

COVER TECHNOLOGIES INC.

(formerly Mag One Products Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2020

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW
OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying condensed interim consolidated financial statements of Cover Technologies (formerly Mag One Products Inc.) (the "Company") as at December 31, 2020 and for the three months then ended, have been prepared by the management of the Company and approved by the Company's Audit Committee.

Under National Instrument 51-102, Part 4, subsection 4.2(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by CPA Canada for a review of the condensed interim consolidated financial statements by an entity's auditor.

COVER TECHNOLOGIES INC. (formerly Mag One Products Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	Note	December 31, 2020 \$	September 30, 2020 \$
ASSETS			
Current Assets			
Cash		1,081	12,401
Other receivables	7	1,225	1,225
Sales tax receivable		10,915	10,155
		<u>13,221</u>	<u>23,781</u>
Prepays	15	75,000	50,000
		<u>88,221</u>	<u>73,781</u>
LIABILITIES AND SHARE HOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	394,394	371,748
Due to related parties	9	279,910	188,840
Notes payable	8	545,462	516,856
Advance from Investissement Québec	7	538,819	533,891
Proceeds from convertible debenture	11	169,302	166,529
		<u>1,927,887</u>	<u>1,777,864</u>
SHAREHOLDERS' DEFICIENCY			
Share capital	10	9,063,200	9,063,200
Reserves	10	2,919,958	2,918,987
Deficit		<u>(13,822,824)</u>	<u>(13,686,270)</u>
		<u>(1,839,666)</u>	<u>(1,704,083)</u>
		<u>88,221</u>	<u>73,781</u>
Nature of operations and going concern	1		
Commitments	15		
Subsequent events	17		

Approved and authorized by the Board on February 26, 2021

Approved on behalf of the Board:

"Frank Vlastelic"
Director

"Tony Louie"
Director

The accompanying notes are an integral part of these financial statements.

COVER TECHNOLOGIES INC. (formerly Mag One Products Inc.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Note	Three months ended December 31, 2020 \$	Three months ended December 31, 2019 \$
Expenses			
Management fees	9	81,000	-
Office and administration		1,352	6,439
Professional and consulting fees	9	32,126	66,840
Investor communication		-	(20,477)
Research expense, net	7, 9	-	111,387
Travel		-	6,409
Transfer agent and filing fees		9,644	3,768
Loss from operating expenses		(124,122)	(174,366)
Other items			
Interest expense	7, 8, 11	(12,432)	(7,839)
Other income	14	-	104,613
Loss for the period		(136,554)	(77,592)
Other comprehensive income (loss)			
Foreign currency translation adjustment		971	590
Comprehensive loss for the period		(135,583)	(77,002)
Weighted average number of common shares outstanding – basic and diluted			
		2,752,145	2,350,340
Basic and diluted loss per share		(0.05)	(0.03)

The accompanying notes are an integral part of these financial statements.

COVER TECHNOLOGIES INC. (formerly Mag One Products Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Three months ended December 31, 2020	Three months ended December 31, 2019
	\$	\$
Operating activities		
Net loss for the period	(136,554)	(77,592)
Adjustments for:		
Accrued interest on notes payable	4,731	-
Accrued interest on convertible debentures	2,773	2,750
Accrued interest on government grant	4,928	4,928
Non-cash working capital items		
Accounts receivable	(760)	(11,140)
Prepays	(25,000)	6,000
Accounts payable and accrued liabilities	22,646	(27,897)
Due to related parties	90,000	53,203
	(37,236)	(49,748)
Financing activities		
Proceeds from issuance of promissory notes	-	(34)
Proceeds from notes payable	25,000	-
Proceeds from sale of assets classified as held for sale	-	57,750
	25,000	57,716
Effect of foreign currency on cash	916	590
Change in cash during the period	(12,236)	7,968
Cash, beginning of the period	12,401	42,747
Cash, end of the period	1,081	51,305
Cash paid during the period for:		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

