
DYNACERT INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2024
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

Notice To Reader

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

DynaCERT INC.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

As at,	September 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,907	\$ 247,268
Accounts and other receivable (note 3)	590,577	264,197
Sales tax receivable	73,733	122,287
Inventory (note 4)	1,206,216	1,962,392
Prepaid expenses	31,397	36,205
Deposits	72,629	79,873
Total current assets	1,977,459	2,712,222
Non-current assets		
Property & equipment and investment in associate (notes 5 and 10)	1,056,061	1,252,430
Intangible assets (note 6)	698,534	789,106
Right-of-use asset (note 7)	561,187	875,084
Total assets	\$ 4,293,241	\$ 5,628,842
EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 16)	\$ 2,616,700	\$ 2,785,072
Customer deposits	450,263	475,791
Lease obligation (note 8)	475,202	441,132
Warranty provision	508,818	404,592
Loans payable (note 11)	454,302	908,368
Total current liabilities	4,505,285	5,014,955
Non-current liabilities		
Lease obligation (note 8)	180,657	552,536
Total liabilities	4,685,942	5,567,491
Shareholders' equity		
Share capital (note 12)	99,309,944	94,764,020
Warrant reserve	66,343	63,062
Share-based payments reserve	9,123,624	9,705,697
Deficit	(108,892,612)	(104,471,428)
Total shareholders' equity	(392,701)	61,351
Total liabilities and shareholders' equity	\$ 4,293,241	\$ 5,628,842

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)

Commitments and contingencies (note 18)

Subsequent event (note 19)

DynaCERT INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

Unaudited

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 605,176	\$ 139,145	\$ 1,391,028	\$ 355,569
Operating expenses				
Cost of goods sold (note 4)	1,105,116	501,133	2,268,922	1,303,021
Inventory impairment write down	(56,518)	(27,160)	(88,830)	(1,937)
Provision for warranties	49,371	43,532	92,292	119,461
Accretion (note 11)	-	154,735	29,405	360,397
Business development and marketing	290,364	107,759	839,701	573,564
General and administrative	385,090	288,376	1,298,006	1,129,653
Interest expense (income)	19,809	100,710	66,205	174,426
Legal and audit	38,477	29,965	134,892	154,095
Research and development	350	47,058	9,583	370,008
Share-based compensation (note 11 and 13)	1,454,728	-	1,454,728	-
Wages, benefits, and third-party consultants (note 16)	567,224	481,025	1,680,735	1,443,787
Total operating expenses	3,854,011	1,727,133	7,785,639	5,626,475
Other items				
Foreign exchange loss (gain)	10,736	(4,683)	13,672	(33,083)
Loss on settlement of debt (note 11 and 12)	-	-	6,364	-
Provision for credit losses (note 3)	43,338	60,000	43,338	60,000
Total loss and comprehensive loss	\$ (3,302,909)	\$ (1,643,305)	\$ (6,457,985)	\$ (5,297,823)
Basic and diluted net loss per share (note 15)	\$ (0.008)	\$ (0.004)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted (note 15)	426,657,892	380,512,515	421,296,407	380,853,265

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,	
	2024	2023
Operating activities		
Net loss for the period	\$ (6,457,985)	\$ (5,297,823)
<i>Adjustments for:</i>		
Accretion on loans payable	29,405	360,397
Accrued interest	51,787	164,300
Amortization of intangible assets	104,204	113,446
Amortization of right-of-use asset	313,897	308,402
Depreciation of property and equipment	220,168	275,102
Interest paid	38,890	58,949
Share-based compensation	1,454,728	-
Loss on settlement of debt and accounts payables	8,186	-
Inventory impairment write down	(88,830)	(1,937)
Provision for warranties	92,292	119,461
Provision for credit losses	43,338	60,000
<i>Changes in non-cash working capital items:</i>		
Sales tax receivable, and accounts and other receivables	(321,164)	(52,587)
Inventory	845,006	(196,825)
Prepaid expenses	4,808	77,310
Accounts payable and accrued liabilities	(113,722)	962,628
Customer deposits	(25,528)	337,649
Deposits	7,244	86,947
Warranty provision	11,934	(62,743)
Net cash used in operating activities	(3,781,342)	(2,687,324)
Investing activities		
Acquisition of property and equipment	(3,799)	-
Acquisition of intangible assets	(13,632)	(47,713)
Investment in associate	(20,000)	-
Net cash used in investing activities	(37,431)	(47,713)
Financing activities		
Proceeds from issuance of private placement (net of costs)	4,295,444	2,000,000
Proceeds from issuance of loans	-	500,000
Proceeds from related party loans	65,050	709,550
Repayment of shareholder loan and related party loan	(409,383)	(207,885)
Lease obligation expense	(376,699)	(370,559)
Net cash provided by financing activities	3,574,412	2,631,106
Decrease in cash and cash equivalents	(244,361)	(103,931)
Cash and cash equivalents, beginning of period	247,268	156,499
Cash and cash equivalents, end of period	\$ 2,907	\$ 52,568

