DYNACERT INC.

(Formerly "Dynamic Fuel Systems Inc.")

INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Unaudited - Prepared by Management)

(Amounts expressed in Canadian Dollars)

DYNACERT INC.

(Formerly "Dynamic Fuel Systems Inc.")

INDEX TO THE INTERIM FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2015

(Unaudited - Prepared by Management)

(Amounts expressed in Canadian Dollars)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, “Continuous Disclosure Obligations” Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of dynaCERT Inc. have been prepared by and are the responsibility of management. The Company’s independent auditors have not performed a review of these condensed interim financial statements in accordance with standards established by the CPA Canada for a review of interim financial statements by an entity’s auditor.

November 27, 2015 Chief Executive Officer

DYNACERT INC.

(Formerly "Dynamic Fuel Systems Inc.")

INTERIM STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2015

(Unaudited - Prepared by Management)

(Amounts expressed in Canadian Dollars)

	As at Sept. 30, 2015	As at Dec. 31, 2014
A S S E T S		
CURRENT ASSETS		
Cash	$ 75,053	$ 1,954
Accounts receivable	13,307	17,897
Inventory	125,176	2,540
Prepaid expenses and deposits	4,169	9,128
TOTAL CURRENT ASSETS	217,704	31,519
NON-CURRENT ASSETS		
Property and equipment (note 5)	121,334	130,233
TOTAL ASSETS	$ 339,038	$ 161,752
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,018,770	$ 960,318
TOTAL CURRENT LIABILITIES	1,018,770	960,318
NON-CURRENT LIABILITIES		
Promissory note (note 6)	358,871	334,226
TOTAL LIABILITIES	1,377,640	1,294,544
S H A R E H O L D E R S' D E F I C I T		
Share capital (note 9)	24,276,945	24,005,525
Share Subscription pending allotment	276,725	-
Warrant reserve (note 9)	2,841,797	2,686,229
Share based payment reserve (note 9)	3,974,622	3,417,298
Deficit	(32,408,691)	(31,241,844)
TOTAL SHAREHOLDERS' DEFICIT	(1,038,602)	(1,132,792)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$ 339,038	$ 161,752

APPROVED ON BEHALF OF THE BOARD:

Jim Payne - signed_____ Director

Ronald Perry - signed_____ Director

See condensed notes to the interim financial statements

DYNACERT INC.

(Formerly "Dynamic Fuel Systems Inc.")

INTERIM STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Unaudited - Prepared by Management)

(Amounts expressed in Canadian Dollars)

	Three months ended Sept 30, 2015	Three months ended Sept 30, 2014	Nine months ended Sept 30, 2015	Nine months ended Sept 30,2014
REVENUE	$ -	$ -	$ 12,898	$ -
COST OF SALES	-	-	3759	-
GROSS PROFIT	-	-	9139	-
OPERATING EXPENSES				
Amortization	23,050	18,596	62,932	54,847
Consulting and professional fees	83,375	64,046	245,687	267,197
Foreign exchange loss	510	164	3,967	195
General and administrative	78,004	62,727	132,960	47,570
Insurance	8,227	4,495	20,186	20,582
Interest	8,594	32,687	26,770	100,460
Research and development	22,825	72,301	94,814	65,187
Occupancy costs	11,138	11,855	31,345	35,326
Share based compensation	-	195,525	557,324	195,525
TOTAL OPERATING EXPENSE	(239,723)	(462,396)	(1,175,986)	(786,889)
OTHER INCOME				
Impairment Property&Equipment	-	(3,853)	-	(3,853)
Gain on settlement of debt	-	3,698	-	3,698
	-	(155)	-	(155)
LOSS FROM OPERATONS AND COMPREHENSIVE (LOSS)	$ (239,723)	$ (462,241)	$ (1,166,847)	$ (787,044)
Loss per share - basic and diluted	$ $0.00	$ 0.00	$ 0.00	$ 0.00
Weighted average number of shares outstanding	178,978,822	161,248,139	178,415,838	158,264,806

See condensed notes to the interim financial statements

DYNACERT INC.

(Formerly "Dynamic Fuel Systems Inc.")