COVER TECHNOLOGIES INC. (formerly Mag One Products Inc.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency
For the three months ended December 31, 2020 and December 31, 2019
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves					
	Number of common shares	Amount	Warrant	Loan	Option	Translation gain (loss)	Deficit	Total
		\$	\$	\$	\$	\$	\$	\$
September 30, 2019	2,752,145	9,063,200	1,181,804	2,664,963	4,631,220	17,752	(18,789,676)	(1,230,737)
Foreign exchange adjustment	-	-	-	-	-	590	-	590
Loss	-	-	-	-	-	-	(77,592)	(77,592)
December 31, 2019	2,752,145	9,063,200	1,181,804	2,664,963	4,631,220	18,342	(18,867,268)	(1,307,739)
September 30, 2020	2,752,145	9,063,200	-	2,664,963	236,237	17,787	(13,686,270)	(1,704,083)
Foreign exchange adjustment	-	-	-	-	-	971	-	971
Loss	-	-	-	-	-	-	(136,554)	(136,554)
December 31, 2020	2,752,145	9,063,200	-	2,664,963	236,237	18,758	(13,822,824)	(1,839,666)

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations and Going Concern

Cover Technologies Inc. (formerly Mag One Products Inc.) (“Cover” or the “Company”) was incorporated on June 18, 2007 in British Columbia, Canada. The Company’s head office is located at Suite 600 – 777 Hornby St, Vancouver, V6Z 1S4. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”), Frankfurt stock exchange and the OTC Bulletin Board (“OTCBB”).

The Company’s principal business is the development and commercialization of industrial products and solutions technologies for the processing and production of magnesium metal and related compounds and by-products and co-products from serpentinite tailings, and disinfectant and cleaning solutions.

Going Concern

These condensed interim consolidated financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial entities or other business and financial transactions which would assure continuation of the Company’s operations and technology programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with 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”).

COVER TECHNOLOGIES INC. (formerly Mag One Products Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the period ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)
Page 2

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended September 30, 2020.

The condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's 2020 audited consolidated financial statements.

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting.

The preparation of financial statements in compliance with IFRS requires management to make 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 of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Basis of consolidation

These condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The subsidiaries of the Company as of December 31, 2020 are as follows:

Name	Incorporation	Ownership Percentage	
		2020	2019
Mag One Operations Inc. ("MOOI")	Canada	100%	100%
Mag One Operations Inc. (Mag One USA)	USA	100%	100%
North American Magnesium Products LLC ("NAMP LLC")	USA	100%	100%

Functional currency and foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The condensed interim consolidated financial statements

are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of the Company's US subsidiaries, Mag One USA and NAMP LLC, is the US dollar. The functional currency of MOOI is the Canadian dollar.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation of the foreign operations are recorded to the Company's other comprehensive income (loss). These differences are recognized in the profit and loss in the period which the operation is disposed of.

3. SIGNIFICANT ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgments in applying accounting policies and sources of estimation uncertainty that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim consolidated financial statements within the next financial year are the same as those that applied to the Company's 2020 annual financial statements.

4. DEFINITIVE AGREEMENT DEPOSIT

On January 6, 2020 the Company and its subsidiary, MOOI, entered into a definitive earn-in and operating agreement (the "BLR Agreement") with Blue Lagoon Resources Inc. ("BLR"). Pursuant to the BLR Agreement, BLR may acquire up to a 70% equity interest in the Company by purchasing up to \$5.25 million of shares of the Company.

BLR may acquire an additional 20% interest in the Company, subject to the Company obtaining shareholder approval, by making an additional payment of \$1.5 million within 24 months of the closing date. Closing of the transaction is subject to various conditions, including completion of due diligence investigations, receipt of all necessary corporate and regulatory approvals, and compliance with stock exchange requirements.

During the year ended September 30, 2020, the Company received a deposit of \$50,474 from BLR. On April 15, 2020, the Company and BLR signed a mutual termination and release agreement ("MTRA") to terminate the BLR Agreement between the parties. A term of the MTRA specifies that the Company has no obligations to BLR. During the period ended Jun 30, 2020, the Company recognized a gain on contract cancellation of \$50,474.

5. INTANGIBLE ASSETS

Magnesium Technology

During the year ended September 30, 2017, the Company entered into a purchase agreement (“SPA”) with Dundee Sustainable Technologies Inc. (“DST”) to purchase a Technical Report titled “Resource Estimation of the Nickel Content in Asbestos Mines Tailings (the “Tailings”), Thetford Mines, Quebec, Canada” prepared by Systèmes Geostat International (the “Technical Report”). The Company paid \$5,000 and issued 40,000 common shares with a value of \$9,000 pursuant to the SPA. The Company was to pay \$20,000 and issue common shares of the Company with a value of \$30,000 at the prevailing 20-day volume weighted average price upon the commencement of commercial production of product(s) by processing the Tailings on or before May 19, 2019. If the Company did not commence commercial production of product(s) by processing the Tailings on or before May 19, 2019, the Company was required to sell back the Technical Report for consideration of \$1.00 to DST.

