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**DYNACERT INC.**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS**  
**THREE AND NINE MONTHS ENDED**  
**SEPTEMBER 30, 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**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, 2022	As at December 31, 2021
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,402,976	\$ 8,337,506
Accounts and other receivable	413,049	189,586
Sales tax receivable	191,303	255,868
Inventory (note 3)	3,296,459	2,776,862
Prepaid expenses (note 13)	229,381	488,481
<b>Total current assets</b>	<b>5,533,168</b>	<b>12,048,303</b>
<b>Non-current assets</b>		
Property and equipment (note 4)	1,729,080	2,107,560
Intangible assets (note 5)	915,448	957,572
Right-of-use asset (note 6)	1,387,583	1,700,976
<b>Total assets</b>	<b>\$ 9,565,279</b>	<b>\$ 16,814,411</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 13)	\$ 732,677	\$ 1,328,005
Deferred revenue	222,336	160,124
Lease obligation (note 7)	414,474	403,655
<b>Total current liabilities</b>	<b>1,369,487</b>	<b>1,891,784</b>
<b>Non-current liabilities</b>		
Lease obligation (note 7)	1,097,933	1,407,591
<b>Total liabilities</b>	<b>2,467,420</b>	<b>3,299,375</b>
<b>Shareholders' equity</b>		
Share capital (note 9)	90,462,830	90,629,495
Warrant reserve (note 11)	1,119,998	1,403,573
Share-based payments reserve (note 10)	11,398,569	12,531,242
Deficit	(95,883,538)	(91,049,274)
<b>Total shareholders' equity</b>	<b>7,097,859</b>	<b>13,515,036</b>
<b>Total shareholders' equity and liabilities</b>	<b>\$ 9,565,279</b>	<b>\$ 16,814,411</b>

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 15)

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, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
<b>Revenue</b>	<b>\$ 69,088</b>	<b>\$ 92,484</b>	<b>\$ 263,864</b>	<b>\$ 556,780</b>
<b>Operating expenses</b>				
Cost of goods sold	385,808	112,042	1,678,686	383,847
Accretion on promissory note	-	-	-	8,477
Business development and marketing	372,903	1,113,894	911,800	2,412,718
General and administrative	340,186	63,215	1,235,006	1,339,066
Interest income	(13,488)	(77,772)	(30,862)	(233,700)
Legal and audit	99,517	27,427	684,343	116,286
Research and development	429,819	924,130	1,228,190	2,286,607
Loss on investment in associate (note 8)	-	30,137	-	79,720
Canada Emergency Wage Subsidy	-	-	-	(596,688)
Share-based compensation (note 10)	1,670,534	-	1,670,534	3,097,320
Wages, benefits, and third-party consultants (note 13)	401,605	576,866	1,264,411	1,618,537
	3,686,884	2,769,939	8,642,108	10,512,190
Foreign exchange loss	3,635	(23,247)	8,705	(29,993)
Reversal of Loss on loan, investment, and prepayments (note 16)	(340,000)	-	(539,238)	-
<b>Total loss and comprehensive loss for the period</b>	<b>\$ 3,281,431</b>	<b>\$ 2,654,208</b>	<b>\$ 7,847,711</b>	<b>\$ 9,925,417</b>
<b>Basic and diluted net loss per share</b>	<b>\$ 0.009</b>	<b>\$ 0.007</b>	<b>\$ 0.020</b>	<b>\$ 0.026</b>
<b>Weighted average number of common shares outstanding</b>	<b>381,531,282</b>	<b>381,438,466</b>	<b>384,500,111</b>	<b>381,191,643</b>

