on large 50 & 68-litre diesel engines that operate in hostile climates where temperatures dip to -40 degrees Celsius and are located in very remote areas of the planet. Other major mining companies in South America and Australia are also trialing HydraGEN™ units where their open pit mine temperatures could reach +50C deep in the pit and with limited air ventilation causing air pollution inversions.

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Trade Shows

dynaCERT was an exhibitor at the Truck World Show in Toronto, from April 21, 2022 to April 23, 2022. Truck World is a trade & industry event. The Show is a meeting place for Canada's trucking industry, featuring everything related to trucking: equipment, innovations, connections, and solutions, featuring over 500 exhibitors and new products showcase, including *dynaCERT*'s flagship HydraGEN™ line of global solutions to reduce pollution.

dynaCERT was an exhibitor at the Prospectors and Developers Association of Canada ("PDAC") Convention held in person from June 13-15, 2022, at the Metro Toronto Convention Centre (MTCC). The PDAC 2022 Convention is the world's premier annual exploration and mining event and welcomed 17,445 investors, analysts, Indigenous leaders, mining executives, geologists, government officials and students after more than two years of uncertainty for major events.

In May 2022 and again in September 2022, *dynaCERT* presented at the International Investment Forum ("IIF"). IIF provides invited board members of listed companies to present directly to high net worth individuals and institutions, without distraction, in a Zoom interview. Questions can be asked via chat and are answered live. The International Investment Forum brings together interested investors with selected listed small and mid-caps from around the world. At the last IIF, over 1,000 participants from all continents registered for this digital event.

The Company was also an exhibitor at the Canadian Utility Fleet Forum ("CUFF") hosted by the Canadian Utility Fleet Council from October 24, 2022, to October 26, 2022, in Toronto (Canada). CUFF is the only trade show that brings together fleet decision makers from across Canada driving safety and reliability with utility equipment manufacturers in North America. Fleet representatives and suppliers exchange ideas, best practices, as well as discussions on shared challenges to find solutions that benefit the safety of the Canadian Utility Worker.

From September 20th to 25th, 2022, the Company participated in exhibiting at the IAA Transportation Trade Show 2022 in Hanover, Germany. IAA Transportation, under the motto "People and Goods on the Move", is the world's largest platform for transport and logistics and hosted over 2,000 exhibitors from across the world. More than 250,000 attendees were estimated to have attended during the six days of the show. IAA Transportation presents the world of buses, van, trucks, trailers and bodies in all its facets. The exhibition provided content for all aspects of sustainable, social, technical, economic and political aspects of global transport.

LEGAL MATTERS

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

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The defendant filed a Statement of Defence and the action is proceeding to discovery, however, the COVID-19 pandemic resulted in a delay of the scheduled examinations. In January 2021 and again in September 2021, both parties held examinations for discovery and the Company awaits answers to undertakings and refusals, including production of additional documents. A mediation of this dispute took place in April 2022 and negotiations continue.

BUSINESS DEVELOPMENTS

HydraLytica™ Telematics

In 2019 and 2020, the Company made significant advances of its telematics software in order to better demonstrate the effectiveness of its products to end-users.

dynaCERT formally launched its vehicle telematics device and software (“HydraLytica™”) in July 2019, enabling easy access to fuel savings and carbon emission reduction reports from diesel-powered vehicles and machinery equipped with the Company’s HydraGEN™ technology.

The Company provides its dealers and clients such as construction companies, truckers and fleet owners equipped with the HydraGEN™ technology with HydraLytica™ Telematics so that they can easily monitor from their computers an automatically-calculated savings of diesel and carbon emissions while the vehicle is in use.

HydraLytica™ receives data directly from a truck’s on-board-diagnostic port (the “OBD port”), and communicates this data to *dynaCERT*’s cloud server remotely. At the time of activation of a HydraGEN™ unit the new software records, from the OBD data, the total lifetime mileage and lifetime hours used and calculates fuel consumed. Once the HydraGEN™ unit is operational, HydraLytica™ determines fuel consumption, average speed and distance traveled, and calculates fuel savings and reductions of polluting emissions in kilograms of CO₂ equivalent (“CO₂e”). CO₂e is the basis of calculating Carbon Credits.

The HydraLytica™ software is designed to allow *dynaCERT* to provide documented proof to the market of the effectiveness of the HydraGEN™ technology as stated. Since the data used and processed is taken directly from a vehicle’s OBD port, HydraLytica™ removes any doubts about the performance of the HydraGEN™ technology as it does not rely on any human interpretation which could possibly be biased. With HydraLytica™, users will receive viewable and written confirmation direct from their own diesel engines that its HydraGEN™ technology is working and have peace of mind regarding performance.

HydraLytica™ software also enables a user to access telematics information from any location equipped with an internet connection. The HydraLytica™ software also clearly displays historical daily and weekly travel data after the HydraGEN™ technology has been installed on a vehicle. HydraLytica™ continuously maps the routes and locations of vehicles, both in real time and historically, and displays when the vehicle is moving or stationary or when its ignition is off. The

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intuitive user-friendly software of HydraLytics™ allows truckers and fleet owners to review historical and current performance of their on-road and off-road vehicles.

Patents and Proprietary Technology

dynaCERT has several patent applications filed in the US, Canada and other parts of the world, and patents pending for different aspects of the HydraGEN™ technology. These are progressing through the normal patent application process. The Company's R&D team has made improvements to its existing HydraGEN™ technology, and the Company has filed additional claims capturing those improvements.

Below are some of the key patents and patent applications in *dynaCERT's* patent portfolio:

Patents Granted

The Company now owns 18 distinct patents for different countries around the world.