During the year ended September 30, 2020, the Company and its subsidiary, MOOI, sold back the Technical Report for \$1.00 to DST and entered into a new agreement with DST to re-purchase the Technical Report. Pursuant to the new agreement, the Company must pay \$5,000 (not paid) or enter into a contract with a minimum value of \$75,000 with DST for piloting the Company’s magnesium oxide production technology at DST’s facility on or before May 29, 2020. During the period ended December 31, 2020, DST exercised its option to re-purchase the Technical Report for \$1.00.

In connection with the SPA, during the year ended September 30, 2017, the Company entered into an option agreement (“OA”) with Asbestos Corp. Ltd. (“ACL”). Under the OA, the Company had an option to purchase up to 60 million tonnes of the Tailings (the “Option”) on or before November 19, 2017. Pursuant to the OA, the Company paid \$5,000 and issued 50,000 common shares of the Company with a value of \$11,250. Upon exercise of the Option, the Company will be required to pay \$100,000 and \$1.00/tonne of Tailing used as a royalty, and would have access to a minimum of five acres of land for the necessary plant and equipment. The OA was extended until June 30, 2019.

During the year ended September 30, 2020, the Company and its subsidiary, MOOI, entered into a new agreement with ACL whereby, the Company would have access to recover and process up to 60 million tonnes of Tailings located in Quebec up to March 1, 2020. The agreement will automatically be extended until March 1, 2022 if, prior to March 1, 2020, the Company provides ACL with notice in writing that it has completed a technical report on the Normandie Tailings pile in the form required pursuant to National Instrument 43-101. Pursuant to the agreement, the Company will pay ACL \$1.00/tonne for the first 100,000 tonnes per year of Tailings taken by the Company, \$1.50/tonne of Tailings above 100,000 tonnes per year and below 200,000 tonnes per year of Tailings. Payments will be due on or before March 31st for Tailings taken and processed in the preceding calendar year. Upon commencement of production, the Company will pay ACL a non-refundable deposit of \$20,000 (not paid). The Company provided ACL with the completed technical report of Normandie Tailings; therefore, the agreement has been extended to March 1, 2022.

During the year ended September 30, 2020, the Company terminated an agreement dated July 12, 2018 between Mine Jeffrey Inc. (“Jeffrey”) and Beausite Metal Inc. (“BMI”) and entered into a processing agreement whereby Jeffrey and BMI have granted the Company and MOOI exclusive access to the Mine Jeffrey Serpentine Tailings project to recover up to 25 million tonnes of serpentine tailings and an option to acquire an additional 25 million tonnes for no additional consideration. The Company will have until November 30, 2024 to exercise the option to acquire the additional 25 million tonnes. The processing agreement acknowledged a \$100,000 prepayment made during the year ended September 30, 2015 for the first 100,000 tonnes of tailings. The Company will pay \$1.00/tonne

of Tailings to be paid. Upon production being achieved, the per tonne rate will be subject to an annual increase on January 1st of each subsequent calendar year in accordance with the Consumer Price Index published by Statistics Canada.

Disinfectant and cleaning solution

During the year ended September 30, 2020, the Company signed a license and commercialization Agreement (“License Agreement”) with Vera CLS Pty Ltd. (“Vera”) whereby the Company will receive an exclusive license for the manufacturing, commercialization and distribution of all Vera’s products (“Vera Products”). The Vera Products are an all natural, plant-based disinfectant and cleaning solutions. The Company’s exclusivity encompasses the United States of America, including the District of Columbia and all territories and possessions of the United States of America, including Puerto Rico and the U.S. Virgin Islands, Canada and all of its provinces and territories, and the European Union (“the Territory”).

The Agreement provides the Company with exclusive licensing and commercialization rights in this Territory to August 18, 2025 with 2 subsequent 5-year exclusive renewal terms.

The Company’s obligations are a one-time payment of \$100,000 and an ongoing royalty of gross sales for the five-year period of the agreement. The one-time payment will be paid out on the following schedule:

- \$25,000 within 14 days from the signing of the agreement (paid);
- \$25,000 within 14 days after the initial payment;
- \$25,000 within 90 days of the last payment; and
- \$25,000 within 90 days of the last payment.