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, 2022	Nine Months Ended September 30, 2021
<b>Operating activities</b>		
Net loss for the period	\$ (7,847,711)	\$ (9,925,417)
Adjustments for:		
Depreciation of property and equipment	329,543	250,813
Amortization of intangible assets	124,586	117,125
Interest paid	76,575	-
Share-based compensation	1,670,534	3,097,320
Accretion of lease obligations	-	94,216
Amortization of right-of-use asset	313,393	272,372
Loss on investment in associate	-	79,720
Accrued interest	-	(114,369)
Accretion of promissory note	-	2,565
Write off of property and equipment	48,937	-
Reversal of loss on loan, investment, and prepayments	(539,238)	-
Changes in non-cash working capital items:		
Sales tax receivable, and accounts and other receivables	(158,898)	(196,014)
Inventory	(519,597)	(342,412)
Prepaid expenses	259,100	251,027
Accounts payable and accrued liabilities	(595,328)	246,677
Deferred revenue	62,212	(194,371)
<b>Net cash used in operating activities</b>	<b>(6,775,892)</b>	<b>(6,360,748)</b>
<b>Investing activities</b>		
Acquisition of property and equipment	-	(782,226)
Acquisition of intangible assets	(82,462)	(204,064)
Note receivable	-	369,325
Investment in associate	-	(250,000)
<b>Net cash used in investing activities</b>	<b>(82,462)</b>	<b>(866,965)</b>
<b>Financing activities</b>		
Proceeds from exercise of options	100,000	92,300
Proceeds related to previous exercise of options	199,238	-
Repayment of promissory note	-	(78,651)
Lease obligation expense	(375,414)	(326,117)
<b>Net cash used in financing activities</b>	<b>(76,176)</b>	<b>(312,468)</b>
<b>Net change in cash and cash equivalents</b>	<b>(6,934,530)</b>	<b>(7,540,181)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>8,337,506</b>	<b>18,836,013</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,402,976</b>	<b>\$ 11,295,832</b>
<b>Supplemental information</b>		
Loan receivable (note 9(b)(ii))	\$ -	\$ 340,000

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

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

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	Share capital	Warrants reserve	Share- based reserve	Deficit	Total
<b>Balance, December 31, 2020</b>	<b>\$ 89,660,391</b>	<b>\$ 1,403,573</b>	<b>\$ 11,871,701</b>	<b>\$ (76,591,227)</b>	<b>\$ 26,344,438</b>
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)
<b>Balance, September 30, 2021</b>	<b>\$ 90,085,757</b>	<b>\$ 1,403,573</b>	<b>\$ 14,635,955</b>	<b>\$ (86,516,644)</b>	<b>\$ 19,608,641</b>
<b>Balance, December 31, 2021</b>	<b>\$ 90,629,495</b>	<b>\$ 1,403,573</b>	<b>\$ 12,531,242</b>	<b>\$ (91,049,274)</b>	<b>\$ 13,515,036</b>
Exercise of stock options	173,335	-	(73,335)	-	100,000
Reversal of impairment related to option loan (note 16)	(340,000)	-	-	-	(340,000)
Share based compensation	-	-	1,670,534	-	1,670,534
Expiry of options	-	-	(2,729,872)	2,729,872	-
Expiry of warrants	-	(283,575)	-	283,575	-
Net loss for the period	-	-	-	(7,847,711)	(7,847,711)
<b>Balance, September 30, 2022</b>	<b>\$ 90,462,830</b>	<b>\$ 1,119,998</b>	<b>\$ 11,398,569</b>	<b>\$ (95,883,538)</b>	<b>\$ 7,097,859</b>

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

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# DynaCERT INC.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars)

Unaudited

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### 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 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. These 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 \$95,883,538 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 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.

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## **DynaCERT INC.**

### **Notes to Condensed Consolidated Interim Financial Statements**

**Three and Nine Months Ended September 30, 2022**

**(Expressed in Canadian Dollars)**

**Unaudited**

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## **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 11, 2022, 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, 2021.

### *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.

The Company incorporated DISH on April 17, 2020 as a wholly-owned Canadian subsidiary of the Company.

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, 2022

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

## 3. Inventory

	As at September 30, 2022	As at December 31, 2021
Raw materials	\$ 2,780,268	\$ 2,197,160
Work in process	260,149	370,428
Finished goods	256,042	209,274
	\$ 3,296,459	\$ 2,776,862

During the nine months ended September 30, 2022, \$1,678,686 of inventory has been included in cost of goods sold (September 30, 2021 - \$383,847).