INTERIM STATEMENT OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Unaudited - Prepared by Management)

(Amounts expressed in Canadian Dollars)

	Nine months ended Sept. 30, 2015	Nine months ended Sept. 30, 2014
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Comprehensive (loss) income for the period	$ (1,166,847)	$ (787,044)
Items not requiring an outlay of cash		
Depreciation of property and equipment	62,932	52,970
Amortization of patents	-	1,877
Loss (gain) on forgiveness/settlement of debt	-	(3,698)
Share based compensation	557,324	195,525
	(546,591)	(540,175)
Changes in non-cash working capital		
Accounts receivable	4,590	33,088
Inventory	(122,636)	(1,995)
Prepaid expenses and deposits	4,959	1,822
Accounts payable and accrued liabilities	58,452	(32,812)
	(601,226)	(540,072)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of units	386,163	537,000
Proceeds from exercise of warrants	40,825	-
Share subscriptions pending allotment	276,725	-
Promissory Note	24,645	-
	728,358	537,000
CASH (USED IN) INVESTING ACTIVITIES		
Acquisition of property and equipment	(54,033)	(25,857)
Impairment property and equipment	-	3,853
	(54,033)	(22,004)
NET INCREASE (DECREASE) IN CASH	73,099	(25,076)
NET CASH AND CASH EQUIVALENTS, Beginning of period	1,954	36,918
NET CASH AND CASH EQUIVALENTS, End of period	$ 75,053	$ 11,842

See condensed notes to the interim financial statements

DYNACERT INC.

(Formerly "Dynamic Fuel Systems Inc.")

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

(Unaudited - Prepared by Management)

	Number of Shares	Share Capital	Warrant Reserve	Payment Reserve	Deficit	Pending Allotment	Shareholders' Deficiency
Balance, December 31, 2013	156,773,139	$ 21,925,866	$ 2,841,356	$ 3,140,866	$ (29,615,322)	$ -	(1,707,234)
Share based compensation	-	-	-	195,525	-	-	195,525
Issued on exercise of options			-	-	-	-	-
Private placement of units	5,370,000	388,077	148,923	-	-	-	537,000
Exercise of warrants	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(787,044)	-	(787,044)
Balance, September 30, 2014	162,143,139	22,313,943	2,990,279	3,336,391	(30,402,366)	-	(1,761,753)
Share based compensation	-	-	-	83,137	-	-	278,662
Issued on exercise of options	25,000	2,500	-	-	-	-	2,500
Exercise of share based payments	-	2,230	-	(2,230)	-	-	-
Issued on exercise of warrants	13,828,015	1,382,802	-	-	-	-	1,382,802
Exercise of warrants	-	304,050	(304,050)	-	-	-	-
Net loss for the year	-	-	-	-	(839,478)	-	97,789
Balance, December 31, 2014	175,996,154	24,005,525	2,686,229	3,417,298	(31,241,844)	-	(1,132,792)
Share based compensation	-	-	-	557,324	-	-	557,324
Private placement of units	2,574,418	221,618	164,545	-	-	-	386,163
Issued on exercise of warrants	408,250	40,825	-	-	-	-	40,825
Exercise of warrants	-	8,977	(8,977)	-	-	-	-
Share Subscription pending allotment	-	-	-	-	-	276,725	276,725
Net loss for the period	-	-	-	-	(1,166,847)	-	(1,166,847)
Balance, September 30, 2015	178,978,822	$ 24,276,945	$ 2,841,797	$ 3,974,622	$ (32,408,691)	276,725	(1,038,602)

See condensed notes to the interim financial statements

1. THE COMPANY AND ITS OPERATIONS

dynaCERT Inc. ("dynaCERT") is a Canadian public company primarily domiciled in Canada. The Company's registered head office is located at 501 Alliance Avenue, Suite 101, Toronto Ontario, M6N 2J1. The Company is listed on the TSX Venture Exchange (TSX.V – DYA). dynaCERT Inc. is referred to in these unaudited interim financial statements as "the Company".

The Company is engaged in the design, engineering, manufacturing, testing, distributing and installation of a transportable hydrogen generator aftermarket product, originally targeted for use in the heavy tractor trailer industry and now expanding into large stationary power generation, with potential for application in the shipping and rail fuel industries. 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 greater fuel efficiency and reduced fuel emissions. Over the past year, the company has initiated ongoing programs within North America and abroad to further test and validate this technology. The Company has aligned itself with companies globally to introduce and market the HydraGen™ product. The Company assembles the HydraGen™ units at its Toronto facility and continues to market its product in order to generate sales.

In 2014, the Company acquired the intellectual property (including all patents and patents pending) of the technology behind the HydraGen™.