On April 9, 2019, the Company was granted a US Patent number 10,253,685, called "Method & System for Improving Fuel Economy & Reducing Emissions of Internal Combustion Engines". The Canadian version (patent application number 2882833) of this patent was granted on June 4, 2019 and issued to the Company on September 17, 2019. A continuation application with additional claims to US Patent number 10,253,685 was filed on February 20, 2019 and a US Patent number 10,494,993 was issued on December 3, 2019. Another continuation application, (application number 16,661,575), which was filed on October 23, 2019, was issued a patent (patent number 10,883,419) on January 5th, 2021.

On September 3, 2019, the Company was also granted another key US Patent number 10,400,687, called "Management System and Method for Regulating the On-Demand Electrolytic Production of Hydrogen and Oxygen Gas for Injection into a Combustion Engine", which is referred to by the Company as the "Smart ECU patent". The embodiments of this US Patent relate to a management system and method that can simultaneously reduce polluting emissions and improve the performance of an internal combustion engine by: determining *dynaCERT's* reactor performance level or calculating the amount of gas being generated by *dynaCERT's* on-demand electrolytic reactor; monitoring the engine performance level, determining whether the engine performance level would change (i.e. decrease or increase), or remain the same to forecast a future engine demand level; adjusting the reactor performance level to improve the engine performance ahead of the forecast future engine demand level materializing to minimize parasitic loss associated with reactors operating continuously (i.e. reactors that are not capable of adjusting their performance level or the level of produced gas according to the real time engine performance level) and, thereby, improving the engine performance and reducing emissions.

Following a PCT application in 2017, patent applications have been filed in Canada and other countries and are awaiting review. The Mexican application has been granted and patent number 380442 has been issued. The Russian application has also been granted and patent number 2748712

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has been issued. The Chilean application has been granted and patent number 63.777 has been issued. The Chinese application has also been granted and patent number ZL2017800653620 has been issued.

The EPO (European Patent Office) application (application number 17862395.5) has been allowed, and the patent has been registered in Germany, France & the UK. The Saudi Arabian application (application number 519401612) has been granted and patent number 9216 has been issued. The Israeli application (application number 265880) has been granted and patent number 265880 has been issued.

Additionally, the applications that were filed in Israel (265880), Saudi Arabia (519401612) and China (201780065362) have been allowed.

Patent Applications

Some of the significant patent applications are described below.

Two continuation applications (number 16,514,460 and number 16,514,543), claiming the benefits of the US Patent number 10,400,687 ("Management System and Method for Regulating the On-Demand Electrolytic Production of Hydrogen and Oxygen Gas for Injection into a Combustion Engine") were filed on July 17, 2019. These applications have been granted, and patent number 10934952 and patent number 10961926 have been issued. Another continuation application (application number 17184005) which was filed on February 24th, 2021, has been granted and patent number 11268458 has been issued. Another continuation application (application number 17582527) which was filed on January 24th, 2022 is currently pending examination.

Following a PCT Application in 2018 entitled "Systems and Methods for Tracking Greenhouse Gas Emissions Associated with an Entity", patent applications have been filed in Canada, USA and several other countries around the world. This application (PCT/CA2018/051235) is a method to securely and accurately capture and transmit data on greenhouse gases associated with the following: Residential Entity (single-family residence, townhouse, condo, apartment building), Industrial Entity (factory), Commercial Entity (medical building, educational institution), Power Generation Entity, Railway Entity, Marine Entity, Aviation Entity, On-Road & Off-Road Entities (trucks, cars, buses, ATVs), Agricultural Entity (tractors, combines, barns). The Company also included fertilizers, pesticides and other chemicals and carcinogens in its patent scope. *dynaCERT's* data collector, the Smart ECU, when attached to the emission source by way of sensors or any other measuring devices, can directly measure emissions output.

When the data is collected for the first time, it goes through a series of validation processes in order to determine an emission offset measurement based on an emission baseline. The output data is encrypted and then transmitted to a portal or platform where the data is analyzed to determine any changes in emissions output to validate compliance, determine amount of greenhouse gas credit or offset such as Carbon Credits required for trading.

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The Russian application (application number 2020114937) has been granted and patent number 2767291 has been issued.

The USA application (application number 16837032) has been granted and patent number 11270319 has been issued. A continuation application (application number 16875843) which was filed on May 15th, 2020 has been granted and patent number 11,416,872 has been issued.

Following a PCT Application in 2019 entitled "Systems and Methods for Improving Fuel Economy of Internal Combustion Engines", patent applications have been filed in Canada, USA and Mexico.

The USA application (application number 17050892) has been granted and patent number 11,339,730 has been issued.

Carbon Credits

Management believes an opportunity exists to monetize carbon credits from the HydraGEN™ technology operating on diesel engines. Toward this goal, the Company's patented "Smart ECU" can allow the receipt of allocated Carbon Credits through a European platform which is consistent with the requirements resulting from the Paris Accord.

In recognition of the importance of Carbon Credits, dynaCERT has entered into a contractual agreement with International Environmental Partners Limited ("EP") of the UK, and its President, Ms. Monika Wojcik, to manage two different but significant dynaCERT applications in the certification of the carbon reductions generated by its HydraGEN™ technology: (a) Verra, a highly recognized international certification organization based in Washington, DC; and, (b) the Clean Development Mechanism (CDM) for developing countries which has been administered globally since April 6, 2007 by the United Nations offices in Bonn, Germany, and which bases its criteria as a result of an EU Directive 92/57/EEC (OJ L245, 26.8.92) in the Kyoto Protocol (see Press Release dated June 7, 2018). EP is a Sustainability Advisor, Carbon & Biomass trader with relevant knowledge and data of over 15,000 carbon projects from all over the world. dynaCERT, working with these consultants, is placing its products in the front line to help HydraGEN™ technology end-users earn Carbon Credit Certificates from the emissions reductions in the transportation industry, a world-wide leading origination that has not been previously possible.