## 4. Property and equipment

	September 30, 2022			December 31, 2021		
	Accumulated Cost	Net Amortization	Book Value	Accumulated Cost	Net Amortization	Book Value
Plant equipment	\$ 1,713,873	\$ 1,260,107	\$ 453,766	\$ 1,713,873	\$ 1,180,041	\$ 533,832
Tooling equipment	390,274	216,837	173,437	390,274	159,703	230,571
Office equipment	243,760	238,516	5,244	243,760	237,591	6,169
Furniture and fixtures	603,902	535,376	68,526	603,902	525,388	78,514
Leasehold improvements <sup>(1)</sup>	1,557,624	577,412	980,212	1,557,624	404,434	1,153,190
Vehicles	61,983	14,088	47,895	61,983	5,636	56,347
Construction in progress <sup>(1)</sup>	-	-	-	48,937	-	48,937
	\$ 4,571,416	\$ 2,842,336	\$ 1,729,080	\$ 4,620,353	\$ 2,512,793	\$ 2,107,560

## DynaCERT INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars)

Unaudited

#### 4. Property and equipment (continued)

(1) During the year ended December 31, 2021, the amounts in construction in progress were transferred as follows: \$100,000 to Software (note 5), and \$776,135 transferred to leasehold improvements. The Company moved into its new facilities on February 1, 2021. During the period ended September 30, 2022, the Company expensed \$48,937 of construction in progress related to third party testing for research and development.

#### 5. Intangible assets

	September 30, 2022			December 31, 2021		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	\$ 974,561	\$ 382,071	\$ 592,490	\$ 896,912	\$ 326,620	\$ 570,292
Trademarks	158,307	30,345	127,962	153,494	19,335	134,159
Software	599,403	404,407	194,996	599,403	346,282	253,121
	\$ 1,732,271	\$ 816,823	\$ 915,448	\$ 1,649,809	\$ 692,237	\$ 957,572

#### 6. Rights-of-use assets

Balance, January 1, 2021	\$ 5,776
Additions	2,078,416
Amortization	(383,216)
Balance, December 31, 2021	1,700,976
Amortization	(313,393)
Balance, September 30, 2022	\$ 1,387,583

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, 2022	
Less than one year	\$ 406,721
Greater than one year	1,052,130
Total undiscounted lease obligation	\$ 1,458,851

#### 7. 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 6.5% (2020 - 10%) which is the Company's incremental borrowing rate. The lease liabilities are operating-type leases for office equipment and its premises. The continuity of the lease liabilities is presented in the table below:

Balance, January 1, 2021	\$ 6,699
Additions	2,142,092
Interest expense	113,652
Lease payments	(451,197)
Balance, December 31, 2021	1,811,246
Interest expense	76,575
Lease payments	(375,414)
Balance, September 30, 2022	\$ 1,512,407

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## DynaCERT INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars)

Unaudited

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#### 7. Lease obligations (continued)

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As at September 30, 2022	
Less than one year	\$ 414,474
Greater than one year	1,097,933
Total lease obligation	<u>\$ 1,512,407</u>

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#### 8. 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 accounted for the investment under the equity method.

During the year ended December 31, 2021, a full loss was recognized on the investment as described in note 16. There was no impact to the unaudited condensed consolidated interim statements of loss and comprehensive loss during the nine months ended September 30, 2022. The Company's share of the losses of Galaxy during the nine months ended September 30, 2021 was \$491.

##### 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 (US\$367,000) 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 the 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 (US\$725,000) to KK as a note receivable. The note bears interest at 10% per annum calculated monthly and matured on December 31, 2021 (note 16). 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 year ended December 31, 2021, a full loss was recognized on the investment as described in note 16. There was no impact to the unaudited condensed consolidated interim statements of loss and comprehensive loss during the nine months ended September 30, 2022. The Company's share of the losses of KK during the nine months ended September 30, 2021 was \$79,229.

#### Summarized financial information of associate

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

	As at September 30, 2022 \$	As at December 31, 2021 \$
Total current assets	<b>239,965</b>	239,965
Total assets	<b>277,975</b>	277,075
Current liabilities (excluding accounts payable)	<b>805,543</b>	802,296
Total current liabilities	<b>1,380,579</b>	1,322,333
Non-current liabilities	-	-

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## DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Nine Months Ended September 30, 2022  
(Expressed in Canadian Dollars)  
Unaudited

### 8. Investment in associate (continued)

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
	\$	\$
Revenue	-	155,649
Loss from continuing operations	58,246	396,145
Total comprehensive loss	58,246	396,145

### 9. Share capital

#### a) Authorized share capital

The authorized share capital consisted of an 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) As at September 30, 2022, there is \$368,312 of unpaid capital relating to loans granted to employees, officers, and directors of the Company to the exercise of options and warrants. Included within the unpaid capital amount is \$210,000 related to an officer and director of the Company (note 13). The amount recorded as a reduction of capital represents loans to employees secured by their respective unpaid shares. Upon receipt of repayment from the employee, the amount of consideration received would be recorded as an increase in share capital (note 15).