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

DynaCERT INC.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars)

Unaudited

	Share Capital	Warrants reserve	Share-based reserve	Deficit	Total
Balance, December 31, 2022	\$ 90,462,830	\$ 1,119,998	\$ 10,998,823	\$ (98,470,486)	\$ 4,111,165
Cancellation of shares (note 12)	(708,312)	-	-	-	(708,312)
Loan receivable (note 12)	708,312	-	-	-	708,312
Stock options issued for financing costs	-	-	215,435	-	215,435
Expiry of options	-	-	(1,479,361)	1,479,361	-
Issuance of convertible note	-	61,075	280,788	-	341,863
Net loss for the period	-	-	-	(5,297,823)	(5,297,823)
Balance, September 30, 2023	\$ 90,462,830	\$ 1,181,073	\$ 10,015,685	\$ (102,288,948)	\$ (629,360)
Balance, December 31, 2023	\$ 94,764,020	\$ 63,062	\$ 9,705,697	\$ (104,471,428)	\$ 61,351
Units issued in private placement	4,299,191	-	-	-	4,299,191
Finance costs	(7,028)	3,281	-	-	(3,747)
Expiry of options	-	-	(2,036,801)	2,036,801	-
Share-based compensation (note)	-	-	1,454,728	-	1,454,728
Settlement of related party loan (note 11)	197,289	-	-	-	197,289
Settlement of debt (note 12(ii))	56,472	-	-	-	56,472
Net loss for the period	-	-	-	(6,457,985)	(6,457,985)
Balance, September 30, 2024	\$ 99,309,944	\$ 66,343	\$ 9,123,624	\$ (108,892,612)	\$ (392,701)

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

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

1. Nature of operations and going concern

Nature of business

DynaCERT Inc. (“dynaCERT” or the “Company”) was incorporated under the laws of the Province of Ontario. The address of the Company’s head office is 501 Alliance Avenue – Suite 101, Toronto, Ontario. The Company’s shares were listed on the TSX-V under the trading symbol DYA until July 7, 2020, at which point the common shares of the Company commenced trading on the Toronto Stock Exchange (“TSX”) under the same trading symbol and were concurrently delisted from the TSX-V. On June 9, 2020, the common shares of the Company were listed on the USA OTCQX under the symbol “DYFSF” and delisted from the OTCQB. These unaudited condensed consolidated interim financial statements include the results of DynaCERT and its wholly owned subsidiaries, DynaCERT GmbH Inc., its wholly owned German subsidiary, and DynaCERT International Strategic Holdings Inc. (“DISH”).

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

Going concern uncertainty

At each reporting period, management assesses the basis of preparation of the unaudited condensed consolidated interim 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, 2024, the Company incurred a net loss of \$6,457,985 (September 30, 2023 - \$5,297,823) and had negative operating cash flows of \$3,781,342 (September 30, 2023 - \$2,687,324). 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 \$108,892,612 since inception (December 31, 2023 - \$104,471,428).

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. 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.

While the Company has been successful in arranging financing in the past, there can be no assurance that any debt financing or any equity offerings will be sufficient to create cash flow runway in light of the impact of the current state of the capital markets.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

2. Basis of preparation

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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

The policies applied in these unaudited condensed consolidated interim financial statements are based on IFRS, which have been applied consistently to all periods presented. These unaudited condensed consolidated interim financial statements were issued and effective as of November 14, 2024, 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, 2023.