The Company has established expanded manufacturing and assembling facilities at its head office location, and has commenced manufacturing of the HydraGen™ in 2015. Preliminary marketing and testing of the HydraGen™ has resulted in expressions of interest from prospective purchasers.

A purchase order for the first fifty (50) units of the new and enhanced HydraGen™ was received on May 14, 2015. The expected delivery date for these units is January 2016 as the company has faced challenges with suppliers.

2. GOING CONCERN

These unaudited interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize the carrying value of its assets and discharge its liabilities when due at the amounts stated in these unaudited interim financial statements. This assumption is dependent on future events including sales of HydraGen™. Due to the existence of losses from operations, total accumulated losses of $32,408,691 at September 30, 2015 and a negative working capital of $801,065, management acknowledge that uncertainty remains over the ability of the Company to obtain adequate financing and to reach profitable levels of sales, which creates uncertainty as to the Company's continuance as a going concern. Management is confident that raising such additional capital is an achievable and reasonable expectation. In the past, the Company has repeatedly been able to raise additional capital as required. There is no certainty that these or other strategies will be sufficient to permit the Company to continue operations beyond 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These condensed unaudited interim financial statements ("interim financial statements") of dynaCERT Inc. were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2014.

The Board of Directors approved these interim financial statements for issue on November 27, 2015.

The policies applied in these interim financial statements are based on IFRS's issued and outstanding as of September 30, 2015. Any subsequent changes to IFRS, which may give effect to the Company's annual financial statements for the year ended December 31, 2014, could result in restatement of these interim financial statements.

(b) SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements were prepared using the same accounting policies and methods as those described in the Company's annual financial statements for the year ended December 31, 2014.

4. RECENT ACCOUNTING PRONOUNCEMENTS
Accounting Standards Issued But Not Yet Implemented

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9. IFRS 9 will replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single expected loss impairment method to be used, replacing the incurred loss impairment methods in IAS 39. The new standard also introduced a new hedge accounting model in November 2013, and expands the scope of eligible hedged items and risks eligible for hedge accounting and aligns hedge accounting more closely with risk management. IFRS 9 also introduces own credit risk charges to OCI for fair valued liabilities. IFRS 9 is to be effective for fiscal years beginning on or after January 1, 2018. Management is currently evaluating the potential impact that the adoption of IFRS 9 will have on the Company's financial statements.

IAS 16 Property, Plant and Equipment
In May 2014, the IASB amended IAS 16 and IAS 38 to clarify that a revenue-based approach to calculate depreciation and amortization generally is not appropriate as it does not reflect the consumption of the economic benefits embodied in the related asset. These amendments must be applied prospectively for annual periods beginning on or after January 1, 2016. These amendments are not expected to have a significant impact on the Company's financial statements.

IAS 11 Joint Arrangements
In May 2014, the IASB amended IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 - Business Combinations. The amended standard requires the acquirer to apply all of the principles on accounting for business combinations in IFRS 3 and other IFRS's except for any principles that conflict with IFRS 11. These amendments must be applied prospectively for those acquisitions occurring in annual periods beginning on or after January 1, 2016. The amendments to IFRS 11 are not expected to have a significant impact on the Company's financial statements.

IAS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 - Leases or other IFRS's. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets such as property, plant and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of IFRS 15 on the Company's financial statements.

IAS 36 Impairment of Assets
In May 2013 the IASB amended IAS 36. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. Disclosures related to IAS 36 can be found in Note 6: Patents and Intellectual Property.

5. PROPERTY AND EQUIPMENT

Cost	**Equipment**	**Office Equipment**	**Furniture and fixtures**	**Leasehold improvements**	**Computer software**	**Total**
Balance, January 1, 2014	$ 924,340	$ 223,156	$ 7,493	$ 155,464	$ 5,325	$ 1,315,778
Additions	35,497	3,239	65	2,768	6,579	48,148
Balance, December 31, 2014	959,837	226,395	7,558	158,232	11,904	1,363,926
Additions	53,556	-	476	-	-	54,032
Balance, Sept. 30, 2015	$ 1,013,393	$ 226,395	$ 8,034	$ 158,232	$ 11,904	$ 1,417,958