(ii) 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 13 and 15).

	Number of common shares	Amount
Balance, December 31, 2020	380,514,180	\$ 89,660,391
Exercise of stock options (note 10(iii))	960,000	765,366
Loan receivable (ii)	-	(340,000)
<b>Balance, September 30, 2021</b>	<b>381,474,180</b>	<b>\$ 90,085,757</b>
Balance, December 31, 2021	381,484,180	\$ 90,629,495
Exercise of stock options (note 10(v))	333,335	173,335
Reversal of impairment related to option loan (note 16)	-	(340,000)
<b>Balance, September 30, 2022</b>	<b>381,817,515</b>	<b>\$ 90,462,830</b>

# DynaCERT INC.

## Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars)

Unaudited

### 10. Stock options

(i) During the nine months ended September 30, 2021, the Company granted 850,000 stock options to its consultants, with an exercise price \$0.54. 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 - 106.2%; and expected forfeiture rate – 0%.

(ii) 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. Included within the 7,960,000 stock option grant was 3,200,000 stock options granted to directors and officers (note 13). 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 – 0.90%; expected life in years – 5; expected volatility 104.31%; and expected forfeiture rate – 0%.

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

(iv) During the nine months ended September 30, 2022, the Company granted 7,593,335 stock options to its employees, consultants, directors and officers, with an exercise price \$0.30. Included within the 7,593,335 stock option grant was 3,325,000 stock options granted to directors and officers (note 13). The options vested immediately, and expire on August 25, 2027. They have been valued using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.23%; expected life in years – 5; expected volatility 101.39%; and expected forfeiture rate – 0%.

(v) During the nine months ended September 30, 2022, a consultant exercised 333,335 stock options with a Black-Scholes value of \$73,335 and an exercise price of \$0.30.

(vi) During the nine months ended September 30, 2022, 6,794,710 stock options with an average exercise price of \$0.54 and a Black-Scholes value of \$2,729,872, expired unexercised.

	Number of stock options	Weighted average exercise price
Balance, December 31, 2020	27,405,806	\$ 0.53
Issued (i)(ii)	8,810,000	0.50
Exercised (iii)	(960,000)	0.45
<b>Balance, September 30, 2021</b>	<b>35,255,806</b>	<b>\$ 0.53</b>
Balance, December 31, 2021	31,895,806	\$ 0.54
Issued (iv)	7,593,335	0.30
Exercised (v)	(333,335)	(0.30)
Expired/forfeited (vi)	(6,794,710)	0.54
<b>Balance, September 30, 2022</b>	<b>32,361,096</b>	<b>\$ 0.48</b>

## DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements  
Three and Nine Months Ended September 30, 2022  
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### 10. Stock options (continued)

The following table reflects the stock options issued and outstanding as of September 30, 2022:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding
October 23, 2022	0.58	0.06	1,146,000
January 31, 2023	0.50	0.34	2,670,000
April 5, 2023	0.50	0.51	238,096
October 4, 2023	0.25	1.01	156,000
March 1, 2024	0.38	1.42	3,325,000
May 15, 2024	0.35	1.62	250,000
July 30, 2024	0.50	1.83	600,000
September 11, 2024	0.50	1.95	300,000
October 11, 2024	0.50	2.03	50,000
November 12, 2024	0.50	2.12	821,000
December 9, 2024	0.52	2.19	1,925,000
December 17, 2024	0.55	2.22	400,000
July 2, 2025	0.70	2.76	4,445,000
August 4, 2025	0.70	2.85	1,105,000
October 30, 2025	0.55	3.08	100,000
January 8, 2026	0.55	3.28	850,000
May 30, 2026	0.50	3.67	6,720,000
August 25, 2027	0.70	4.90	7,260,000
		2.89	32,361,096