Basis of measurement

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

Functional and presentation currency

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

Basis of consolidation

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

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

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

2. Basis of preparation (continued)

New accounting standards adopted

The IASB 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 Company adopted this amendment on January 1, 2024, and there was no material impact on the condensed consolidated interim financial statements.

New standards not yet adopted

There were no new or amended accounting standards or interpretations that are expected to have a material impact on the Company's condensed consolidated interim financial statements.

3. Accounts and other receivables

	As at September 30, 2024	As at December 31, 2023
Accounts receivables (note 10)	\$ 633,915	\$ 304,223
Subscription receivables (note 12 and 16) ⁽²⁾	-	40,000
Allowance for expected credit losses ⁽¹⁾	(43,338)	(80,026)
	\$ 590,577	\$ 264,197

⁽¹⁾ The expected credit loss provision arose due to the nature of applying the ECL model on the trade receivables.

⁽²⁾ The Company closed a financing in December 2023, these amounts were received after year end.

4. Inventory

	As at September 30, 2024	As at December 31, 2023
Raw materials	\$ 236,781	\$ 600,621
Work in process	230,567	475,714
Finished goods	738,868	886,057
	\$ 1,206,216	\$ 1,962,392

During the nine months ended September 30, 2024, \$2,268,922 of inventory has been included in cost of goods sold (September 30, 2023 - \$1,303,021).

The amounts presented are net of inventory write-down provision.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

5. Property and equipment

	September 30, 2024			December 31, 2023		
	Accumulated Cost	Net Amortization	Book Value	Accumulated Cost	Net Amortization	Book Value
Plant equipment	\$ 1,713,873	\$ 1,428,632	\$ 285,241	\$ 1,713,873	\$ 1,372,199	\$ 341,674
Tooling equipment	390,274	349,384	40,890	390,274	310,238	80,036
Office equipment	243,760	240,404	3,356	243,760	239,812	3,948
Furniture and fixtures	607,701	559,115	48,586	603,902	551,234	52,668
Leasehold improvements	1,557,624	930,289	627,335	1,557,624	819,582	738,042
Vehicles	61,983	31,330	30,653	61,983	25,921	36,062
	\$ 4,575,215	\$ 3,539,154	\$ 1,036,061	\$ 4,571,416	\$ 3,318,986	\$ 1,252,430

6. Intangible assets

	September 30, 2024			December 31, 2023		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents	\$ 1,050,156	\$ 544,990	\$ 505,166	\$ 1,037,188	\$ 481,102	\$ 556,086
Trademarks	166,275	65,797	100,478	165,611	53,962	111,649
Software	599,403	506,513	92,890	599,403	478,032	121,371
	\$ 1,815,834	\$ 1,117,300	\$ 698,534	\$ 1,802,202	\$ 1,013,096	\$ 789,106

7. Rights-of-use assets

Balance, January 1, 2023	\$ 1,277,742
Additions	10,377
Amortization	(413,035)
Balance, December 31, 2023	875,084
Amortization	(313,897)
Balance, September 30, 2024	\$ 561,187

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, 2024	
Less than one year	\$ 461,927
Greater than one year	165,456
Total undiscounted lease obligation	\$ 627,383

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

8. 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% (2023 - 6.5%) which was the incremental borrowing rate when the lease liability was incurred. 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, 2023	\$ 1,404,309
Additions	10,377
Interest expense	75,318
Lease payments	(496,336)
Balance, December 31, 2023	993,668
Interest expense	38,890
Lease payments	(376,699)
Balance, September 30, 2024	\$ 655,859

As at September 30, 2024	
Less than one year	\$ 475,202
Greater than one year	180,657
Total lease obligation	\$ 655,859

9. 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. Two directors of the Company are also directors in Galaxy Power, however the Company has accounted for the investment in accordance with IFRS 9 as the Company does not have significant influence over the investment. During the year ended December 31, 2021, a full loss was recognized on the investment. There was no impact to the unaudited condensed consolidated interim statements of loss and comprehensive loss during the nine months ended September 30, 2024 and 2023.