Accumulated Depreciation and Impairment	**Equipment**	**Office Equipment**	**Furniture and fixtures**	**Leasehold improvements**	**Computer software**	**Total**
Balance, January 1, 2014	$ 905,954	$ 215,857	$ 592	$ 30,446	$ 1,159	$ 1,154,008
Depreciation expense	7,227	1,784	1,387	63,196	2,238	75,832
Impairment	-	-	-	-	3,853	3,853
Balance, December 31, 2014	913,181	217,641	1,979	93,642	7,250	1,233,693
Depreciation expense	11,419	1,318	705	48,443	1,047	62,932
Balance, Sept., 2015	$ 924,600	$ 218,959	$ 2,648	$ 142,085	$ 8,297	$ 1,296,625
Net book value, Sept. 30, 2015	$ 88,793	$ 7,436	$ 5,350	$ 16,148	$ 3,607	$ 121,334
Net book value, December 31, 2014	$ 46,656	$ 8,754	$ 5,579	$ 64,590	$ 4,654	$ 130,233

Depreciation expense for the period ended September 30, 2015 amounted to $62,932 (2014 - $54,847).

6. PATENTS AND INTELLECTUAL PROPERTY

Cost

Balance, January 1, 2014	$ 181,994
Additions	585,702
Balance, December 31, 2014	767,696
Balance, September 30, 2015	$ 767,696

Accumulated Amortization and Impairment

Balance, January 1, 2014	$ (180,117)
Amortization expense	(1,877)
Impairment expense	(585,702)
Balance, December 31, 2014	(767,696)
Balance, September 30, 2015	$ (767,696)
Net book value, September 30, 2015	$ -
Net book value, December 31, 2014	$ -

Amortization of patents and intellectual property for the period ended September 30, 2015 amounted to $nil (2014 - $1,877).

In 2010, the Company entered into a licensing agreement with an Ontario based development corporation (“development corporation”) with which the company had worked closely in the development of the first Generation HydraGen™. Under the agreement the Company was granted licensing rights on the HydraGen™ hydrogen generating unit. In return, the Company would pay a royalty fee of 6% on the net invoice price of any such product sales. dynaCERT and the development corporation were not related.

On October 30, 2014, dynaCERT acquired the technology that underlies its principal product, the HydraGen™ from the development corporation, for the purpose of the manufacture, sale and distribution of its products anywhere in the world. The Technology (including all patents, patents pending, intellectual property, etc.) was acquired for a purchase price of $750,000 payable out of the sales of HydraGen™ units, (50% of the gross profits from such sales) over five years. In December 2014, dynaCERT paid the development company $250,000 from proceeds of warrants exercised.
The amount of the patents and intellectual property was therein recorded at cost of $585,702 $582,702 was the cost attributable to the intangible asset and $164,298 effective interest to be amortized over 5 years. The remainder of the balance owing is recorded as a discounted promissory note.

As at September 30, 2015, there is $358,871 (2014 - $334,226) recorded as a discounted promissory note payable to the development corporation. Accretion interest of $8,215 (2014 - $nil) is expensed in every period.

(NOTE 6 Continued…)

Recoverable amount and Asset impairment
The discount rate of 15%, which represents management's estimated cost of capital, was used in the value-in-use calculations prescribed by IAS 36 to determine recoverable amount for the asset. Value in use is determined by discounting the future cash flows generated from the intangible asset. The projected sales used to extrapolate cash were projected based on past experience. Thus, it was estimated as nil.

As recoverable amount for Intellectual property was deemed Nil, the asset was considered fully impaired.
As at December 31, 2014, there was an impairment of intangible assets for a total of $585,702. After the impairment the company has no intangible assets listed in its Balance Sheet.

7. CONTINGENCIES AND COMMITMENTS

The Company has commitments for leasing its office premises in Toronto, Canada to December 31, 2015, at a rent of $3,912 per month.

8. LOAN FROM AN EX-DIRECTOR

The principal amount of the loan payable on or before April 30, 2015 to an ex-director, who is also a shareholder, was repaid on December 5, 2014. The director resigned as a director on May 15, 2012. The loan included $1,000,000 advanced on May 1, 2012 at 12.5% interest per annum.

Funding for this loan repayment was achieved from the exercise of warrants by the foregoing former director. The proceeds of exercise of the warrants were applied towards the repayment of the principal of the aforementioned loan and other payables.

Interest of $223,959 has been accrued for, and recorded in accounts payable, but not been paid as of June 30, 2015.No further interest accrued after the repayment of the principal on December 2014.