In November 2019, dynaCERT announced that the advancement of its application for a new Carbon Emission Reduction Methodology to develop Carbon Credit projects from its HydraGEN™ technology and HydraLytics™ Telematics abilities to reduce carbon emissions on a world-wide basis. With the support of EP, the Company has completed and submitted the application to develop a new Methodology to obtain Carbon Credits from the planned Carbon Credit projects which would be made available to dynaCERT clients. The application, submitted to Verra (www.verra.org) under its VCS programme, specifies an all-new Carbon Emission Reduction Methodology. The proposed Methodology uses the Company's patented HydraGEN™ technology to lower carbon emissions and its HydraLytics™ Telematics technology to securely record carbon emissions and other non-personal data from diesel and gas engines (see Press Release of June 7, 2018). Verra has furthered

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the application through multiple internal reviews.

In January 2021, dynaCERT announced that Verra has approved the concept note of the Company that is designed to secure Carbon Credits by deploying dynaCERT's patented HydraGEN™ technology and HydraLytica™ Telematics on a global basis.

On October 18, 2021, dynaCERT announced that the executive management of Verra, which manages the world's largest greenhouse gas program, the Verified Carbon Standard ("VCS"), has announced to dynaCERT that its Methodology in respect of its Carbon Credit Certification has reached a new important stage. As part of its normal required process of certification, Verra has advanced dynaCERT's Carbon Credit Methodology to its Global Public Comment Stage in order to meet Verra's Verified Carbon Standard. Verra has indicated that: "This Methodology applies to project activities that improve efficiency of vehicle fleets and mobile machinery (e.g., fleets of trucks, buses, cars, taxis or motorized tricycles, excavators, cranes), resulting in reduced fuel usage and GHG emissions. This Methodology is globally applicable."

On March 17, 2022, notification was received by the senior programme officer of Verra that Verra posted the request for proposals for the Validation/Verification Body ("VVBs") on its website and sent it out to the list of accredited VVBs. The accredited VVBs had until March 30, 2022, to submit proposals.

On July 13, 2022, the Chief Program Development and Innovation Officer of Verra signed an agreement engaging Earthhood Services Private Limited ("Earthhood") to provide independent third-party verification services related to dynaCERT's Carbon Credit Methodology.

In summary, dynaCERT and Verra have achieved the following steps in regard to dynaCERT's Carbon Credit initiatives:

- dynaCERT Inc., the developer under the VCS programme, pursuant to the VCS rules of Verra, has, in October 2021, prepared the methodology submission and documentation and completed Step 1 as set out in Verra's methodology process.
- Verra has reviewed the methodology documentation as set out in Step 2 of its methodology approval process and has conducted its stakeholder consultation with the public as set out in Step 3 of its approval process which was completed after proposals were submitted in March 2022.
- As Step 4 of Verra's approval process, Verra contracted with a Verra approved Validator to provide services in respect of the "Validation of the Methodology" in accordance with the terms and conditions set out in the agreement and the VCS Rules.
- Accordingly, on July 13, 2022, Verra entered into a contract with Earthhood Services Private Limited (Earthhood") whereby Earthhood was engaged to conduct the validation of the dynaCERT's methodology in accordance with VCS Rules.

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- *dynaCERT*, Earthhood, Verra and EP are now currently engaged in completing the VCS process with a view to *dynaCERT*'s Carbon Credits achieving Verra's Verified Carbon Standard.

PERFORMANCE MILESTONES AND VERIFICATION UPDATE

European Homologation

In August 2019, *dynaCERT*'s wholly-owned European subsidiary, *dynaCERT* GmbH obtained from Kraftfahrt-Bundesamt (“KBA”), the Transport Ministry of Germany, the Allgemeine Betriebserlaubnis (“ABE”) National Type Approval (“Homologation”). ABE Homologation, which emanates from KBA, permits the marketing, sales, installation and use of *dynaCERT*'s HydraGEN™ technology in Germany. The ABE provided by the KBA is a National Approval. Other countries may accept the ABE and give an approval based on it such as Switzerland. The International Standard are the UN-ECE Regulations that are valid in 60+ Countries.

Applications for ABE Type Approval must meet stringent testing and validations required by rigorous and exacting regulation in Germany. *dynaCERT*'s HydraGEN™ technology is the only hydrogen on demand gas supply system that has ever been approved by KBA and received Homologation for the ABE Type Approval. This unique advantage gives *dynaCERT* a lead in hydrogen-based technology and provides a strong market benefit as well as a barrier to entry for imitators and possible competitive technologies. The addressable market of *dynaCERT*'s HydraGEN™ technology has expanded significantly and globally with the addition of this first-in-kind ABE Homologation.

As a result of its reputation for excellence, the acceptance of an ABE Homologation is monitored by other countries on every continent of the globe. In regulating their transportation industry, many countries and jurisdictions world-wide rely on the ABE Homologation as the unequivocal standard of due diligence and excellence for the regulated use of new expertise, such as *dynaCERT*'s HydraGEN™ technology.

dynaCERT's HydraGEN™ technology underwent thorough testing to obtain ABE Homologation. Moreover, the ABE Homologation from KBA required approximately 26 months of proofs of concept, testing, validations, verifications, confirmations, authentications, rigorous trials with strict protocols, scientific analysis, exacting reviews using both on-road and in-laboratory methods and accompanying certified reports. Numerous engineers, combustion specialists and automotive experts, including world-renowned authorities in Europe, such as Continental EMITEC, TÜV Nord, TÜV Süd, were consulted and relied upon by KBA in granting the ABE Homologation.