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. 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. There was no impact to the unaudited condensed consolidated interim statements of loss and comprehensive loss during the nine months ended September 30, 2024 and 2023.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements Three and Nine Months Ended September 30, 2024 (Expressed in Canadian Dollars) Unaudited

9. Investment in associate (continued)

Summarized financial information of associate

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

	As at September 30, 2024 \$	As at December 31, 2023 \$
Total current assets	239,965	239,965
Total assets	277,976	277,975
Current liabilities (excluding accounts payable)	736,813	736,813
Total current liabilities	1,311,848	1,311,848

	For the Nine Months Ended September 30, 2024 \$	For the Nine Months Ended September 30, 2023 \$
Loss from continuing operations	-	102
Total comprehensive loss	-	102

10. Cipher Neutron

Joint Operation as defined by IFRS 11

In February 2023, the Company entered into a Collaboration Agreement with Cipher Neutron Inc. ("CN"), a privately held Ontario based company, to further jointly develop, produce and market state-of-the-art Hydrogen technology, including AEM Electrolyser technology, that is designed to produce Green Hydrogen for world-wide large infrastructure projects. The Collaboration Agreement takes the form of a joint operation as defined by IFRS 11, and each Company is responsible for its own liabilities incurred to develop the technologies outlined above.

Statement of Financial Position of Joint Operation as defined by IFRS 11

	As at June 6, 2024	As at December 31, 2023
Total assets	\$ -	\$ -
Total liabilities related to the joint operation	\$ -	\$ -
Net assets	\$ -	\$ -
Net share of assets	\$ -	\$ -

Statements of Net Income of Joint Operation as defined by IFRS 11

	January 1, 2024 to June 6, 2024	February 17, 2023 to June 30, 2023
Revenues from the joint operation	\$ -	\$ -
Operating costs incurred by the Company	-	-
Net income	\$ -	\$ -

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

10. Cipher Neutron (continued)

Joint Operation as defined by IFRS 11 (continued)

Previously under the Collaboration Agreement, the Company had been provided with options to acquire common shares of CN (the "CN options") at various expiry dates up to July 31, 2025, which, if fully exercised, could have resulted in the Company obtaining up to a 50% ownership of CN (as at the date of the Collaboration Agreement). The total exercise price of such CN options was \$17,500,000.

Investment in associate

On June 6, 2024, the Collaboration Agreement was terminated, and the Company received 7,178,000 Units of Cipher Neutron. Each Unit consisted of 1 Common Class A share and one-half Class A Share purchase warrant exercisable at \$1.50 per full warrant until 3 years after the closing. The transaction resulted in the Company acquiring 15% of the outstanding Common Class A shares on an undiluted basis, and 20% of the outstanding Common Class A shares on a diluted basis. As a result of the above, the Company has accounted for the investment under the equity method, recognising a \$20,000 value to the shares upon acquisition. As at September 30, 2024, financial information was not available.

11. Loans

Loans from a shareholder

On February 8, 2023, the Company received loan of \$350,000 from a shareholder of the Company. The loan bears interest at 1% per month and is due upon the Company receiving \$3,500,000 in equity funding from any source including the exercise of any options by the Lender. As part of the loan agreement, the Company agreed to issue 6,000,000 stock options with an exercise price of \$0.175, and a fair value of \$151,000 (note 13(ii)). During the nine months ended September 30, 2024, the Company recorded accretion of \$nil (September 30, 2023 - \$81,250) on the loan, and as at September 30, 2024, the loan was repaid in July 2024.

On March 22, 2023, the Company received short-term loan of \$150,000 from a shareholder of the Company. The loan bears no interest and was due on April 30, 2023. As part of the loan agreement, the Company agreed to issue 1,500,000 stock options with an exercise price of \$0.175 and a fair value of \$64,435 (note 13(iii)). During the nine months ended September 30, 2024, the Company recorded accretion of \$nil (September 30, 2023 - \$64,435) on the loan, and as at September 30, 2024, the loan remains outstanding.

Loans from a related party

As at December 31, 2023, the CEO and director of the Company provided in aggregate \$394,415 in cash advances to the Company. The cash advances bears interest at 12% per annum, and are payable upon demand. During the nine months ended September 30, 2024, the Company recorded accrued interest expense of \$82,383 (September 30, 2023 - \$3,561) on the loan. During the nine months ended September 30, 2024, the CEO and director agreed to settle \$190,925 of the principal balance of the loan for 1,272,836 Units at a price of \$0.15 per Unit, and recorded a loss on settlement of the debt of \$6,364 (note 12 and 16). Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one share at an exercise price of \$0.20 per share on or before February 22, 2027. As at September 30, 2024, the balance outstanding including interest was \$285,873 (2023 - \$394,415).