There is no obligation to pay the total unpaid part of the one-time payment if the License Agreement is terminated prior to the due date for a particular unpaid payment related thereto. Year one of the agreement provides for a royalty of 8% of the gross sales. Years two to five of the agreement provide guaranteed royalties to Vera as follows:

- Year two – greater of \$120,000 or 8% of gross sales;
- Year three – greater of \$132,000 or 8% of gross sales;
- Year four – greater of \$145,200 or 8% of gross sales; and
- Year five – greater of \$159,720 or 8% of gross sales.

The royalty payments will be paid within 30 days at the end of each quarter and will not be due if the agreement is terminated before the respective due dates. During the year ended September 30, 2020, the Company recognized an impairment of the intangible asset of \$25,000.

In connection with the Licensing Agreement the Company signed a business development agreement with VEMO Biotech Limited (the “VEMO”). VEMO will be leading the management, marketing, operations, staffing, sales and channel development for the Vera Products. The term of the business development agreement is twenty-four months with automatic annual renewal unless otherwise stated in writing 30 days prior to anniversary date. The agreement specifies a monthly retainer of \$10,000 as well as Gross Over-Ride Royalty (GORR) / commission on the sales of the Company’s Vera Products to be determined shortly.

The execution of the contract and engagement is subject to (a) the completion of the Company’s due diligence and signing of the Master Licensing / Distribution Agreement with Vera Products, and (b) the completion of regulatory approvals for the sale and distribution of Vera Products as an all natural,

green product in its contracted territories. The VEMO agreement was terminated on October 1, 2020 with no amounts owing or accrued.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	September 30, 2020
	\$	\$
Accounts payable (Note 9)	366,507	287,674
Accrued liabilities	27,887	84,074
	394,394	371,748

7. GOVERNMENT GRANTS

Investissement Québec ("IQ")

The Company entered into an agreement with IQ on November 11, 2016, whereby IQ had agreed to provide a non-refundable contribution of \$495,000 (the "Grant") to the Company (The "Agreement"). The conditions governing the Grant were as follows:

- a) The Company would have to incur expenditures of \$627,750 on the development of the Pilot Plant for processing of Magnesium (the "Project");
- b) The Company was to complete the Project by March 31, 2017 (the "Project Completion Date");
- c) The Company must establish itself within the MRC des Sources region for a minimum period of 2 years from the date of receipt of the last payment from IQ;
- d) The Company was to carry out and maintain its operations related to the Project, including significant development or improvement work on the design, development activities of the product/process, and not move this work outside the municipality of the MRC des Sources, for a period of 36 months from the date of receipt of the last payment from IQ;
- e) IQ reserved its rights to call back the entire grant up until the Project is completed in the event of the following:
 - The Project not being completed by the Project Completion Date;
 - The Company abandoning the Project; - The Company divests of the Project or commits any act that leads to insolvency or bankruptcy or creditor protection;
 - The Company defaults under any loans, if any;
 - The Company makes material changes to the disbursement plans for the Company without consent of IQ; - Commit a fraud or false statement; and
 - Default in any other provision of the Agreement.

As at September 30, 2020 the Company has met all the requirements noted above except for Point (c). The Company was granted an extension to February 28, 2018 to complete the Project and received the last installment of the Grant on February 14, 2018. IQ has therefore accepted that the Project has been completed including the compliance of points (a), (b) and (e) above.

According to the Agreement, as per Point (c) above, the Company was required to operate out of the municipality of MRC des Sources for a period of at least 2 years following the last installment from IQ. However, the Company has yet to set up an establishment in MRC des Sources. In this regard, the Company received a notice on October 5, 2018, from IQ informing the Company on its failure to establish a place of business in MRC des Sources. Due to the default in meeting the Agreement

COVER TECHNOLOGIES INC. (formerly Mag One Products Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the period ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)
Page 7

requirements, the grants have been reflected as a demand liability incurring interest at 4% per annum. During the period ended December 31, 2020, the Company accrued \$4,928 (2019 - \$4,928) in interest on the Grant from the date of notice of default.