The new HG1R24 and HG2R24 Euro-versions of the HydraGEN™ technology have completed and passed the EMC and mechanical testing and the testing submissions have been sent to the KBA for finalization of what is termed in Germany as a ‘Delta Approval’ which is required when products that have already passed ABE Certification get upgrades from the manufacturer.

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The Delta Approval of the KBA was approved on November 10, 2021.

RESULTS OF OPERATIONS

Results of operations for the three months ended September 30, 2022 compared to the three months ended September 30, 2021

The Company reported a loss and comprehensive loss from operations for three months ended September 30, 2022 of \$3,281,431 compared to \$2,654,208 for the three months ended September 30, 2021. Revenue decreased by \$23,396 during the current period compared to the prior period. See Sales section.

Key influencers to the increase in expenditures are:

- During the three months ended September 30, 2022, cost of goods sold increased by \$273,766 compared to the prior comparative quarter as the Company continued to apply the approach regarding the determination that specific employees wages were directly related to the production of HydraGEN™ products.
- Share-based compensation increased by \$1,670,534 in Q3 2022. This increase was due to the Company granting 7,593,335 stock options during the three months ended September 30, 2022, compared to the grant of nil stock options during the three months ended September 30, 2021.
- General and administrative expenses increased by \$276,971. The majority of this increase is due to a rebate receives for tax payments in Europe, a gain on extinguishment of AP, and timing of invoices.

Key influencers to the decrease in expenditures are:

- Research and development costs decreased by \$494,331 in the current period compared to the prior year comparative period as the Company's direct salaries related to cost of goods sold for HydraGEN™ products in the current year. In the prior period, salaries directly related to research and development.
- Business development costs decreased by \$740,991 in the current period compared to the prior year comparative period as certain current quarter expenses related to research and development, and expenses to loss on loans, investments, and prepayments. In the prior year comparative period, these expenses directly related to business development initiatives.
- Wages decreased by \$175,261 in the current period compared to the prior year comparative period as certain current quarter expenses related to research and development, and expenses to loss on loans, investments, and prepayments. In the prior year comparative period, these expenses directly related to business development initiatives.

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- During the three months ended September 30, 2022, the Company completed negotiations with a director of the Company for repayment of option loans of \$340,000. See “Loss on loans, investments, and prepayments”.

Results of operations for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

The Company reported a loss and comprehensive loss from operations for nine months ended September 30, 2022, of \$7,847,711 compared to \$9,925,417 for the nine months ended September 30, 2021. Revenue decreased by \$292,916 during the current period compared to the prior period. See Sales section.

Key influencers to the increase in expenditures are:

- As the Company did not qualify for the Canadian Emergency Wage Subsidy (“CEWS”) during the nine months ended September 30, 2022, expenditures increased by \$596,688 compared to the nine months ended September 30, 2021 as the Company received funds for CEWS during the prior year period.
- During the nine months ended September 30, 2022, legal and audit fees increased by \$568,057, related to the activities described in the section “Loss on loans, investments, and prepayments”, and increases in the audit fee.
- During the nine months ended September 30, 2022, cost of goods sold increased by \$1,294,839 compared to the prior comparative quarter as the Company continued to apply the approach regarding the determination that specific employees wages were directly related to the production of HydraGEN™ products.

Key influencers to the decrease in expenditures are:

- Share-based compensation decreased by \$1,426,786 in Q2 2022. This decrease was due to the Company granting 7,593,335 stock options during the nine months ended September 30, 2022, compared to the grant of 8,810,000 stock options during the three months ended September 30, 2021.
- General and administrative expenses decreased by \$104,060. The majority of this decrease was related to a write-off of prepayment software costs. See “Loss on loans, investments, and prepayments”.
- Research and development costs decreased by \$1,058,417 in the current period compared to the prior year comparative period as the Company’s direct salaries related to cost of goods sold for HydraGEN™ products in the current year. In the prior period, salaries directly related to research and development.
- Business development costs decreased by \$1,500,918 in the current period compared to the prior year comparative period as certain current quarter expenses related to research and development, and expenses to loss on loans, investments, and prepayments. In the prior comparative period, these expenses directly related to business development initiatives.

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- During the three months ended September 30, 2022, an employee repaid a loan of \$199,238, and the Company completed negotiations with a Director of the Company regarding a loan for \$340,000. See “Loss on loans, investments, and prepayments”.

Research and development expenditures vary depending on amount of work being done on product development and testing. To date, the Company has expensed all research and development costs. For a further discussion regarding the Company's R&D initiatives. See “Research and Development Initiatives” herein.

The following tables provide a breakdown of the Company's expenditures on R&D initiatives by product and component for the three and nine months ended September 30, 2022:

Total by component	Amount			
	Three months ended		Nine months ended	
	September 30, 2022		September 30, 2022	
Material	\$	175,784	\$	469,440
Labour		19,578		169,530
OH		234,348		589,111
Total	\$	429,710	\$	1,228,081

Total by Product	Amount			
	Three months ended		Nine months ended	
	September 30, 2022		September 30, 2022	
Hydralytica	\$	85,087	\$	174,559
AEM Electroliser		430,022		448,168
HG1 & HG2		77,601		605,354
Total	\$	592,710	\$	1,228,081

The Company's system for developing the breakdown of the Company's expenditures on R&D initiatives is prepared on a manual basis and not from the Company's internal computer systems. The details for this presentation are not available for the three and nine months ended September 30, 2021.

Loss on loans, investments, and prepayments

The Company incurred the following losses on loans, investments, and prepayments during the fiscal year ended December 31, 2021. Such losses were recorded after consultation with the Company's auditors, who noted questions regarding recoverability and cited insufficient audit evidence as the principal bases for recording such losses. Such assessments were made as of December 31, 2021.