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

12. 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 December 31, 2022, there were \$708,312 of unpaid capital relating to shares granted to employees, officers, and directors of the Company for the exercise of options and warrants. These shares were originally issued in accordance with options and warrant loans granted in years ended December 31, 2020, and December 31, 2021. Included within the unpaid capital amount was \$550,000 related to officers and directors of the Company (note 16). The amount was recorded as a reduction of capital represented shares loaned to employees secured by their respective unpaid shares. During the nine months ended September 30, 2023, the 1,305,000 common shares were returned for cancellation, and upon cancellation all option and warrant loans were settled. As at September 30, 2024, there are no option or warrant loans outstanding.

(ii) During the nine months ended September 30, 2024, the Company agreed to settle debt which was included within accounts payable of \$54,650 for 364,333 Units at a price of \$0.15 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant, the Company recorded a loss on settlement of debt of \$1,822. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of \$0.20 per Share on or before February 22, 2027.

(iii) During the nine months ended September 30, 2024, the Company issued 8,661,277 Units at a price of \$0.15 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant for gross proceeds of \$1,299,191. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of \$0.20 per Share on or before February 22, 2027. In conjunction with the private placement 24,983 broker warrants were issued.

(iv) During the nine months ended September 30, 2024, the Company issued 12,767,333 Units at a price of \$0.15 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant for gross proceeds of \$1,915,100. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of \$0.20 per Share on or before December 20, 2026. In conjunction with the private placement 21,667 broker warrants were issued.

(v) During the nine months ended September 30, 2024, the Company issued 7,232,667 units at a price of \$0.15 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant for gross proceeds of \$1,084,900. Each whole warrant entitles the holder thereof to purchase one Share at an exercise price of \$0.20 per Share on or before July 3, 2027.

(vi) As at September 30, 2024, the Company has \$nil (December 31, 2023 - \$40,000) outstanding from certain investors.

	Number of common shares	Amount
Balance, December 31, 2022	381,817,515	\$ 90,462,830
Cancellation of shares related to option and warrant loans (i)	(1,305,000)	708,312
Cancellation of option and warrant loans (i)	-	(708,312)
Balance, September 30, 2023	380,512,515	90,462,830

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

12. Share capital (continued)

b) Common shares issued (continued)

	Number of common shares	Amount
Balance, December 31, 2023	406,214,070	\$ 94,764,020
Settlement of related party loan (note 11)	1,272,836	197,289
Settlement of debt (ii)	364,333	56,472
Units issued on private placement (iii)(iv)(v)	28,661,277	4,299,191
Finance costs (iii)(iv)(v)	-	(7,028)
Balance, September 30, 2024	436,512,516	99,309,944

13. Stock options

(i) During the nine months ended September 30, 2023, 4,318,096 stock options with a Black-Scholes value of \$1,479,361 expired with exercise price of \$0.49.

(ii) During the nine months ended September 30, 2023, the Company granted 6,000,000 stock options in connection with a loan. The stock options have an exercise price of \$0.175 (note 11), vest immediately, and expire on February 7, 2028. The stock options were valued using a relative fair value basis, where the relative fair value of the loan payable and stock options were estimated by using the share price at the time of financing and the Black-Scholes option pricing model. The inputs into the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.20%; expected life in years – 5; expected volatility 99.86%; and expected forfeiture rate – 0%.

(iii) During the nine months ended September 30, 2023, the Company granted 1,500,000 stock options in connection with a loan. The stock options have an exercise price of \$0.175 (note 11), vest immediately, and expire on March 28, 2028. The stock options were valued using a relative fair value basis, where the relative fair value of the loan payable and stock options were estimated by using the share price at the time of financing and the Black-Scholes option pricing model. The inputs into the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.71%; expected life in years – 5; expected volatility 99.37%; and expected forfeiture rate – 0%.