### 11. Warrants

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2020 and September 30, 2021</b>	<b>21,650,260</b>	<b>\$ 0.75</b>
Balance, December 31, 2021	21,650,260	\$ 0.75
Expired	(6,750,260)	0.97
<b>Balance, September 30, 2022</b>	<b>14,900,000</b>	<b>\$ 0.65</b>

The following table reflects the share purchase warrants issued and outstanding as of September 30, 2022:

Expiry date	Remaining contractual life (years)	Number of warrants outstanding	Exercise price (\$)
November 14, 2023	1.12	14,900,000	0.65

## DynaCERT INC.

### Notes to Condensed Consolidated Interim Financial Statements Three and Nine Months Ended September 30, 2022 (Expressed in Canadian Dollars) Unaudited

#### 12. Loss per share

For the period ended September 30, 2022, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$7,847,711 (September 30, 2021 - \$9,925,417) and the weighted average number of common shares outstanding of 384,500,111 (September 30, 2021 - 381,191,643). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

#### 13. Related party 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:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 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
	<b>\$ 878,492</b>	<b>\$ 496,448</b>	<b>\$ 1,200,918</b>	<b>\$ 2,225,982</b>

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 nine months ended September 30, 2022 (September 30, 2021 - \$6,975).

The Company incurred renovation expenditures of \$701,880 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 nine months ended September 30, 2022, as construction on the leasehold was completed, these amounts were transferred to leasehold improvements (note 4).

See note 9(b)(i)(ii), and note 16.

As at September 30, 2022, loans to officers, and directors were outstanding to the Company in the aggregate amount of \$210,000 (December 31, 2021 - \$210,000) relating to share capital (note 9). The loans are non-interest bearing and due on demand (note 15).

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 \$45,405, respectively (September 30, 2021 - \$15,135 and \$45,405 respectively) to MSSI. These services were incurred in the normal course of operations for general accounting and financial reporting services.

## DynaCERT INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars)

Unaudited

#### 14. Segmented information

The Company currently has one business segment, being the development, production and sale of hydrogen generating systems. As at September 30, 2022, the Company held \$61 of cash (December 31, 2021 - \$39,721) and during the three and nine months ended September 30, 2022 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 KK (note 8).

*Revenue by geographical location:*

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Europe	\$ 29,428	\$ -	\$ 48,967	\$ 46,469
Canada and other	39,660	92,484	214,897	510,311
	\$ 69,088	\$ 92,484	\$ 263,864	\$ 556,780

#### 15. 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 matters 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 financial statements.

#### 16. 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.

##### (a) 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 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 three and nine months ended September 30, 2022, a loan due from an employee of the Company, in the principal amount of \$199,238 was repaid.

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## DynaCERT INC.

### Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2022

(Expressed in Canadian Dollars)

Unaudited

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#### 16. Loss on loans, investments, and prepayments (continued)

##### (a) Related party transactions (continued)

- 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 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.

##### (b) Other transactions

- During fiscal 2020, the Company acquired 20% of the issued and outstanding shares of KK 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 KK on not less than a monthly basis (note 8).
- DISH 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.

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**DynaCERT INC.****Notes to Condensed Consolidated Interim Financial Statements****Three and Nine Months Ended September 30, 2022****(Expressed in Canadian Dollars)****Unaudited**

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**16. Loss on loans, investments, and prepayments (continued)**

The following table reflects the loss allowance by class of financial instrument:

	<b>For the period ended September 30, 2022</b>	<b>For the year ended December 31, 2021</b>
Opening balance	\$ -	\$ -
12 month expected credit losses	-	-
Lifetime ECL for increase credit risk	-	-
Lifetime ECL for trade receivables, contract asset or lease receivables	-	-
ECL for credit-impaired financial assets		
Option loans	(539,238)	539,238
Galaxy Placements	-	150,000
KarbonKleen loan	-	976,459
<b>Closing balance</b>	<b>\$ (539,238)</b>	<b>\$ 1,665,697</b>

**17. Subsequent event**

On October 20, 2022, the Company announced that HDCPA Professional Corporation ("HDCPA") has been retained by the Company to be its auditor.