Related party transactions

- During fiscal 2020 and fiscal 2021, the Company entered into a series of loans in connection with the exercise of stock options (“Option Loans”), including a loan in the principal amount

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of \$340,000 to a director and officer of the Company, and a loan in the principal amount of \$199,238 to an employee of the Company. During fiscal 2021 these individuals sold the underlying securities relating to their respective Option Loans. The Company recognized a loss on these unsecured Option Loans after considering the creditworthiness of the debt holders, and the Company's recourse options. All holders of loans related to option or warrant exercises have agreed to either repay their loans or return their shares for cancellation on or before December 31, 2022. Each holder has agreed to provide the Company with notice on or before December 15, 2022 as to whether repayment shall be made via cash or return of shares for cancellation (or some combination of the two). During the nine months ended September 30, 2022, a loan due from an employee of the Company, in the principal amount of \$199,238 was repaid.

- The Company acquired 20% of the issued and outstanding shares of Galaxy Power Inc. for consideration of \$250,000. Galaxy Power Inc. is a company controlled by two directors and officers of the Company that was set up exclusively for the purposes of advancing a pollution-free North America, focusing specifically on new Canadian Clean Technology developments and other forms of Clean Technology and related green fuels. Via its subsidiary, DISH, the Company invested \$250,000 to acquire 20% of Galaxy Power's equity. The business purpose of this investment was to enable the Company to benefit and participate in the possible growth and eventual commercialization of new originations of Canadian proprietary Clean Technology with no future commitments by *dynaCERT* nor DISH and to benefit from fees generated by Galaxy Power's general partner in connection with future capital raised via flow-through shares in Clean Technology companies. The Company also advanced a subordinate unsecured loan in the form prescribed in Appendix B of National Instrument 31-103 in the principal amount of \$150,000, bearing interest at 10% per year (prorated and calculated monthly) and maturing on December 31, 2023, to Galaxy Placements Inc., a company controlled by a director and officer of the Company that applied to become an Exempt Market Dealer. The business purpose of this loan was to provide Galaxy Placements with the minimum capital required in connection with its application for an Exempt Market Dealer registration, and to cover expenses of the company. The Company recognized a loss on both the investment and the loan after considering the lack of security for the loan, that there was no provision for a payment plan between the debt holder and the Company, and that no foreseeable future economic benefit is expected on the investment. In making such assessments, the Company noted that the federal government had not (as of the date of such determinations) yet approved the legislation upon which Galaxy Power's business plan was dependent (and accordingly, no contracts for investment had been entered into at such time). As Galaxy Placements was established to act as an agent or finder in connection with certain private placements of flow-through shares to partnerships formed by Galaxy Power (but did not yet have its Exempt Market Dealer license as of December 31, 2021), a similar assessment was made regarding recoverability and foreseeable economic benefit as at December 31, 2021.

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Other transactions

- During fiscal 2020, the Company acquired 20% of the issued and outstanding shares of KarbonKleen Inc. (“KK” or “KarbonKleen”) for consideration of \$516,479 (US\$367,000). Additionally, the Company provided a loan to KK in the principal amount of \$1,020,293 (US\$725,000). The Company has recognized a loss on the balance of the investment in KK of \$470,299, and a loss of \$976,459 for expected credit losses related to the loan with KK as the Company decided that it would no longer fund KK as KK does not appear to have, nor is it expected to have, the financial capacity to repay the loan and the investment. Although the Company determined that its loan and equity investments should be properly impaired as of December 31, 2021, that does not prevent KK from continuing to act as a 'regular' (i.e.: non-exclusive) Dealer (as its exclusivity vis-à-vis the US market expired as of December 31, 2021), nor from continuing to pursue fulfillment of its 3,000 unit purchase commitment under its previously agreed upon leasing program with DISH. Though the Company has no immediate expectations of revenues under the program, the Company continues to have dialogue with KarbonKleen on not less than a monthly basis.
- *dynaCERT* International Strategic Holdings Inc. (DISH), a wholly-owned subsidiary of *dynaCERT*, entered into a "25-month Development and Royalty Agreement" with Corsario Ltd. and GP Logix Inc., a wholly-owned subsidiary of Corsario of Mississauga (Canada), pursuant to which it made a prepayment of \$1,300,000. The Company recognized a loss on this amount as the work product being developed has not advanced as expected by the Company, resulting in significant uncertainty of the future economic benefit of the work product.

The Company's audit committee engaged independent legal counsel to assist them in examining the validity, legal standing, enforceability, and potential future recoverability of the above noted related party and other transactions. For a summary of the findings and conclusions of the review see “Internal Controls Over Financial Reporting – Material Weakness”.

LIQUIDITY AND CAPITAL

As at September 30, 2022, cash on hand was \$1,402,916 as compared to \$8,337,506 at December 31, 2021.

The Company had cash outflows from operating activities of \$6,775,892, which was due to a net loss for the period of \$7,847,711. The net loss was affected by non-cash adjustments of \$2,024,330, which is comprised of accretion and amortization of \$767,522, share-based compensation of \$1,670,534, interest paid of \$76,575, a write off of property and equipment of \$48,937, and reversal of loss on loans, investments, and offset by prepayments of \$539,238. Operating cash flows were affected by non-cash working capital items of \$952,511 which comprised of a decrease in amounts payable and other liabilities of \$595,328, an increase in inventory \$519,597, a net increase in

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accounts receivables and sales tax receivables of \$158,898, offset by a decrease in prepaid expenses of \$259,100, an increase in deferred revenue of \$62,212.

The Company had cash outflows from investing activities of \$82,462, which was due to the acquisition of intangible assets.