(iv) During the nine months ended September 30, 2023, the Company granted 9,130,250 stock options in connection with a loan. The stock options have an exercise price of \$0.20, vest immediately, and expire on July 12, 2029. The stock options were valued using a relative fair value basis, where the relative fair value of the loan payable and stock options were estimated by using the share price at the time of financing and the Black-Scholes option pricing model. The inputs into the Black-Scholes valuation model and the following assumptions: risk free interest rate – 3.37%; expected life in years – 5; expected volatility 98.65%; and expected forfeiture rate – 0%.

(v) During the nine months ended September 30, 2024, 6,405,000 stock options with a Black-Scholes value of \$2,036,801 expired with exercise price of \$0.39.

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

13. Stock options (continued)

	Number of stock options	Weighted average exercise price
Balance, December 31, 2022	31,915,096	\$ 0.47
Issued (ii)(iii)	7,500,000	0.175
Expired/forfeited (i)	(4,318,096)	(0.49)
Balance, September 30, 2023	35,097,000	\$ 0.41
Balance, December 31, 2023	34,951,000	\$ 0.41
Issued (iv)	9,130,250	0.200
Expired/forfeited (v)	(6,405,000)	(0.39)
Balance, September 30, 2024	37,676,250	\$ 0.36

The following table reflects the stock options issued and outstanding as of September 30, 2024:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding
October 11, 2024	0.50	0.03	50,000
November 12, 2024	0.50	0.12	801,000
December 9, 2024	0.52	0.19	1,725,000
December 17, 2024	0.55	0.21	400,000
July 2, 2025	0.70	0.75	3,915,000
August 4, 2025	0.70	0.84	1,095,000
October 30, 2025	0.55	1.08	100,000
January 8, 2026	0.55	1.27	850,000
May 30, 2026	0.50	1.66	5,940,000
August 25, 2027	0.30	2.90	6,070,000
October 23, 2027	0.30	3.06	100,000
February 7, 2028	0.175	3.36	6,000,000
March 28, 2028	0.175	3.49	1,500,000
July 12, 2029	0.200	4.78	9,130,250
Total	0.36	0.97	37,676,250

14. Warrants

	Number of warrants	Weighted average exercise price
Balance, December 31, 2022	14,900,000	\$ 0.65
Issued (note 12)	666,667	0.30
Balance, September 30, 2023	15,566,667	\$ 0.64
Balance, December 31, 2023	13,540,594	\$ 0.20
Issued (note 12)	15,195,874	0.20
Balance, September 30, 2024	28,736,468	\$ 0.18

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

14. Warrants (continued)

The following table reflects the share purchase warrants issued and outstanding as of September 30, 2024:

Expiry date	Remaining contractual life (years)	Number of warrants outstanding	Exercise price (\$)
December 4, 2025	1.18	5,000	0.15
December 20, 2025	1.22	18,150	0.18
February 22, 2026 ⁽¹⁾	1.40	24,983	0.18
March 31, 2026	1.50	666,667	0.30
June 27, 2026	1.74	21,667	0.30
December 4, 2026	2.18	9,669,277	0.20
December 20, 2026	2.22	3,181,500	0.20
February 22, 2027 ⁽¹⁾	2.40	5,149,223	0.20
June 27, 2027	2.74	6,383,667	0.20
July 03, 2027	2.76	3,616,334	0.20
		28,736,468	

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

15. Loss per share

For the year ended September 30, 2024, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$6,457,985 (September 30, 2023 - \$5,297,823) and the weighted average number of common shares outstanding of 421,296,407 (September 30, 2023 - 380,853,265). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

16. 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, 2024 and September 30, 2023:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Consulting fees paid to directors	\$ 124,343	\$ 169,229	\$ 447,339	\$ 408,595
Short-term benefits	66,000	66,000	198,000	198,000
	\$ 190,343	\$ 235,229	\$ 645,339	\$ 606,595

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

16. Related party transactions (continued)

Included in consulting fees to directors above for the nine months ended September 30, 2024, are commissions of is \$nil (2023 - \$9,930) in connection with certain sales contracts, \$36,697 (September 30, 2023 - \$27,800) for business development services, \$182,346 (September 30, 2023 - \$182,346) for advisory services. As at September 30, 2024, officers and directors were owed \$255,958 (December 31, 2023 - \$258,500) with respect to services provided.

Included in research and development for the nine months ended September 30, 2024, is \$nil (September 30, 2023 - \$92,008) paid to key consultants for research and development work. These key consultants are also directors of Cipher Neutron Inc. See note 10.