National Research Council Canada (“NRC”)

On January 31, 2019, the Company entered into a contribution agreement with NRC whereby NRC will pay the Company 50% of the eligible expenditures incurred by the Company for its feasibility project related to magnesium production up to a maximum of \$98,400, with a maximum claim amount of \$30,000 for the period from April 1, 2018 to March 31, 2019 and \$68,400 for the period from April 1, 2019 – March 31, 2020. The funds received for this grant represent compensation for costs already incurred, and as such have been recognized in profit or loss on a systematic basis based on the related expenses. During the period ended December 31, 2020, the Company incurred a total of \$Nil (2019 - \$90,237) of eligible expenditures related to the project. A total of \$Nil (2019 - \$31,207) has been recognized into profit or loss as an offset to research expense.

Government of Canada via Natural Resources Canada - Clean Growth Program (the “CGP”)

On April 20, 2020 the Company entered into a contribution agreement whereby CGP will pay the Company 50% of eligible expenditures incurred by the Company for its front-end engineering design study for a high purity magnesium oxide demonstration plant using serpentinite tailings, up to a maximum claim amount of \$1,666,500. Pursuant to the agreement, the CGP will withhold 10% from each payment until the Company has completed the project to the satisfaction of the Minister and has submitted all reports of which \$1,225 was recorded in other receivables. The funds received for this grant represent compensation for costs already incurred, and as such have been recognized in profit or loss on a systematic basis based on the related expenses. During the period ended December 31, 2020, the Company incurred a total of \$Nil of eligible expenditures related to this project. A total of \$Nil has been recognized into profit or loss as an offset to research expense.

8. NOTES PAYABLE

During the period ended December 31, 2020, the Company received unsecured loan proceeds of \$25,000 (September 30, 2020 - \$215,000) from arms-length parties as follows:

Principal	Interest		Principal and	Principal and
\$	Rate	Due Date	interest owing as at	interest owing as at
	%		December 31, 2020	September 30, 2020
			\$	\$
5,000	8	November 18, 2020	5,448	5,347
50,000	8	November 22, 2020	54,438	53,430
30,000	8	January 30, 2021	31,510	30,905
20,000	5	February 18, 2021	20,844	20,591
10,000	5	February 18, 2021	10,434	10,308
50,000	5	September 7, 2021	50,781	50,151
75,000	5	September 14, 2021	76,048	50,110
240,000			249,503	220,842

During the year ended September 30, 2020, a former director and former chairman, and a family member assigned amounts outstanding of \$293,294 to an arms-length party (Note 9). As at December 31, 2020, the Company had arms-length loans outstanding of \$295,959 (September 30, 2020 - \$296,014). These loans are unsecured, non-interest bearing and due on demand.

9. RELATED PARTY TRANSACTIONS

Compensation paid to key management and directors

The following are the remuneration of the Company's related parties:

	December 31, 2020	December 31, 2019
	\$	\$
Executive Director and CEO	45,000	-
Non-executive Director for consulting fees	9,000	-
Company controlled by the President of MOOI for consulting fees and research expenses	36,000	48,000
A company controlled by a non-executive Director for consulting fees	-	5,000
Share-based compensation	-	-
	90,000	53,000

Due to related parties

	December 31, 2020	September 30, 2020
	\$	\$
Executive Director and CEO	115,000	70,000
Company related to Executive Director and CEO	6,000	6,000
Non-executive Directors	46,910	36,840
Company controlled by the President of MOOI	112,000	76,000
	279,910	188,840

Included in accounts payable and accrued liabilities as at December 31, 2020 is \$4,725 (September 30, 2020 - \$4,725) owing to a company controlled by the former CFO (Note 6).

Except for the notes payable to related parties below, all amounts owing to related parties do not bear any interest, are unsecured and due on demand.

During the year ended September 30, 2019, the Company received \$137,944 and repaid \$168,000 to the former Chairman and / or a company controlled by the former Chairman in the form of Units as follows:

- a) issued 64,000 units of the Company in settlement of notes payable to the Director and former Chairman of the Company amounting to \$128,000. The fair value of the units issued was estimated at \$128,000 (Note 10).
- b) issued 20,000 units of the Company in settlement of notes payable to a company owned by the Director and former Chairman of the Company amounting to \$40,000. The fair value of the units issued was estimated at \$40,000 (Note 10), including the shares valued at \$40,000. The warrants were assigned no value under the residual method.

During the year ended September 30, 2020, a former director and former chairman, and a family member assigned the collective amounts outstanding of \$293,294 to an arms-length party (Note 8). This included the \$100,000 subscriptions received in advance from the former director and former

chairman in connection with the units at \$0.20 per unit that had not yet been issued. The balance was recorded as a current liability during the year ended September 30, 2019.