The Company had cash outflows from financing activities of \$76,176, which was due to lease obligation payments of \$375,414 and offset by proceeds related to the exercise of options of \$299,238.

The Company has granted loans to employees, officers, and directors in the aggregate amount of \$907,549. The foregoing loans were considered to be employee retention incentives, the business purpose of which was to assist optionees and warrant holders (who were also employees of the Company) with the exercise of their previously granted options and previously acquired warrants. During the year ended December 31, 2021, the Company determined that certain loans were impaired and recognized a credit loss provision of \$539,238 (refer to section "Loss on loans, investments, and prepayments"). As at September 30, 2022, employees, officers, and directors of the Company had loans by the Company in the aggregate amount of \$368,312 (December 31, 2021 - \$368,312). The loans are non-interest bearing and due on demand. The Company has demanded repayment of all option and warrant loans and all holders of loans have agreed to either repay their loans or return their shares for cancellation on or before December 31, 2022. Each holder has agreed to provide the Company with notice on or before December 15, 2022 as to whether repayment shall be made via cash or return of shares for cancellation (or some combination of the two). During the nine months ended September 30, 2022, the Company collected \$199,238 of loans which were previously impaired.

The Company expects to be financed primarily through future sales revenues and through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that future sales will be recognized or that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Caution Regarding Forward Looking Statements", and "Risks and Uncertainties".

On June 18, 2020, the Company completed a public offering of common shares which raised proceeds of \$8,367,400. The Company's intended use of proceeds set out in the Company's short form prospectus dated June 15, 2020 were primarily allocated towards the financing of raw materials and manufacturing and assembly costs in order to deliver finished goods inventory for a subscription program entered into between the Company (via DISH) and KarbonKleen Inc. in 2020 and other product sales. Due to operational and supply limitations arising due to the COVID-19 pandemic and the corresponding impact on the KarbonKleen transaction resulting in the impairment of the Company's investment in (and loan to) KarbonKleen (see "Loss on loans, investments, and prepayments"), the proceeds of the offering have been reallocated principally towards working capital and general corporate purposes. As of September 30, 2022, the Company has spent

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\$5,027,725 towards its expected allocation of \$5,839,440 allocated to financing raw materials and manufacturing and assembly costs.

Notwithstanding the proposed reallocated uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a further reallocation of funds may be necessary. The actual amount that the Company spends in connection with its intended uses of proceeds will depend on several factors, including those referred to under “Risks and Uncertainties” in this MD&A. It is difficult, at this time, to definitively project the total funds necessary to affect the planned activities of the Company. For these reasons, it is considered to be in the best interests of the Company and its shareholders to afford management a reasonable degree of flexibility as to how the funds are deployed as noted above, or for other purposes, as the need arises.

The reopening of the North American economy is driving a steel boom. While the Company's products use mainly stainless steel, the general increase applies to all steel products. This will potentially affect the cost of goods sold for the foreseeable future.

As at September 30, 2022, the Company had accounts payable and accrued liabilities of \$732,677 as compared to \$1,328,005 at December 31, 2021.

Going concern uncertainty

At each reporting period, management assesses the basis of preparation of the financial statements. The Company's unaudited condensed consolidated interim 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. dynaCERT's unaudited condensed consolidated interim 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, 2022, the Company incurred a net loss of \$7,847,711 (September 30, 2021 - \$9,925,417) and had negative operating cash flows of \$6,775,892 (September 30, 2021 - \$6,360,748). Although the Company has generated revenue from customer sales, the sales volumes achieved to date have not been sufficient to generate the margins required to cover the Company's operating costs and research and development costs. The Company has an accumulated deficit of \$96,223,538 since inception (December 31, 2021 - \$91,049,274).

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 virus on global capital markets. Management has determined that there is a

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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 the COVID-19 virus worldwide has caused significant economic contraction and uncertainty, resulting in delays in sales.

The military conflict between Russia and Ukraine may increase the likelihood of supply chain interruptions and political instability worldwide. Such disruptions could make it more difficult for the Company to source necessary materials and service providers at favorable pricing or at all. While it is difficult to estimate the impact of current or future European or other sanctions on the Company's business and financial position, these sanctions could adversely impact the Company's sales, costs, operations and/or development activities in future periods.

RELATED PARTIES TRANSACTIONS

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

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, 2022 and September 30, 2021:

Nature of Transaction	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Consulting fees paid to directors	\$ 80,992	\$ 91,285	\$ 271,418	\$ 330,456
Short-term benefits	66,000	283,820	198,000	425,730
Share based compensation	731,500	-	731,500	1,126,162
Rent	-	121,343	-	343,634
Total	\$ 878,492	\$ 496,448	\$ 1,200,918	\$ 2,225,982

The Company has a lease agreement with a former director of the Company; the amounts included in the table above are inclusive of the period while the former director, was a director of the Company.

Included in prepaid expenses as at September 30, 2022 is \$5,000 (December 31, 2021 - \$22,854) for advance payments of salaries to an officer and director of the Company for services.

During the nine months ended September 30, 2021 a director of the Company repaid an outstanding loan of \$362,350, which had an interest rate of 2.1% per annum. Total interest income earned on the loan amounted to \$nil for the three and nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$6,975).

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The Company incurred renovation expenditures of \$689,211 during the nine months ended September 30, 2021, which were paid to an entity controlled by the family of an officer and director of the Company. No such expenditures were incurred during the three and nine months ended September 30, 2022. As construction on the leasehold was completed, these amounts were transferred to leasehold improvements (See note 4 of the Company's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2022).

During nine months ended September 30, 2021, a loan of \$340,000 was granted to an officer and director of the Company (refer to section "Loss on loans, investments, and prepayments").