See notes 10, 11, and 12(b)(i).

As at December 31, 2022, the Company had share loans to officers, and directors of the Company recorded in the aggregate amount of \$550,000 relating to share capital (note 12). The share loans were non-interest bearing and due on demand. During the nine months ended September 30, 2023, the shares were returned to the Company and the loans were cancelled.

During the year ended December 31, 2023, the Company paid for certain expenses on behalf of CN. As at September 30, 2024, the Company has a receivable amount of \$nil (December 31, 2023 - \$20,000) owed from CN (note 10).

On May 26, 2023, the Company received a purchase order of 3,000 HydraGEN™ Units brokered through a director of the Company where he acts as a conduit for the purchase of the units on behalf of dynaCERT for the purchaser (note 18).

17. Segmented information

The Company currently has one business segment, being the development, production and sale of hydrogen generating systems. As at September 30, 2024, the Company held \$nil of cash (December 31, 2023 - \$83,371) and during the three and nine months ended September 30, 2024 incurred \$185,101 and \$386,591 (September 30, 2023 - \$14,938 and \$217,507) of expenses in Germany through its German subsidiary. The Company's subsidiary DISH holds the shares in the Company's investment in KK (note 9).

Revenue by geographical location:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Europe	\$ 28,447	\$ 96,530	\$ 34,934	\$ 96,530
Canada and other	576,729	185,964	1,356,094	259,039
	\$ 605,176	\$ 282,494	\$ 1,391,028	\$ 355,569

DynaCERT INC.

Notes to Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2024

(Expressed in Canadian Dollars)

Unaudited

18. Commitments and Contingencies

The Company previously received an order for HydraGEN™ Technology Units, the recipient of which is a company located in Guyana (the "Recipient"). On July 31, 2023, the Company delayed deliveries of HydraGEN™ Units under this order pending further notice by either the Recipient or its representatives that certain outstanding issues were resolved to everyone's satisfaction, details of which were disclosed in the Company's press release dated July 31, 2023. The Company has been named in litigation that appears to relate to the purchase order in question. First, an action requesting the return of the initial deposit that was received by wire in May 2023. This action alleges that the lawyer for the broker of the sale wired the deposit under a mistake of fact, having believed that certain cheques paid by the Recipient to the broker's lawyer in trust had cleared prior to him initiating the wire transfer to the Company (the "Wire Return Action"). Second, a third-party proceeding among various extraneous parties claiming damages and other relief. These two matters have since been consolidated by the court. At a recent case conference, the third-party plaintiff's counsel advised the court that he has agreed to give the Company a waiver of defence in respect of the third-party claim (such that the Company shall only require a defence to the Wire Return Action). The Company believes that this litigation has no merit against dynaCERT. The initial round of examinations for discovery in the Wire Return Action has taken place, and the company continues to monitor the third-party claim. Given the emergence of litigation and lack of progress in resolving delivery issues over past months, the Company announced in Press Release dated March 28, 2024 that it has determined to suspend indefinitely this purchase order pending resolution by courts or clarification of the litigation issues in question.

Subsequent to December 31, 2023, the Company received a statement of claim from a former consultant of the Company and its principal officer alleging wrongful (constructive) dismissal and breach of contract. The claim seeks damages in the amount of \$679,400 and other incidental relief including benefits, unpaid vacation pay and rights in unexercised options. The Company believes that the claim is excessive and to the extent that it alleges an employment relationship and related claims has no merit. Neither the possible outcome nor the amount of possible settlement can be foreseen at this time.

19. Subsequent events

On October 9, 2024, the Company announced the closing of a fully-subscribed arm's length non-brokered offering for aggregate gross proceeds of \$1,000,000 (the "Offering"). The Company has issued one Unit at a price of \$1,000,000 per Unit, such Unit consisting of: (a) one (1) Convertible Note bearing an annualized interest of eight percent (8%) maturing on October 9, 2025 and convertible at the option of the holder in whole or in part into 4,166,667 common shares of the Company (the "Shares") being a conversion price of \$0.24 per Share; and (b) 4,166,667 common share purchase warrants (the "Warrants"). Each Warrant entitles the holder thereof to purchase one (1) Share at an exercise price of \$0.28 per Share on or before October 9, 2026.