During the year ended September 30, 2020, the Company entered into a loan agreement with a director of the Company whereby the director agreed to lend \$16,000. The loan is unsecured, due on January 29, 2021 and bears interest at 8% per annum. As of December 31, 2020, the Company had a balance payable including principal and interest of \$19,910 (September 30, 2020 - \$18,840).

10.SHARE CAPITAL

(a) Authorized

Unlimited number of Class A shares without par value.

Unlimited number of non-voting Class B preferred without par value.

The Company consolidated the issued share capital on the basis of 20 old common shares for one (1) new common share (the "Consolidation"). Outstanding stock options were adjusted by the Consolidation ratio. All common shares and per common share amounts in these condensed interim consolidated financial statements have been retroactively restated to reflect the share consolidation.

(b) Common Shares - issued and outstanding

No capital activity was initiated during the period ended December 31, 2020 and the year ended September 30, 2020.

(c) Stock Options

The Company has an incentive stock option plan under which it is authorized to grant options to executive officer, directors, employees and consultants enabling them to acquire up to 10% of the then issued and outstanding common shares of the Company. The exercise price is subject to a minimum \$0.10 per option. The minimum exercise price of an option granted shall not be less than the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum of five (5) years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors in accordance with the rules and policies of the regulatory authorities.

The following summarizes the stock options activity during the period ended December 31, 2020 and the year ended September 30, 2020:

	December 31, 2020		September 30, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance , beginning of period	155,000	\$ 2.00	210,000	\$ 2.00
Granted	-	\$ -	-	\$ -
Expired	-	\$ -	(55,000)	\$ 2.00
Balance, end of period	155,000	\$ 2.00	155,000	\$ 2.00

COVER TECHNOLOGIES INC. (formerly Mag One Products Inc.)
Notes to the Condensed Interim Consolidated Financial Statements
For the period ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)
Page 10

Expiry Date	Number of Options Outstanding	Number of Options Vested	Number of Options Unvested	Exercise Price	Weighted Average Remaining Life
July 21, 2021	155,000	155,000	-	\$ 2.00	0.81

On July 21, 2019, the Company granted a total of 210,000 stock options to certain officers, directors and/or consultants of the Company exercisable at \$2.00 for a period of 2 years. The fair value of the stock options was determined to be \$320,064 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 2 years; expected volatility – 166%; expected dividend yield – 0%; and risk-free rate – 1.43%. As at September 30, 2020, 155,000 stock options remain outstanding and exercisable.

(d) Warrants

Details of warrants outstanding as at December 31, 2020 and September 30, 2020 are as follows:

	December 31, 2020		September 30, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance , beginning of year		\$ -	733,028	\$ 6.40
Granted		\$ -	-	\$ -
Expired		\$ -	(733,028)	\$ 6.40
Cancelled		\$ -	-	\$ -
Balance, end of year		\$ -	-	\$ -

11. CONVERTIBLE DEBENTURES

During the year ended September 30, 2018, the Company received proceeds from a non-brokered private placement offering of convertible debentures (each a “Convertible Debenture”) of the Company totaling \$150,000. The term of each Convertible Debenture matures 3 years from the date of issuance, carries an interest rate of 6% per annum, (interest paid upfront in advance) and is convertible to common shares of the Company at a conversion price of \$10.00 per common share, (or at 10% below the market price, whichever is less, subject to exchange approval). The Convertible Debentures will be issued subject to regulatory approval. During the period ended December 31, 2020, the Company accrued \$2,773 (2019 – \$2,750) of interest related to the convertible debentures.

12. FINANCIAL INSTRUMENTS

Fair values

The company’s condensed interim consolidated financial instruments consist of cash, accounts payable, due to related parties, notes payable and proceeds from convertible debentures.

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of the Company's cash is classified as a Level 1 fair value measurement. The Company does not have any Level 2 or 3 fair value measurements.

As at December 31, 2020, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash which is held in bank accounts. As most of the Company's cash is held by two banks, there is a concentration of credit risk. This risk is low and is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments. The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consists primarily of refundable government goods and services taxes.

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's exposure to interest rate risk is minimal.

Currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its ability to meet its short-term research and administrative expenditures by raising additional funds through share issuance when required. All the Company's financial liabilities have contractual maturities of less than a year or due on demand and are subject to normal trade terms. Working capital deficiency poses a liquidity risk unless the Company can monetize its intangible assets or acquire further equity or debt funding. The Company is exploring all opportunities for monetization of its assets and in acquiring further funding.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its intangible assets and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash.

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

The Company does not currently have adequate sources of capital to complete its current obligations and ultimately the development of its business, and will need to raise capital by obtaining equity financing, selling assets and/or incurring debt. The Company may raise additional debt or equity financing in the near term to meet its obligations. The Company is primarily dependent on the capital markets as its source of operating capital and the Company's capital resources are largely determined by the strength of the markets and by the status of the Company's intangible asset progress in relation to these markets, and its ability to compete for investor support of its technical capability.

14. OTHER INCOME

On October 23, 2019, the Company was repaid \$94,613 (US\$71,100) pursuant to an agreement signed with Mag Board LLC in July 2016 whereby the Company entered into a Convertible Debenture ("CD") and loaned Mag Board LLC US\$150,000 (the loan receivable had been considered impaired). The Company is considering converting the unpaid balance of the CD into shares of GDR Global, the firm who recently acquired controlling interest in MagBoard LLC. The paperwork for this transaction is currently under review by management.

15. COMMITMENTS

(a) On January 3, 2019, the Company entered into a technology IP acquisition agreement, as amended (the "IP Agreement") with 8200475 Canada Inc. ("Tech Magnesium"), granting the Company an exclusive license to use and an option to acquire a 100% ownership of the aluminothermic and silicothermic technology (the "Tech Mag Technology"), and agreeing to collaborate to finalize the development and commercialization of the Tech Mag Technology (the "Collaboration"). The option is exercisable on or before January 3, 2024. Specific acquisition payments could be triggered upon exercising of the option to acquire the Tech Mag Technology. During the Collaboration, the President of Tech Magnesium will provide services to MOOI to further de-risk the magnesium metal processing technology. The significant terms of the IP Agreement are as follows:

- The Company must finance phase 1 which includes a lab-scale proof-of concept testing with thermodynamic modelling of the Tech Magnesium Technology on or before February 3, 2020 in order to retain the exclusive license option for this technology.
- The Company must finance phase 2 which includes design, construction and operation of a small-scale pilot test facility of the Tech Magnesium technology on or before January 29, 2023 in order to retain the exclusive license option for this technology.
- The Company must finance phase 3 which includes design, construction and operation of the first magnesium metal commercial module with a minimum of 5,000 tpa production capacity using Tech Mag Technology on or before January 3, 2024 in order to retain the exclusive license option for this technology.

During the year ended September 30, 2020, the Company provided confirmation that phase 1 has been completed and the intention to proceed with phase 2. The Company is presently pursuing the development of a technology through Tech Magnesium which constitutes expenses towards research and development. While it is the intention of the Company to develop an intangible asset, the intangible asset shall be created only after the completion of the technical pre-feasibility study. At this point in time it is not known how the intended intangible asset shall be in a position to

generate probable future economic benefits. The development of the intangible asset shall depend upon the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. The Company is yet to exercise the Option.

- (b) On August 21, 2020, the Company entered into an agreement with COVEX Solutions Inc. ("COVEX") whereby Cover and COVEX would negotiate a 50/50 joint venture agreement. Pursuant the agreement, Cover will pay \$1,200,000 (\$75,000 paid) to earn 50% equity ownership of COVEX. The Company is currently in negotiations with COVEX on the terms of the definitive agreement.

16. SEGMENTED INFORMATION

The Company operates in one business segment being the industrial products and solutions company with all the assets located in Canada.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2020:

1. A total of 1,411,684 common shares were issued at \$0.42 to settle \$592,910 debt owing.
2. The Company announced a non-brokered private placement of up to 15,095,000 units at a price of \$0.265 per unit for gross proceeds of up to \$4,000,000. Each unit will consist of one common share (a "Share") in the capital of the Company and one share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one additional Share at a price of \$0.75 for a period of two years from the closing, subject to an acceleration provision whereby if the Shares trade at a price of \$1.00 or greater per Share for a period of 10 consecutive trading days after four months and one day from the closing of the Financing, the Company may accelerate the expiry of the Warrants by giving notice to the holders thereof, and, in such case, the Warrants will expire on the 30th day after the Company issues such notice.