During the nine months ended September 30, 2021, an officer and directors of the Company exercised stock options pursuant to which they acquired an aggregate of 425,000 common shares (refer to section "Loss on loans, investments, and prepayments").

As at September 30, 2022 loans to key officers, and directors were outstanding to the Company in the aggregate amount of \$210,000 (December 31, 2021 - \$210,000) relating to share capital. The loans are non-interest bearing and due on demand.

The foregoing loans were considered to be employee retention incentives, the business purpose of which was to assist optionees and warrant holders (who were also employees of the Company) with the exercise of their previously granted options and previously acquired warrants.

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, 2022, the Company paid or accrued professional fees of \$15,135 and \$45,505, respectively (September 30, 2021 - \$15,000 and \$45,000, respectively) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting services.

SEGMENTED INFORMATION

The Company currently has one business segment, being the development, production and sale of hydrogen generating systems. *dynaCERT* has developed the next generation of Carbon Emission Reduction Technology for diesel engines in the global market, that also provides significant fuel savings to the operator. The Company's HydraGEN™ Technology uses simple electrolysis to turn distilled water into H₂ & O₂ gases that are produced on demand.

As at, and for the three and nine months ended September 30, 2022, the Company held \$nil of cash (December 31, 2021 - \$39,721) and incurred \$274,419 and \$387,280 (September 30, 2021 - \$163,166 and \$297,070) of expenses in Germany through its German subsidiary. The Company's subsidiary DISH holds the shares in the Company's investment in KarbonKleen.

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OFF BALANCE SHEET ARRANGEMENTS

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

SHARE CAPITAL TRANSACTIONS

During the nine months ended September 30, 2022, 333,335 stock options with a black scholes value of \$73,335 were exercised for proceeds of \$100,000.

CAPITAL MANAGEMENT

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

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

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

There have been no changes to the Company's approach to capital management during three and nine months ended September 30, 2022. The Company is not subject to externally imposed capital requirements.

OUTSTANDING SHARE DATA AS OF November 11, 2022

The Company has 381,817,515 common shares outstanding as of the date of this report.

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Below is a summary of the warrants outstanding as of the date of this report:

Expiry Date	Unit		\$ Value
	Price	Ending Quantity	
November 14, 2023	0.65	14,900,000	9,685,000
		14,900,000	9,685,000

Below is a summary of the stock options outstanding as of the date of this report:

Expiry Date	Exercise Price (\$)	Number of options outstanding
January 31, 2023	\$0.50	2,670,000
April 5, 2023	\$0.50	238,096
October 4, 2023	\$0.25	156,000
March 1, 2024	\$0.38	3,325,000
May 15, 2024	\$0.35	250,000
July 30, 2024	\$0.50	600,000
September 9, 2024	\$0.50	300,000
October 11, 2024	\$0.50	50,000
November 12, 2024	\$0.50	821,000
December 9, 2024	\$0.52	1,925,000
December 17, 2024	\$0.55	400,000
July 2, 2025	\$0.70	4,445,000
July 2, 2025	\$0.70	1,105,000
October 30, 2025	\$0.55	100,000
January 1, 2026	\$0.55	850,000
May 30, 2026	\$0.50	6,720,000
August 25, 2027	\$0.50	7,260,000
August 26, 2027	\$1.50	700,000
		31,915,096

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RISKS AND UNCERTAINTIES

Prior to making an investment, decision investors should consider the investment risks set out in the Annual Information Form (“AIF”), located on SEDAR at www.sedar.com, which are in addition to the usual risks associated with an investment in a business at an early stage of development. The directors of the Company consider the risks set out in the AIF to be the most significant to potential investors in the Company but are not all of the risks associated with an investment in securities of the Company. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Directors are currently unaware, or which they consider not to be material in relation to the Company’s business, actually occur, the Company’s assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company’s securities could decline and investors may lose all or part of their investment relating to the Company.

ACCOUNTING POLICIES

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, 2024. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, and evaluated the effectiveness of the Company’s disclosure controls and procedures and have concluded that, based on their evaluation, they are generally effective as at September 30, 2022 (other than in respect of certain material weaknesses that are set forth herein), to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.

INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)

The Chief Executive Officer and Chief Financial Officer are responsible for certifying the design of the Company's ICFR as required by Multilateral Instrument 52-109 – “Certification of Disclosure in Issuers' Annual and Interim Filings” and CSA staff notice 52-316 – “Certification of Design of Internal Control over Financial Reporting”. The Company's ICFR are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting standards. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable accounting standards;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of their inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer have evaluated the Company's ICFR and concluded that they are generally effective as at September 30, 2022 (other than in respect of certain material weaknesses that are set forth herein – see "Material Weaknesses"). Management follows the Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company has designed appropriate ICFR for the nature and size of its business, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with applicable accounting standards.

During the three and nine months ended September 30, 2022, the Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to the ICFR that have materially affected, or are reasonably likely to materially affect, the ICFR. Certain material weaknesses were identified through their evaluation which was based on the COSO model.

Material Weaknesses

On April 4, 2022, the Company announced that the Company's audit committee had engaged independent legal counsel to assist them in examining the validity, legal standing, enforceability, and potential future recoverability of certain related party and other transactions as disclosed in note 24 of the Company's audited financial statements in respect of the financial year ended December 31, 2021. The review by the Audit Committee was completed and the following is a summary of some of the findings and conclusions of the review. The Audit Committee, in consultation with its independent counsel, conducted a detailed review of each of the items referenced in the aforementioned note 24 of the Company's audited financial statements in respect of the financial year ended December 31, 2021.