9. SHARE CAPITAL

Authorized
Unlimited number of Common shares

	Number of Common Shares	Stated Value
Issued		
Balance, January 1, 2014	156,773,139	$ 21,925,866
Issued under private placement net of warrants (note a)	5,370,000	388,077
Issued on exercise of stock options (note b)	25,000	4,730
Issued on exercise of warrants (note c)	13,828,015	1,686,852
Balance, December 31, 2014	175,996,154	24,005,525
Issued under private placement net of warrants (note 9d&f)	2,574,418	221,618
Balance, September 30, 2015	178,978,822	$ 24,276,945

(9a) On July 15, 2014, the Company completed a private placement financing of 5,370,000 units at a price of $0.10 per unit for aggregate proceeds of $537,000. Each Unit consists of one (1) common share in the capital of the Company and one-half of one (½) common share purchase warrant (a "warrant"). Each whole warrant entitles the holder to acquire one (1) additional common share at a price of $0.15 for a two (2) year period from the date of issuance. The Black-Scholes option pricing model was used to determine the fair value of the warrants using the following weighted average assumptions: Expected dividend yield of 0%; risk free interest rate of 1.25%; expected volatility of 187.77%; expected life of two (2) years. The relative fair value of the warrants has been valued at $148,923. The warrants include an acceleration clause to the effect that if at any time after four (4) months and one (1) day following the issuance of the private placement the closing trading price of the Company's common shares on the TSX Venture trade at $0.30 or more for a period of ten (10) consecutive trading days, then the Company shall be entitled to notify the holders of the warrants of its intention to force the exercise of the warrants. Upon receipt of such notice, the holders of warrants shall have thirty (30) days to exercise the warrants, failing which the warrants will automatically expire.

(9b) On October 6, 2014, 25,000 stock options were exercised for proceeds of $2,500. The amounts previously credited to share-based payment reserve of $2,230 were re-classified to share capital.

(9c) In December 2014, 13,828,015 warrants were exercised for proceeds of $1,382,802. The amounts previously credited to warrants reserve of $304,050 were re-classified to share capital.

(9d) On March 23, 2015, the Company completed the first tranche of a private placement financing of 1,233,334 units at a price of $0.15 per unit for aggregate proceeds of $185,000. Each Unit consists of one (1) common share in the capital of the Company and one (1) common share purchase warrant (a "warrant"). Each warrant entitles the holder to acquire one (1) additional common share at a price of $0.25 for a two (2) year period from the date of issuance. The Black-Scholes option pricing model was used to determine the fair value of the warrants using the following weighted average assumptions: Expected dividend yield of 0%; risk free interest rate of 1.25%; expected volatility of 189.22%; expected life of two (2) years. The relative fair value of the warrants has been valued at $79,675. The warrants include an acceleration clause to the effect that if at any time after four (4) months and one (1) day following the issuance of the private placement the closing trading price of the Company's common shares on the TSX Venture trade at $0.50 or more for a period of ten (10) consecutive trading days, then the Company shall be entitled to notify the holders of the warrants of its intention to force the exercise of the warrants. Upon receipt of such notice, the holders of warrants shall have thirty (30) days to exercise the warrants, failing which the warrants will automatically expire.

(9e) On May 8, 2015, the Company completed the second tranche of a private placement financing of 1,241,184 units at a price of $0.15 per unit for aggregate proceeds of $201,163. Each Unit consists of one (1) common share in the capital of the Company and one (1) common share purchase warrant (a "warrant"). Each warrant entitles the holder to acquire one (1) additional common share at a price of $0.25 for a two (2) year period from the date of issuance. The Black-Scholes option pricing model was used to determine the

fair value of the warrants using the following weighted average assumptions: Expected dividend yield of 0%; risk free interest rate of 1.25%; expected volatility of 186.63%; expected life of two (2) years. The relative fair value of the warrants has been valued at $84,870. The warrants include the same acceleration clause described in note 9 (d) above.

Tranches detailed in note 9(d) and 9 (f) pertain to a single private placement financing which was closed on June 30, 2015.

(9f) On April 13, 2015, 408,250 stock options were exercised for proceeds of $40,825. The amounts previously credited to warrants reserve of $8,977 were re-classified to share capital.

Warrants Reserve

A summary of the Company's outstanding and exercisable warrants is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, January 1, 2014	37,241,550	$ 0.14
Granted during the year	2,685,000	0.15
Exercised during the year	(13,828,015)	(0.10)
Expired during the year	(10,200,000)	(0.15)
Outstanding, December 31, 2014	15,898,535	0.18
Granted during the period	2,574,418	0.25
Exercised during the period	(408,250)	(0.10)
Expired during the period	(9,630,999)	(0.10)
Outstanding, September 30, 2015	8,433,704	$ 0.22

Share Based Payments

The Company has a stock option plan under which employees, directors and consultants are periodically granted stock options to purchase common shares of the Company. Under the plan, the exercise price for purchasing these shares cannot be less than the market price of the common shares on the last day on which the common shares traded prior to the date of the granted option. There have been no modifications to the plan during the period ended September 30, 2015.

Issued Year ended December 31, 2014

On July 15, 2014, the Company granted 3,959,000 options to directors, consultants and employees at an exercise price of $0.10 per share. Of this number, 2,225,000 options were granted to directors, which vest immediately and are exercisable for a period of five (5) years from the date of the grant. The other 1,734,000 options were granted to current consultants and employees, which vest over a period of thirty-six (36) months. One sixth (1/6) of the share options vest immediately and 1/6 will vest on each of January 14, 2014, July 14, 2015, January 14, 2016, July 14, 2016 and January 14, 2017. The fair value of each option used for the purpose of estimating the stock

compensation is calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate 1.25%; expected dividends 0%; forfeiture rate 0%; expected volatility 234.10%. As at September 30, 2015, the Company has expensed total compensation expense of $331,751 related to these options.

Issued Period ended September 30, 2015

On February 27, 2015, the Company granted 3,925,000 options to directors, consultants and employees at an exercise price of $0.15 per share. These options vest immediately and are exercisable for a period of five (5) years from the date of the grant. Of this number, 2,225,000 options were granted to directors. The other 1,700,000 options were granted to current consultants and employees. The fair value of each option used for the purpose of estimating the stock compensation is calculated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free rate 1.25%; expected dividends 0%; forfeiture rate 0%; expected volatility 226.51%. The Company expensed share based compensation expense of $504,234.

Period ended September 30, 2015

	Number of options	Weighted average exercise price	Range of exercise price
Outstanding, January 1, 2014	9,375,000	$ 0.21	$0.10-$1.00
Granted during the year	3,959,000	0.10	
Exercised during the year	(25,000)	(0.10)	
Expired during the year	(2,250,000)	(0.20)	
Expired during the year	(975,000)	(0.16)	
Outstanding, December 31, 2014	10,084,000	0.18	$0.10-$1.00
Granted during the period	3,925,000	0.15	
Expired during the period	451,000	(0.12)	
Expired during the period	(1,700,000)	(0.10)	
Outstanding, September 30, 2015	11,858,000	$ 0.17	$0.10-$1.00

Share Based Payment Reserve

Balance, January 1, 2014	$ 3,140,866
Options exercised and re-allocated to share capital	(2,230)
Share-based compensation expense for the year	278,662
Balance, December 31, 2014	3,417,298
Share-based compensation expense for the period	557,324
Balance, September 30, 2015	$ 3,974,622

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- ensuring sufficient liquidity to support its financial obligations and execute its operating and

strategic plans;
- maintaining liquidity reserves and access to capital; and
- minimizing the after-tax cost of capital while taking into consideration current and future industry, market and economic risks and conditions.

The Company manages its capital structure and makes adjustments based on the funds available in order to maintain its daily operations. 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 the future development of the business.

As at September 30, 2015, the Company has financial capital consisting of cash and accounts receivable. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and therefore, does not have a numeric target for its capital structure. The current financial capital on hand is insufficient for the completion of the research and development activities. The Company is therefore dependent on external financing to fund its daily operations and the generation of capital resources. In order to complete the research and development activities and pay for administrative costs, the Company has the intention to raise additional amounts.

Management regularly conducts a review of its capital management approach. There were no changes to the Company's approach to capital management during the period ended September 30, 2015, as compared to the year ended December 31, 2014.

11. FINANCIAL RISK MANAGEMENT

Overview

The Company has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk; and
- market risk (including foreign currency and interest rate risk)

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these interim financial statements and notes thereto.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s financial risk management policies are established to identify and analyze the risks faced by the Company, to set acceptable risk tolerance limits and controls, and to monitor risks and adherence to limits. The financial risk management policies and systems are reviewed regularly to ensure they remain consistent with the objectives and risk tolerance acceptable to the Company and current market trends and conditions. The Company, through its training and management standards and procedures, aims to uphold a disciplined and constructive control environment in which all employees understand their roles and

obligations. The Company's Audit Committee oversees how Management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet their contractual obligations. The Company is exposed to credit risk through its cash, which is held in large Canadian financial institutions, and accounts receivable. In order to reduce its credit risk, the company has adopted credit policies which include the analysis of the financial position of its customers and the regular review of their credit limits. The Company believes that exposure to credit risk is insignificant.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company has in place foreign exchange, interest rate and equity risk management policies to manage its exposure to market risk. These policies establish guidelines on how the Company is to manage the market risk inherent to the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures. The Company does not enter into derivatives for speculative purposes. All such transactions are carried out within the guidelines established in the respective financial risk management policy as approved by the Board of Directors.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and interest-bearing debt that are subject to interest rate risk in the form of a floating based interest rate on loan to a director. Management monitors the market interest rate and makes necessary adjustments on cash balances maintained and interest-bearing debt repayment.

12. LOSS PER SHARE

Loss per share is calculated on the basis of the weighted average number of common shares outstanding during the period.

As at September30, 2015 and December 31, 2014, there is no effect of potentially dilutive securities. All outstanding stock options and warrants were excluded from the diluted weighted average number of common shares outstanding calculation, as their effect would have been anti-dilutive. If applicable, the average market value of the Company's shares for purposes of calculating the dilutive effect of share options and warrants would be based on quoted market prices for the period during which the options and warrants were outstanding.

13. RELATED PARTY TRANSACTIONS

Period ended September 30, 2015

The Company entered into the following transactions with related parties and/or companies controlled by related parties as follows:

(a) The Company incurred fees of $90,000 to James Payne in his role as CEO for the period ended September 30, 2015. The aforementioned fees have been recorded in accounts payable, but have not been paid as of September 30, 2015.

(b) The Board of Directors granted options to its directors and officers to acquire common shares. The Company expensed stock based compensation cost of $324,380 for options issued to directors and officers. The Company expensed stock based compensation cost of $4,779 for options issued to consultants who are related parties.

(c) On February 27, 2015, Gordon J. Barr stepped down as the CFO. The Company has a business relationship with RLB LLP (Chartered Professional Accountants and Business Advisors), of which Gordon is a Partner of the firm. The company incurred fees of $10,000 for the period ended June 30, 2015 for accounting fees paid to RLB LLP.

(d) The Company paid $33,250 as compensation to the other officers of the Company.

Year ended December 31, 2014

The Company entered into the following transactions with related parties and/or companies controlled by related parties as follows:

(e) On July 15, 2014, Gordon J. Barr was appointed as the CFO. The Company has a business relationship with RLB LLP (Chartered Professional Accountants and Business Advisors), of which Gordon is a Partner of the firm. The company incurred fees of $10,000 for the year ended December 31, 2014 for accounting fees paid to RLB LLP.

(f) The Company incurred fees of $120,000 to James Payne in his role as CEO for the year ended December 31, 2014.

(g) The Board of Directors granted options to its directors and officers to acquire common

shares. The Company expensed stock based compensation cost of $198,436 for these options issued to directors and officers. The Company expensed stock based compensation cost of $20,959 for options issued to consultants who were related parties.

(h) The Company paid $59,600 as compensation to the other officers of the Company. This does not include accounting fees paid to RLB LLP..

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

14. SUBSEQUENT EVENTS

On October 2, 2015 the Company closed the first tranche of a non-brokered private placement (the "Offering"). Under the Offering, the Corporation is offering a total of 15,000,000 units (each, a "Unit") at price of $0.10 per Unit. Each Unit will be comprised of one common share in the capital of the Corporation (each, a "Common Share") and one-half of one (1/2) common share purchase warrant (each, a "Warrant"), with each whole Warrant being exercisable into one Common Share at a price of $0.15 for a two year period from the date of issuance. The Warrants include an acceleration clause to the effect that if at any time after four (4) months and one (1) day following the issuance of the Warrants, the closing trading price of the Common Shares on the TSX Venture Exchange (the "Exchange") is greater than Cdn$0.30 per Common Share for a period of ten (10) consecutive trading days, then dynaCERT may give notice to the holders of Warrants of its intention to force the exercise of the Warrants, following which the holders thereof shall have a period of 30 days to exercise the Warrants, failing which the Warrants will automatically expire.

The company received subscriptions for 912,398 Units for an aggregate of $357,965. Proceeds of the Offering will be used for working capital.