This process included reviews of all documents, communications, correspondence, resolutions and supporting materials relating to each item, in addition to conversations between the Audit Committee's counsel and members of the Company's management. The Company is reporting on the following salient points from the Audit Committee's findings:

(a) Related Party Transactions

- Regarding loans granted to assist in the exercise of options and warrants, it was determined that such loans are unsecured and repayable on demand following provision of reasonable notice. As each of the option plan participants and warrant holders whose payments are outstanding have acknowledged their debt to the Company, it is anticipated that payment would be forthcoming following the issuance of a demand. Demands have now been issued and enforcement should not be necessary. All holders of loans have agreed to either repay their loans or return their shares for cancellation on or before December 31, 2022. Each holder has agreed to provide the Company with notice on or before December 15, 2022 as to whether repayment shall be made via cash or return of shares for cancellation (or some combination of the two). One of the option loans was repaid during the course of the review being completed.
- Regarding the Company's \$250,000 equity investment in Galaxy Power Inc., it was confirmed that the Company continues to hold 500,000 shares in the capital of Galaxy Power. In the absence of any further agreements entered into around this investment, the Company's rights in respect of its investment are limited to the rights of a common shareholder. Though there are no written restrictions on the Company's interest in Galaxy Power being diluted, management of Galaxy Power has confirmed that the Company's 20% interest will not be diluted in connection with any of its preliminary financing activities. The Company's shares in Galaxy Power are also subject to restrictions on transfer. Regarding the Company's \$150,000 loan to Galaxy Placements, it was confirmed that such loan is subordinate, unsecured, bearing interest at 10% per year (prorated and calculated monthly) and maturing on December 31, 2023. Repayment of this loan and interest is subordinate to the claims of all other creditors of Galaxy Placements and cannot result in a capital deficiency for Galaxy Placements.

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(b) Other Transactions

- The Company continues to hold 20% of the outstanding voting shares of KarbonKleen and its \$725,000 loan to KarbonKleen matured on December 31, 2021. There have been no units rented in 2022 under a rental program that the Company (via DISH) entered into with KarbonKleen in 2020 and KarbonKleen no longer has exclusivity in the United States. KarbonKleen's financial position is disclosed in the Company's financial statements, with no revenues having been recognized in the quarters ended March 31, 2022, June 30, 2022, and September 30, 2022.
- Regarding the royalty agreement among DISH (the Company's wholly-owned subsidiary), Corsario Ltd. and GP Logix Inc., it was noted that the agreement contemplated that a Joint Development and Commercialization Committee consisting of representatives of DISH, Corsario and the Company was to be established to oversee the development of the FreightTech platform.

The Company originally filed its consolidated financial statements and related MD&A for the year ended December 31, 2021, the three months ended March 31, 2022, six months ended June 30, 2022, and the nine months ended September 30, 2022 and statements for other prior periods. The Company was unaware of procedural errors in connection with some of the transactions from the Audit Committee Review and has concluded that certain material weaknesses in the Company's ICRF have become apparent. These include the following:

- In connection with option and warrant exercises by officers/ directors/employees of the Company), certain Treasury Orders were signed and issued without full payment for underlying shares, as payment was evidenced by loans.
- Certain loans were extended to optionees/warrant holders (who are officers/ directors/employees of the Company) without prompt reporting to the Board and CFO at the time of such loans and without adequate loan / security documentation, though such loans were subsequently ratified by the Board.
- Reporting of such share issuances and loans and related party transactions to the CFO and Audit Committee was only after such transactions were given effect to.
- The Board had adopted a resolution in respect of related party transactions that was weak insofar as it delegated approval for transactions that are not material (below \$250,000 (which is the threshold for materiality used in the Company's consolidated financial statements)) to the Investment Committee.
- Certain select transactions were entered into based upon discussions among Board members where Board approval could have been better documented.

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A review of the Company's consolidated financial statements for the year ended December 31, 2021, the three months ended March 31, 2022, six months ended June 30, 2022, and the nine months ended September 30, 2022 and prior periods has revealed that the procedural errors did not have a significant impact on the Company's consolidated financial statements.

dynaCERT is committed to improving its control environment. The Company intends to develop and implement procedures aimed at remediating the material weaknesses. The Company has adopted the following remedial measures:

- The Company has ceased the process of allowing option exercises without full payment of the exercise price in cash.
- The Company has demanded repayment of all option and warrant loans and all holders of loans have agreed to either repay their loans or return their shares for cancellation on or before December 31, 2022. Each holder has agreed to provide the Company with notice on or before December 15, 2022 as to whether repayment shall be made via cash or return of shares for cancellation (or some combination of the two).
- The Company has communicated with applicable regulatory authorities regarding the administration of the Company's stock option plan. In particular, the Company has reported the foregoing loans and share issuances to the TSX and the OSC. To date, neither the TSX nor the OSC has indicated whether any further remedial actions are being contemplated.
- The Company has reviewed and refined its process for the issuance of securities in consultation with its corporate legal counsel in connection with all future issuances of securities, which includes a prohibition on the issuance of shares without full payment in cash.
- The Board and the CFO will be provided with notification of all issuances and proposed issuance of securities (including confirmation of full (cash) payment of exercise/issuance prices).
- Board approval will be required for all related party transactions and other transactions that are not within the ordinary course of the Company's business and the prior resolution allowing for Investment Committee approval below a certain materiality threshold has been amended and replaced accordingly.
- Any material impairments of related party transactions require approval from the Audit Committee and the Board of Directors.
- The Company is reviewing its internal control documentation with its internal control consultant and will take such additional actions as are necessary or desirable to remedy the identified weaknesses.

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- Galaxy Power and the Company will be entering into an agreement to provide an anti-dilution covenant, whereby Galaxy Power will confirm its verbal commitment that the Company's 20% interest shall not be diluted through any preliminary financing activities of Galaxy Power.

Limitations of Controls and Procedures

The Company's management, including the CEO and CFO, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed.