**PLASCRED CIRCULAR INNOVATIONS INC.**

**810 – 789 West Pender Street**
**Vancouver, British Columbia**
**V6C 1H2**

# CSE FORM 2A
# LISTING STATEMENT

**Reverse Takeover by PlasCred Inc. of Cover Technologies Inc. to be renamed "PlasCred Circular Innovations Inc."**

**DATE: August 3, 2023**
**(except as otherwise indicated)**

## NOTE TO READER

This Canadian Securities Exchange ("**CSE**") Form 2A – *Listing Statement* has been prepared in connection with a reverse takeover transaction which constitutes a "fundamental change" within the meaning of CSE Policy 8 – *Fundamental Changes and Changes of Business*. As such, the disclosure that follows relates to the business of PlasCred Circular Innovations Inc., whose common shares must be requalified for listing on the CSE.

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**SCHEDULES:**

## DEFINITIONS

The following is a glossary of certain definitions used in this Listing Statement (as defined herein). Terms and abbreviations used in this Listing Statement and also appearing in the documents attached as schedules to the Listing Statement (including the financial statements) are defined separately if the terms and abbreviations defined below are not used therein, except where otherwise indicated. Any capitalized term used but not defined in this Listing Statement have the meanings ascribed thereon in the policies of the CSE (as defined herein). Words below importing the singular, where the context requires, include the plural and *vice versa*, and words importing any gender include all genders.

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| "**Affiliate**" | means a company that is affiliated with another company as described below. A company is an Affiliate of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same person. A company is "controlled" by a Person if (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person. |
| "**Audit Committee**" | means the audit committee of the Issuer. |
| "**BCBCA**" | means the *Business Corporations Act* (British Columbia), and the regulations thereunder, as amended. |
| "**Board**" | means the board of directors of the Issuer. |
| "**CBCA**" | means the *Business Corporations Act* (Canada), and the regulations thereunder. |
| "**CEO**" | means chief executive officer. |
| "**CFO**" | means chief financial officer. |
| "**Closing**" | means the closing of the Transaction pursuant to the terms of the Second Amended and Restated Share Exchange Agreement. |
| "**Common Share**" | means a common share in the capital of Cover or the Issuer, as applicable. |
| "**company**" | unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual. |
| "**Consolidation**" | means the consolidation of Common Shares on the basis of two (2) pre-consolidation Common Shares for each one (1) post-consolidation Common Share which occurred on August 3, 2023. |

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| "**Cover**" | means Cover Technologies Inc., prior to giving effect to the Transaction, a company incorporated under the BCBCA. |
| "**Cover Shareholders**" | means the shareholders of Cover and "**Cover Shareholder**" means any one of them. |
| "**Cover Warrants**" | means Common Share purchase warrants of Cover. |
| "**CSE**" or "**Exchange**" | means the Canadian Securities Exchange, operated by CNSX Markets Inc. |
| "**CTO**" | means chief technology officer. |
| "**Escrow Agreement**" | means the NP 46-201 escrow agreement dated August 3, 2023 among the Issuer, Endeavor Trust Corporation and certain insiders of the Issuer. |
| "**Escrowed Shares**" | has the meaning ascribed to that term under "*Escrowed Securities*". |
| "**IFRS**" | means International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board, applied on a consistent basis with prior periods. |
| "**Issuer**" | means PlasCred Circular Innovations Inc. (formerly Cover Technologies Inc.), a company incorporated under the BCBCA following Closing. |
| "**Listing**" | means the reinstatement of the Common Shares on the CSE following Closing. |
| "**Listing Date**" | means the date of reinstatement of the Common Shares following Closing. |
| "**Listing Statement**" | means this Form 2A – *Listing Statement* dated effective August 3, 2023. |
| "**Mag One Canada**" | means Mag One Operations Inc., a company incorporated under the laws of the Province of Québec. |
| "**MD&A**" | means Form 51-102F1 – *Management's Discussion & Analysis*. |
| "**NI 52-110**" | means National Instrument 52-110 – *Audit Committees*. |
| "**NP 46-201**" | means National Policy 46-201 – *Escrow for Initial Public Offerings*. |
| "**NumberCo**" | means 1346487 B.C. Ltd., a company incorporated under the BCBCA and an arm's length party to the Issuer and PlasCred. |
| "**Options**" | means options to purchase Common Shares. |

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| "**Original PlasCred Shareholders**" | means, prior to the Closing, the shareholders of PlasCred, and "**Original PlasCred Shareholder**" means any one of them. |
| "**Performance Warrants**" | means the 5,000,000 Warrants issued to Troy Lupul with each Warrant exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of sixty (60) months from the date of issuance, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*". |
| "**Person**" | is to be construed broadly and includes any individual, company, partnership, joint venture, association, trust, trustee, executor, administrator, unincorporated association, governmental entity or other entity, whether or not having legal status. |
| "**PlasCred**" | means PlasCred Inc., a company incorporated under the CBCA and a wholly-owned subsidiary of the Issuer. |
| "**Related Person**" | has the meaning ascribed to such term in CSE Policy 1 – *Interpretation*. |
| "**RSU Plan**" | means Cover's restricted share unit plan as adopted by the Issuer on June 2, 2022 and approved by the Cover Shareholders on July 14, 2022. |
| "**RSUs**" | means restricted share units. |
| "**Second Amended and Restated Share Exchange Agreement**" | means the second amended and restated share exchange agreement dated March 1, 2023, as amended on May 24, 2023, among Cover, PlasCred and the Original PlasCred Shareholders. |
| "**SEDAR+**" | means the System for Electronic Document Analysis and Retrieval. |
| "**Stock Option Plan**" | means Cover's twenty (20%) percent rolling stock option plan as adopted by the Issuer on June 2, 2022 and approved by the Cover Shareholders on July 14, 2022. |
| "**Transaction**" | means the acquisition by Cover of all the issued and outstanding common shares from the Original PlasCred Shareholders and all other transactions contemplated by the Second Amended and Restated Share Exchange Agreement in order to effect the reverse takeover of PlasCred by Cover, resulting in the Issuer. |
| "**TSXV**" | means the TSX Venture Exchange. |
| "**United States**", "**USA**" or "**US**" | means, collectively, the United States of America, its territories and possessions. |
| "**Warrants**" | means Common Share purchase warrants of the Issuer. |

## CURRENCY

Unless otherwise indicated, all references to “dollars” and “$” are to Canadian dollars and all references to “USD”, “USD$” or “US$” are to United States dollars.

## FORWARD-LOOKING STATEMENTS

Certain statements in this Listing Statement constitute “forward-looking” statements that involve known and unknown risks, uncertainties and other factors that may cause the Issuer’s actual results, performance or achievement or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such statements can be identified by the use of words such as “may”, will”, “expect”, “should”, “believe”, “intend”, “plan”, “anticipate”, “potential” and other similar terminology. These forward-looking statements reflect current expectations of management regarding future events and speak only as of the date of this Listing Statement. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under “*Risk Factors*”. Forward-looking statements in this Listing Statement include, but are not limited to, statements with respect to:

- expectations as to the Issuer’s business and results of operations, including, but not limited to, production capabilities at the Maximus Facility and outputs, availability of feedstock, and the expected market for the Issuer’s products;
- the Issuer’s plans in respect of the construction and operation of the Primus Facility and the Maximus Facility and the timing thereof;
- the Issuer’s business objectives;
- the anticipated benefits of the PlasCred Process;
- the significant events and milestones in respect of the Issuer’s business objectives;
- the Issuer’s capital and funding requirements;
- the ability of the Issuer to obtain future financing on acceptable terms or at all;
- the anticipated use of available funds and the belief that the Issuer will have sufficient cash flows to carry out its business plan for the next twelve (12) months;
- the ability of the Issuer to obtain and retain the licenses, approvals, permits and personnel required for its operations;
- strategic relationships and partnerships with third parties and the ability to enter into definitive agreements related thereto;
- anticipated trends and challenges in the markets in which the Issuer operates;

- technological developments and the ability of the Issuer to obtain effective intellectual property protection; and

- general economic, financial market, regulatory and political conditions.

These forward-looking statements are based upon certain material factors, assumptions and analyses that were applied in drawing a conclusion or making a forecast or projection, including management's experience and perceptions of historical trends, current market conditions and expected future developments, the availability of feedstock, the timely receipt of licenses, permits and approvals, the availability of personnel, the development of strategic relationships and partnerships with third parties and the ability to enter into definitive agreements related thereto, the timing and amount of capital and other expenditures and other factors believed to be reasonable in the circumstances.

By their nature, forward-looking statements are subject to inherent risks and uncertainties which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. A variety of material factors, many of which are beyond the control of the Issuer, could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The risks, uncertainties and other factors that could influence actual results include, but are not limited to:

- the Issuer's limited operating history and lack of operating cash flow;

- operational risks;

- reliance on usable plastic commercial products;

- construction of the Primus Facility and the Maximus Facility;

- environmental, health and safety regulations and risk;

- manufacturing difficulties, disruptions or delays;

- joint arrangements with partners;

- fluctuation of lighter crude oil;

- permits and authorizations;

- the "Not in my Back Yard" Phenomenon;

- additional funding requirements;

- risks associated with acquisitions;

- executive employee recruitment and retention;

- labour disruptions;

- legal claims regarding intellectual property and other claims;

- share price volatility;
- dilution;
- adverse general economic conditions;
- competition;
- the novelty of the waste to energy market;
- conflicts of interest;
- dividends;
- the Issuer's Reporting Issuer status; and
- tax issues.

See "*Risk Factors*" for a further description of the foregoing factors.

Readers are cautioned that the foregoing list of factors is not exhaustive and that other factors may emerge from time to time. It is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Issuer, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement. Readers are also cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Although the forward-looking statements contained in this Listing Statement are based upon what management of the Issuer currently believe to be reasonable assumptions, actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The forward-looking statements contained herein are made as of the date of this Listing Statement and, other than as specifically required by law, the Issuer does not assume any obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

## MARKET AND INDUSTRY DATA

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. We believe that this industry data is accurate and that the estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

## 2. CORPORATE STRUCTURE

### 2.1 Corporate Name and Head and Registered Office

The Issuer's name is "PlasCred Circular Innovations Inc.". The head and principal business office of the Issuer is located at 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2, and its registered office is located at Clark Wilson LLP of 800 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3H1. Presently, the Issuer does not carry on operations outside of Canada.

The Issuer is a Reporting Issuer in the Provinces of British Columbia, Alberta, Manitoba and Ontario, and trades on the CSE under the trading symbol "COVE".

The Issuer is an early-stage company at a proof of concept and financing stage. The Issuer is currently testing its ability to scale the PlasCred Process (as defined herein) at its pilot facility, the Primus Facility (as defined herein) in order to limit the risk of scalability at its full-scale facility, the Maximus Facility (as defined herein), as the data obtained from operating the Primus Facility will be used to design the Maximus Facility.Following the Closing, the Issuer will continue fine-tuning of the Primus Facility functions and testing of different catalysts at the Primus Facility during the construction of its full-scale facility, the Maximus Facility. Upon completion of construction of the Maximus Facility, the Issuer will commence its principal business, being the operation of such facility to recycle waste plastic feedstock using the PlasCred Process. It is anticipated that within 12 months of the Listing, the Issuer will complete the design of and source financing for the Maximus Facility. The Primus Facility will continue to produce saleable products to complement the Maximus Facility and will also be used for testing new processing ideas. See "*Risk Factors*".

### 2.2 Jurisdiction of Incorporation

Cover was incorporated on June 18, 2007 pursuant to the provisions of the BCBCA under the name "Shangri-La Holdings Ltd.". On July 1, 2011, Cover filed articles of amendment changing its name from "Shangri-La Holdings Ltd." to "Acana Capital Corp.". On March 16, 2015, Cover filed articles of amendment changing its name from "Acana Capital Corp." to "MagOne Products Inc.". On March 18, 2015, Cover filed articles of amendment changing its name from to "MagOne Products Inc." to "Mag One Products Inc.". On October 20, 2022, Cover filed articles of amendment changing its name from "Mag One Products Inc." to "Cover Technologies Inc.".

Effective December 3, 2021, Cover completed a consolidation of the Common Shares on the basis of seven (7) pre-consolidation Common Shares for every one (1) post-consolidation Common Share.

Effective August 3, 2023, in connection with the Closing, Cover completed the Consolidation, being the consolidation of the Common Shares on the basis of two (2) pre-Consolidation Common Shares for each one (1) post-Consolidation Common Share.

Following the Closing, Cover filed articles of amendment changing its name from "Cover Technologies Inc." to "PlasCred Circular Innovations Inc.".

### 2.3 Inter-corporate Relationships

As of the date of this Listing Statement, the Issuer has the following subsidiaries:

| Subsidiary | Jurisdiction of Incorporation | Ownership Percentage |
|---|---|---|
| PlasCred Inc. | Canada | 100% |

PlasCred, the private company prior to the Transaction, was incorporated on January 28, 2022 pursuant to the provisions of the CBCA under the name “PlasCred Inc.”. The head office of PlasCred is located at Unit #2 9815 48th Street SE, Calgary, Alberta, T2C 2R1. Following the Closing, Effective August 3, 2023, PlasCred became a wholly-owned subsidiary of the Issuer.

## 2.4 Fundamental Change

The Issuer is requalifying for listing on the CSE following the Transaction, which constituted a reverse takeover by PlasCred Inc. of Cover and a “fundamental change” under CSE Policy 8 – *Fundamental Changes and Changes of Business*.

Following the entry into of the Assignment Agreement (as defined herein) on November 14, 2022, Cover, PlasCred and the Original PlasCred Shareholders entered into the Second Amended and Restated Share Exchange Agreement on March 1, 2023, which replaced and superseded the First Amended and Restated Share Exchange Agreement. On May 23, 2023, a majority of Cover’s Shareholders approved the Transaction by way of written consent in lieu of an annual general and special meeting of shareholders, and on July 31, 2023 the CSE conditionally approved the continued listing of the Common Shares on the CSE following completion of the Transaction.

On May 24, 2023, Cover, PlasCred and the Original PlasCred Shareholders entered into an amendment agreement to the Second Amended and Restated Share Exchange Agreement to amend certain terms (the “**Amendment Agreement**”).

In connection with the Closing, which occurred on August 3, 2023, Cover acquired all of the issued and outstanding common shares of PlasCred (which represented all of the issued and outstanding securities of PlasCred on Closing) from the Original PlasCred Shareholders in exchange for the issuance by the Issuer, on a *pro rata* basis, of 35,000,000 post-Consolidation Common Shares to the Original PlasCred Shareholders at a deemed price of $0.10 per post-Consolidation Common Share and issued 5,000,000 Performance Warrants to Troy Lupul, with each Performance Warrant exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of sixty (60) months from the date of issuance, on terms and conditions further described under “*Options to Purchase Securities – Performance Warrants*”.

In connection with the Closing, Cover filed articles of amendment to change its name from “Cover Technologies Inc.” to “PlasCred Circular Innovations Inc.”.

Following completion of the Transaction, an aggregate of 61,996,566 post-Consolidation Common Shares were issued and outstanding, of which 3,156,904 post-Consolidation Common Shares (or 5.09%) were held by the former shareholders of Cover, 35,000,000 post-Consolidation Common Shares (or 56.45%) were held by the former shareholders of PlasCred, 10,339,662 post-Consolidation Common Shares (or 16.68%) were held by subscribers under the Financing (as defined herein), 12,000,000 post-Consolidation Common Shares (or 19.36%) were issued as consideration for the Assignment Agreement and held by the shareholders of NumberCo, and 1,500,000 post-Consolidation Common Shares (or 2.42%) were held by the Finder (as defined herein), an arm’s length party to the Issuer and PlasCred, pursuant to the terms of the Finder’s Agreement (as defined herein).

Following the Closing, the Issuer will continue to test its ability to scale the PlasCred Process in order to limit the risk of scalability at its full-scale facility, the Maximus Facility, as the data obtained from operating the Primus Facility will be used to design the Maximus Facility. Upon completion of construction of the Maximus Facility, the Issuer will commence its principal business, being the operation of such facility to recycle waste plastic feedstock using the PlasCred Process. It is anticipated that within 12 months of the Listing, the Issuer will complete the design of and source financing for the Maximus Facility. The Primus Facility will continue to produce saleable products to complement the Maximus Facility and will also be used for testing new processing ideas. See "*Risk Factors*".

For more information on the Transaction, see "*General Development of the Business – Three Year History – Transaction*" below.

## 2.5 Incorporation Outside Canada

Neither Cover, PlasCred nor the Issuer is incorporated outside of Canada.

# 3. GENERAL DEVELOPMENT OF THE BUSINESS

## 3.1 General Development of the Business

### ***Cover's Business and Three-Year History***

*DeFi Technology*

On August 16, 2021, Cover entered into an asset purchase agreement with Nifty Technologies Inc., an arm's length party, to purchase the technology known as Flurbo, for decentralized finance ("**DeFi**") blockchain technology software application designed to facilitate tracking, trading, transacting, and borrowing against digital assets, in a secured and transparent manner ("**Flurbo**"). In connection with the closing of the acquisition of the DeFi technology in September 2021, Cover issued 392,857 post-consolidation Common Shares with a fair value of $4,400,000. In the event that after twelve (12) months from closing, Flurbo achieves positive earnings before interest, taxes, depreciation and amortization within twenty-four (24) months from closing of the transaction, Cover agreed to issue an additional number of Common Shares equal to $3,500,000 at the time of such achievement (collectively, the "**Performance Shares**"). Each Performance Share will have a deemed value equal to the closing price of the Common Shares on the trading day prior to the issuance. A finders' fees was paid in connection with the acquisition of Flurbo to an arm's length finder which consisted of an aggregate of 8,063 post-consolidation Common Shares with a fair value of $90,300. At the time of the acquisition, Cover viewed the acquisition of this blockchain technology as a complement to its current business of developing a technology to process magnesium from tailings in an environmentally and sustainable manner. Cover is no longer pursuing the development of this technology.

*Magnesium Agreements*

On May 19, 2017, Cover entered into a share purchase agreement (the "**Dundee SPA**") with Dundee Sustainable Technologies Inc. ("**Dundee**") to purchase a Technical Report titled "*Resource Estimation of the Nickel Content in Asbestos Mines Tailings* (the "**Tailings**"), *Thetford Mines, Québec, Canada*" prepared by Systémes Geostat International (the "**Technical Report**"). Cover paid $5,000 and issued 2,858 post-consolidation Common Shares with a value of $9,000 pursuant to the Dundee SPA. Cover was to pay $20,000 and issue Common Shares with a value of $30,000 at the prevailing 20-day volume weighted average price per Common Shares upon the commencement of commercial production of product(s) by processing the Tailings on or before May 19, 2019. If Cover did not commence commercial production of product(s) by processing the Tailings on or before May 19, 2019, Cover was required to sell back the Technical Report for consideration of $1.00 to Dundee.

On November 29, 2019, Cover entered into a new agreement (the "**New Dundee Agreement**") with Dundee to re-purchase the Technical Report for $1.00. Pursuant to the New Dundee Agreement, Cover agreed to pay $5,000 (not paid) or enter into a contract with a minimum value of $75,000 with Dundee for piloting Cover's magnesium oxide production technology at Dundee's facility on or before May 29, 2020. On November 29, 2019, Dundee exercised its option to re-purchase the Technical Report for $1.00.

In connection with the Dundee SPA, Cover entered into an option agreement (the "**ACL Agreement**") with Asbestos Corp. Ltd. ("**ACL**"). Under the terms of the ACL Agreement, Cover was granted an option to purchase up to 60 million tonnes of the Tailings on or before November 19, 2017 and, in connection therewith, paid ACL $5,000 and issued 3,572 post-consolidation Common Shares with a value of $11,250. Pursuant to the terms of the ACL Agreement, Cover, upon exercise of the option, was 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 ACL Agreement was extended until June 30, 2019.

Cover entered into a new agreement (the "**New ACL Agreement**") dated December 17, 2019 with ACL, following the lapse of the ACL Agreement, whereby Cover was granted access to recover and process up to 60 million tonnes of Tailings located in Québec up to March 1, 2020. The New ACL Agreement was to be automatically extended until March 1, 2022 if, prior to March 1, 2020, Cover provided ACL with notice in writing that it had completed a technical report on the Normandie Tailings pile in the form required pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*. Pursuant to the New ACL Agreement, Cover was to pay ACL $1.00/tonne for the first 100,000 tonnes per year of Tailings taken by Cover and $1.50/tonne of Tailings above 100,000 tonnes per year and below 200,000 tonnes per year. Payments were due on or before March 31$^{st}$ for Tailings taken and processed in the preceding calendar year. Upon commencement of production, Cover was to pay ACL a non-refundable deposit of $20,000. Cover provided ACL with the completed technical report of Normandie Tailings; extending the New ACL Agreement to March 1, 2022. As at March 1, 2022, Cover failed to exercise the option and the New ACL Agreement lapsed.

On November 29, 2019, Cover terminated an agreement from 2018 between Mine Jeffrey Inc. ("**Jeffrey**") and Beausite Metal Inc. ("**BMI**") and entered into a processing agreement (the "**J&B Agreement**") whereby Jeffrey and BMI granted Cover 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. Pursuant to the terms of the J&B Agreement, Cover had until November 30, 2024 to exercise the option to acquire the additional 25 million tonnes. The J&B Agreement also acknowledged a $100,000 prepayment made during the year ended September 30, 2015 for the first 100,000 tonnes of tailings, with the remainder costing $1.00/tonne of Tailings. Upon production being achieved, the per tonne rate will be subject to an annual increase on January 1$^{st}$ of each subsequent calendar year in accordance with the Consumer Price Index published by Statistics Canada. Cover did not acquire any Tailings during the years ended September 2021 and September 2022.

On January 3, 2019, Cover entered into a technology intellectual property acquisition agreement, as amended (together, the "**IP Agreement**"), with 8200475 Canada Inc. ("**Tech Magnesium**"), pursuant to which Cover was granted an exclusive license to use and an option to acquire a 100% ownership of the aluminothermic and silicothermic technology (the "**Tech Mag Technology**") and to collaborate to finalize the development and commercialization of the Tech Mag Technology. The option is exercisable on or before January 3, 2024. In addition, the President of Tech Magnesium agreed to provide services to Mag One Canada to further de-risk the Mg metal processing technology. The significant terms of the IP Agreement are as follows:

- Cover was to finance a phase 1 program which included 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;
- Cover must finance a phase 2 program 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; and
- Cover must finance a phase 3 program 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, Cover provided confirmation that phase 1 had been completed and expressed the intention to proceed with phase 2. Cover terminated the IP Agreement with Tech Magnesium on November 11, 2022.

On January 6, 2020, Cover and Mag One Canada entered into a definitive earn-in and operating agreement (the "**BLR Agreement**") with Blue Lagoon Resources Inc. ("**BLR**"), pursuant to which Cover granted BLR the right to acquire up to a 70% equity interest in Mag One Canada by purchasing up to $5.25 million of common shares of Mag One Canada. Pursuant to the terms of the BLR Agreement, BLR was provided the option to purchase up to an initial 50% equity interest in Mag One Canada as follows: $100,000 upon the initial date of closing; $300,000 within 3 months of the initial closing date; $750,000 within 8 months of the initial closing date; $1,100,000 within 12 months of the initial closing date; and $1,500,000 within 18 months of the initial closing date, for an aggregate equity interest of 50%. BLR was granted the right to acquire a final 20% equity interest in Mag One Canada by making a final payment of $1,500,000 within 24 months of the initial closing date, following receipt by Cover of shareholder approval for the purchase of the final 20% equity interest.

During the period ended March 31, 2020, Cover received a deposit of $50,474 from BLR. On April 15, 2020, Cover and BLR signed a mutual termination and release agreement ("**MTRA**") to terminate the BLR Agreement. A term of the MTRA specifies that Cover has no obligations to BLR. Cover recognized a gain on contract cancellation of $50,474.

On August 21, 2020, Cover 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 was to pay $1,200,000 ($75,000 paid) to earn a 50% equity ownership of COVEX. During the year ended September 30, 2021, Cover terminated negotiations with COVEX and all costs were written-off to operations.

Immediately prior to the Closing of the Transaction, Cover had no active business operations.

***PlasCred's Business and History***

PlasCred is a technology-based firm with a patent pending on a low-cost recycling process on the upcycling of plastic. PlasCred's objective is to provide a valuable purpose for types of plastics that cannot economically be recycled. To achieve this objective, PlasCred has developed a patent pending process (the "**PlasCred Process**") involving heat and certain catalysts that transforms plastic into *Zero Sulphur Green Condensate*™ (the "**Condensate**"), which, when mixed with heavy, sour crude oil, produces a marketable, lighter crude oil that can be easily shipped by pipeline to distant markets. In February 2023, PlasCred applied to the Canadian Intellectual Property Office ("**CIPO**") for patent protection for the PlasCred Process across Canada and to the United States Patent and Trademark Office ("**USPTO**") for patent protection for the PlasCred Process across the United States. PlasCred cannot predict when a patent will be approved or if a patent will be granted at all. While patent approval is desirable, design and fabrication of the Maximus Facility and resulting commercial production will proceed with or without the patent, which may expose the Issuer to additional risks. See "*Risk Factor – Intellectual Property*".

PlasCred believes the benefits of the PlasCred Process are as follows

- removing plastics from the environment;
- minimizing carbon dioxide emissions; and
- decreasing the need to generate the equivalent amount of oil through typical production methods.

PlasCred is at the proof-of-concept / financing stage to build a full-scale processing facility (the "**Maximus Facility**"). The Maximus Facility is expected to have an initial capacity to process 256 tonnes of plastic waste materials ("**waste plastic feedstock**" or "**feedstock**") into 2,000 barrels of Condensate per day in its first commercial phase ("**Phase One**"). The Issuer has located a potential project site for the Maximus Facility in an industrial section of Fort Saskatchewan, Alberta near potential customers, which is serviced by all necessary utilities and located near rail lines for transportation of raw materials and the Company's products. The potential project site is 20 acres and the Issuer estimates the Maximus Facility will total 200,000 square feet. The Issuer intends to lease the potential project site.

PlasCred is currently testing its ability to scale the PlasCred Process at its pilot facility, which is located in a 1,000 square foot space in an industrial section of Calgary, Alberta, which is leased on a month-to-month basis, pursuant to a verbal agreement (the "**Primus Facility**"). The Primus Facility is designed to test the PlasCred Process in order to limit the risk of scalability of the Maximus Facility, as the data obtained from operating the Primus Facility will be used to design the Maximus Facility. The Primus Facility recently became operational and, in May 2023, PlasCred began using feedstock obtained from a local supplier to produce its first batches of Condensate. Laboratory analysis of these first batches have returned favourable results. Management will continuously process test batches and optimize the quality of the resulting liquids to obtain the highest quality product and most complete processing of feedstock. The Primus Facility will continue to produce saleable products to complement the Maximus Facility and will also be used for testing new processing ideas.

Upon completion of the Transaction, the Issuer will carry on the business of PlasCred. See "*Narrative Description of the Business*".

*Partnerships*

On July 28, 2022, PlasCred and Canadian National Railway Company ("**CN**") entered into a brief, non-binding memorandum of understanding whereby CN agreed to provide PlasCred with logistical services and support across North America for the transportation and handling of waste plastic feedstock.

On February 6, 2023, PlasCred and Fibreco Export Inc. ("**FibreCo**") entered into a brief memorandum of understanding which provided the general terms and conditions between the parties with respect to the logistics and offloading of waste plastic feedstock from multiple locales through-out the world by marine transport. The memorandum of understanding has a two (2) year term.

As of the date hereof, PlasCred has not entered into any binding agreements with respect to obtaining, transporting and/or handling of waste plastic feedstock nor any binding agreements with respect to the sale of Condensate and other products to be manufactured by PlasCred. See "*Risk Factors – Joint Arrangements with Partners*".

**The Transaction**

On August 2, 2022, PlasCred, the Original PlasCred Shareholders and NumberCo, an arm's length party to the Issuer and PlasCred, entered into a share exchange agreement (the "**Original Share Exchange Agreement**") pursuant to which NumberCo agreed to acquire all of the issued and outstanding common shares of PlasCred from the Original PlasCred Shareholders in exchange for the issuance by NumberCo, on a pro rata basis, of 35,000,000 common shares of NumberCo at a deemed price of $0.10 per common share of NumberCo.

On October 4, 2022, Cover entered into a letter of intent with NumberCo (the "**LOI**"). The LOI sets out the basic terms upon which Cover would be prepared to take an assignment of the Original Share Exchange Agreement from NumberCo and acquire all of the outstanding common shares of PlasCred from the Original PlasCred Shareholders.

On November 14, 2022, Cover, PlasCred and NumberCo, an arm's length party to the Issuer and PlasCred, entered into an assignment agreement on substantially similar terms as the LOI (the "**Assignment Agreement**"). Pursuant to the Assignment Agreement, NumberCo assigned all of its rights, title and interest in and to the Original Share Exchange Agreement to Cover. As consideration for the Assignment Agreement, Cover agreed to issue to NumberCo 12,000,000 units at a deemed price of $0.10 per unit, with each unit consisting of one (1) post-Consolidation Common Share and one Warrant, with each Warrant exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of two (2) years (collectively, the "**Units**").

In connection with the Assignment Agreement, NumberCo also assigned to Cover: (i) a loan agreement dated June 2, 2022 between NumberCo and PlasCred which evidenced a loan in the amount of $801,000 from NumberCo to PlasCred (the "**First Loan**"); and (ii) a general security agreement dated June 2, 2022 between NumberCo and PlasCred, pursuant to which PlasCred granted NumberCo a security interest in all of its assets as security for the First Loan.

On November 14, 2022, Cover, PlasCred and the Original PlasCred Shareholders entered into an amended and restated share exchange agreement, whereby the parties agreed to amend and restate the terms of the Original Share Exchange Agreement (the "**First Amended and Restated Share Exchange Agreement**"). Pursuant to the First Amended and Restated Share Exchange Agreement, Cover agreed to acquire all of the issued and outstanding common shares of PlasCred from the Original PlasCred Shareholders in exchange for the pro rata issuance of an aggregate of 35,000,000 post-Consolidation Common Shares at a deemed price of $0.10 per post-Consolidation Common Share. Cover also agreed to issue 5,000,000 Performance Warrants to Troy Lupul, with each Performance Warrant exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of sixty (60) months from the date of issuance, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*".

As described in *Section 2.4 – Fundamental Change*, on March 1, 2023, Cover, PlasCred and the Original PlasCred Shareholders entered into the Second Amended and Restated Share Exchange Agreement, which was on substantially the same terms as the First Amended and Restated Share Exchange Agreement with respect to the issuance of 35,000,000 post-Consolidation Common Shares at a deemed price of $0.10 per post-Consolidation Common Share and 5,000,000 Performance Warrants to Troy Lupul on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*". Additionally, Cover agreed to advance $1,000,000 to PlasCred (the "**Second Loan**"). The Second Loan is evidenced by a loan agreement among Cover and PlasCred dated March 1, 2023 (the "**Second Loan Agreement**"). As security for the Second Loan, Cover and PlasCred also entered into a general security agreement dated March 1, 2023, whereby PlasCred granted a security interest in all of the assets of PlasCred (the "**Second GSA**").

On May 24, 2023, Cover, PlasCred and the Original PlasCred Shareholders entered into the Amendment Agreement to amend certain terms of the Second Amended and Restated Share Exchange Agreement.

On August 3, 2023, in accordance with the Second Amended and Restated Share Exchange Agreement, as amended by the Amendment Agreement:

- Cover issued, on a pro rata basis, 35,000,000 post-Consolidation Common Shares at a deemed price of $0.10 per post-Consolidation Common Share to the Original PlasCred Shareholders in exchange for their respective common shares in PlasCred and issued 5,000,000 Performance Warrants to Troy Lupul, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*";

- Cover filed articles of amendment changing its name from "Cover Technologies Inc." to "PlasCred Circular Innovations Inc."; and

- Cover closed a non-brokered private placement for combined gross proceeds of $3,101,898.60 (together, the "**Financing**") consisting of an offering an aggregate of 5,339,662 post-Consolidation Common Shares at a price of $0.30 per post-Consolidation Common Share and the issuance of unsecured convertible promissory notes in the aggregate principal amount of $1,500,000 (collectively, the **"Convertible Promissory Notes**"). The Convertible Promissory Notes accrued interest at a rate of 5% per year, calculated annually, and were payable on the earlier of: (i) the date which is twelve (12) months after the Closing; (ii) July 29, 2023, if the Transaction did not proceed or was not completed by April 30, 2023; and (iii) the date which is 90 days after the date on which

PlasCred was to have advised Cover that it would not be proceeding with the Transaction. The Convertible Promissory Notes and any accrued interest thereon was convertible into post-Consolidation Common Shares at a conversion price of $0.30 per post-Consolidation Common Share, subject to the policies of the CSE. At the time of Closing, an aggregate of 5,000,000 post-Consolidation Common Shares were issued in connection with the due conversion of the Convertible Promissory Notes.

In connection with the Transaction, the Issuer entered into a finder's agreement dated August 3, 2023 (the "**Finder's Agreement**") with Enkrateia Holding Ltd. (the "**Finder**"). Pursuant to the Finder's Agreement, the Finder was issued 1,500,000 post-Consolidation Common Shares at a deemed price of $0.30 per post-Consolidation Common Share in consideration for the Finder's services in facilitating the identification of the Transaction to NumberCo and the entry of the Assignment Agreement.

On May 11, 2023, the Issuer issued the Units at a deemed price of $0.10 per Unit to NumberCo pursuant to the terms of the Assignment Agreement.

On July 5, 2023, the Issuer issued 396,249 post-Consolidation Common Shares to settle aggregate debt of approximately $120,856 owed to certain arm's length creditors of the Company at a deemed price of $0.305 per post-Consolidation Common Share.

Following the Closing, the Issuer will continue to test its ability to scale the PlasCred Process in order to limit the risk of scalability at its full-scale facility, the Maximus Facility, as the data obtained from operating the Primus Facility will be used to design the Maximus Facility. Upon completion of construction of the Maximus Facility, the Issuer will commence its principal business, being the operation of such facility to recycle waste plastic feedstock using the PlasCred Process. It is anticipated that within 12 months of the Listing, the Issuer will complete the design of and source financing for the Maximus Facility. The Primus Facility will continue to produce saleable products to complement the Maximus Facility and will also be used for testing new processing ideas. See "*Risk Factors*".

Pursuant to the terms of a share purchase agreement dated June 8, 2023 between Cover and NumberCo, an arm's length party to the Issuer and PlasCred (the "**Mag One Canada Purchaser**"), Cover transferred and sold all of its interest in and to Mag One Canada to the Mag One Canada Purchaser, and the Mag One Canada Purchaser assumed all liabilities in respect of Mag One Canada. In connection with the disposition of Mag One Canada, a $500,000 cash deposit (the "**Québec Security Deposit**") was made by a third party arranged by Cover (the "**Depositor**"), which funds are to be held in escrow for a period of twelve (12) months following the Closing, as security against any potential claims arising against the Issuer with respect to that certain contribution agreement between Mag One Canada and Investissement Québec or made by the Government of Québec. Accordingly, if no claims are made against the Issuer with respect to such contribution agreement or made by the Government of Québec, then after the expiry of the twelve (12) month period, the Québec Security Deposit shall be returned to the Depositor.

*Please also refer to Section 2.4 –* Fundamental Change *above for more information on the Transaction.*

### 3.2 Significant Acquisition and Disposition

Please refer to Section 2.4 – *Fundamental Change* and Section 3.1 – *General Development of the Business* above.

### 3.3 Trends, Commitments, Events or Uncertainties

There are significant risks associated with the business of the Issuer. Please refer to Section 17 – *Risk Factors*. Readers are strongly encouraged to carefully read all of the risk factors described in Section 17 – *Risk Factors*. In addition, please see the forward-looking statements that are outlined commencing on page 4 of this Listing Statement.

## 4. NARRATIVE DESCRIPTION OF BUSINESS

### 4.1 General

***Overview, Business Objectives and Milestones***

The Issuer is currently testing its ability to scale the PlasCred Process at its pilot facility, the Primus Facility, in order to limit the risk of scalability at its full-scale facility, the Maximus Facility, as the data obtained from operating the Primus Facility will be used to design the Maximus Facility. Following the Closing, the Issuer will continue fine-tuning of the Primus Facility functions and testing of different catalysts at the Primus Facility during the construction of its full-scale facility, the Maximus Facility. Upon completion of construction of the Maximus Facility, the Issuer will commence its principal business, being the operation of such facility to recycle waste plastic feedstock using the PlasCred Process. It is anticipated that within 12 months of the Listing, the Issuer will complete the design of and source financing for the Maximus Facility. The Primus Facility will continue to produce saleable products to complement the Maximus Facility and will also be used for testing new processing ideas. See "*Risk Factors*".

In addition to the production of the Condensate, the PlasCred Process produces a number of by-products which the Issuer also intends to sell. See "*Principal Products or Services*".

The Issuer has identified operational, logistical and permitting needs and is in advanced negotiations in the following areas:

- Site location for Maximus Facility;
- Sources of plastic feedstock in Canada and abroad;
- Rail transportation by CN of feedstock to Primus Facility and Maximus Facility;
- Storage space and loading/unloading facilities for feedstock imports;
- Offtake of light crude oil to purchasers through their pipeline facilities; and
- Future expansion opportunities into other cities in North America.

The following table provides an overview of the Issuer's business objectives and milestones that the Issuer intends to meet over the forthcoming twelve (12) months. While the Issuer believes that it has the skills and resources necessary to accomplish the business objectives identified in the table below, there is no guarantee that the Issuer will be able to do so within the timeframes or within the estimated costs indicated below, or at all. See "*Risk Factors*".

| Business Objective | Milestone | Anticipated Timeframe | Estimated Costs ($) |
|---|---|---|---|
| Product testing and design | Complete fabrication of and test the Primus Facility to prove the unique reactor design and cycle | Within 3 months from the Listing | $600,000 |
| Formalize strategic partnerships, service providers and obtain operating permits and approvals | Finalize agreements for waste plastic feedstock sourcing, transportation, site location, utilities and offtake. Obtain operating permits and approvals | Within 6 months from the Listing | $30,000 |
| Finalize patent | Obtain final approval for patent protection for the PlasCred Process from CIPO for protection across Canada and from USPTO for protection across the United States. Utilize results from the Primus Facility | Within 12 months from the Listing | $20,000 |
| Design full-scale plastic recycling plant | Finalize design of the Maximus Facility from intake of waste plastic feedstock, through processing and offtake of light hydrocarbons | Within 12 months from the Listing | $50,000 |
| Source major financing for full-scale startup | Source financing of up to $120,000,000 to fabricate, install and startup the initial 2,000 barrels output per day at the Maximus Facility within 24 months of Listing, through business partners and investment bankers | Within to 12 months from the Listing | $50,000 |
| **TOTAL:** | | | $750,000 |

### *Available Funds*

The Issuer estimates that it will have sufficient cash flow to carry out its business plan as currently contemplated for the twelve (12) month period following requalification for listing on the CSE. Accordingly, the Issuer has the following funds available to it for the next twelve (12) month period:

| Description of Funds | Amount |
|---|---|
| Estimated working capital as at June 30, 2023 | $100,000 |
| Gross proceeds from the Financing[(1)] | $1,601,898 |
| **Estimated funds available to the Issuer upon completion of the Transaction** | $1,701,898 |

(1) Calculated by removing the $1,500,000 in principal amount owing under the Convertible Promissory Notes, as such notes were eliminated as a liability upon their conversion concurrent with the Closing.

The Issuer will use the funds available to it upon the completion of the Transaction to further its business objectives, as more particularly detailed in the table below:

| Use of Proceeds | Amount |
|---|---|
| Cost of the Transaction[(1)] | $150,000 |
| Purchaser's liabilities at closing | $200,000 |
| Product testing and design | $600,000 |
| Formalize strategic partnerships, service providers and obtain operating permits and approvals | $30,000 |
| Finalize patent | $20,000 |
| Design full-scale plastic recycling plant | $50,000 |
| Source major financing for full-scale startup | $50,000 |
| Support staff and administration | $170,000 |
| Professional and regulatory | 80,000 |
| Unallocated capital[(2)] | $351,898 |
| **TOTAL:** | $1,701,898 |

(1) Includes legal fees, auditor review fees, CSE filing fees, transfer agent fees and other expenses incurred or expected to be incurred in connection with the Transaction.

(2) Unallocated working capital may be allocated to corporate expenses, business development, potential future acquisitions, inventory, general administrative expenses, and other purposes.

The use of proceeds does not contemplate the Québec Security Deposit as this was made by a third party arranged by Cover (the "**Depositor**"), which funds are to be held in escrow for a period of twelve (12) months following the Closing, as security against any potential claims arising against the Issuer with respect to that certain contribution agreement between Mag One Canada and Investissement Québec or made by the Government of Québec. Accordingly, if no claims are made against the Issuer with respect to such contribution agreement or made by the Government of Québec, then after the expiry of the twelve (12) month period, the Québec Security Deposit shall be returned to the Depositor.

The Issuer intends to spend the funds available to it as stated in this Listing Statement. However, there may be circumstances where, for sound business reasons, a reallocation of the funds may be necessary. The Issuer may require additional funds in order to fulfill all of its expenditure requirements and objectives. When additional capital is required, the Issuer will need to pursue various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Issuer and might involve substantial dilution to existing shareholders. The Issuer may not be successful in locating suitable financing transactions in the time period required or at all.

***Expenditures***

The Issuer has used the First Loan and the Second Loan to primarily develop the Primus Facility and test the PlasCred Process. In addition to the costs associated with the foregoing, the Issuer was required to pay costs related to salaries and wages for staff and consultants as well as professional fees related to the listing of the Common Shares. The table below provides a breakdown of the use of the First Loan and the Second Loan, which total $1,801,000:

| Use of Loan Proceeds | **Estimated Amount** |
|---|---|
| Primus Facility construction and advancing the PlasCred Process | $822,914 |
| Office equipment | $4,371 |
| Salaries & wages | $212,518 |
| Consulting | $313,491 |
| Legal & professional | $243,620 |
| General & administrative | $166,256 |
| Feedstock | $3,935 |
| GST recoverable | ($66,105) |
| Estimated working capital as at June 30, 2023 | 100,000 |
| **TOTAL:** | $1,801,000 |

Other than a portion of salaries and wages, consulting fees and wages comprising part of the general and administrative expenditures noted above, all expenses were incurred at arm's length to the Issuer.

***Principal Products or Services***

PlasCred's manufacturing process transforms any plastic into Condensate and other products as set forth below. The Issuer plans to mix the Condensate with heavy/sour crude to produce a marketable, lighter crude as a pipeline dilutant. The end product would be a "green" based light crude oil that would sell at a premium-to-market.

1. *Condensate*. The Maximus Facility, in Phase One, is designed to initially produce 2,000 barrels per day of Condensate from 256 tonnes of waste plastic feedstock. Conventional condensate currently sells in central Alberta blending operations for approximately $95 per barrel.

2. *Carbon Black (Carbonaceous solids)*. The Maximus Facility, in Phase One, is designed to initially produce a powder by-product known as carbon black in quantities equal to approximately 10% of total weight output. Carbon black has uses in rubber tires, and paint

compounds, and potential for use in producing commercial grade graphene, which has valuable commercial uses, for example in solar cells.

3. *Aromatics.* The Maximus Facility, in Phase One, is designed to produce a small number of significant aromatics, including hydrogen, propane and butane. Aromatics can be redirected into the heating equipment or isolated and sold.

4. *Plastic Credits.* The Maximus Facility, in Phase One, is designed to initially process 256 tonnes of waste plastic feedstock per day, which would result in the Issuer generating revenue from plastic credits.

In February 2023, PlasCred applied to the CIPO for patent protection for the PlasCred Process across Canada and to the USPTO for patent protection for the PlasCred Process across the United States. The applications filed with each of the CIPO and the USPTO also include protection across Canada and the United States for trademark protection for *Zero Sulphur Green Condensate*™. The processing of patent applications is under the control of the relevant government patent examining authority, and the Issuer cannot predict when a patent will be approved, or if a patent will be granted at all. While patent approval is desirable, design and fabrication of the Maximus Facility and resulting commercial production will proceed with or without the patent, which may expose the Issuer to additional risks. See "*Risk Factor – Intellectual Property*".

### *Competitive Conditions and Position*

The Issuer's management team believes there are few competitors in the plastics recycling industry in North America. The Issuer's advantages are both upstream, with its environmental solutions, and downstream, with its easily transported and highly marketable product. There is no known plastic that Issuer cannot accept as feedstock and, to the knowledge of the Issuer's management, there is no competitor that produces a marketable, blendable condensate that does not need further refining for blending with heavy crude oil, and in such close proximity to offtakers.

### *Lending and Investment Policies and Restrictions*

Investment policies and lending and investment restrictions are not applicable to Cover, PlasCred or the Issuer as they do not have any lending operations.

### *Bankruptcy and Receivership*

Neither Cover nor PlasCred has been the subject of any bankruptcy or any receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings within the three (3) most recently completed financial years or the current financial year.

### *Material Restructuring*

Cover has not been subject to any material restructuring transaction within the three (3) most recently completed financial years or the current financial year other than the Transaction contemplated by the Second Amended and Restated Share Exchange Agreement.

PlasCred has not been subject to any material restructuring transaction within the three (3) most recently completed financial years or the current financial year other than the Transaction contemplated by the Second Amended and Restated Share Exchange Agreement.

***Social and Environmental Policies***

The Issuer was established for the purposes of contributing to a circular economy (i.e., a recycling-based system promoting continuous resource reuse) in waste plastic recycling and waste plastic to energy production through sourcing, operating and developing sustainable infrastructure, and fulfilling the PlasCred's environmental, social and governance values. The Issuer places great emphasis on providing a safe and secure working environment for all of its employees, contractors and consultants, and recognizes the importance of operating in a sustainable manner.

On August 3, 2023, the Issuer adopted a Code of Business Conduct and Ethics (the "**Code**"), which sets out its purpose and the standards that guide the conduct of its business and the behaviour of its directors, officers, employees and consultants. All new employees must read and acknowledge that they will abide by the Code when hired. The Code, among other things, sets out standards in areas relating to the Issuer's commitment to safety and sustainability in its business operations and the identification, elimination or control of workplace hazards; promotion and provision of a work environment in which individuals are treated with respect, provided with equal opportunity and is free of all forms of discrimination and abusive and harassing conduct; and ethical business conduct and legal compliance.

The Issuer's management team places the highest priority on the health and safety of its staff and third parties at its site, as well as the preservation of the environment. The Issuer's corporate culture is built around supporting these priorities. The Issuer's high safety standards include active monitoring of all field workers, performing environmental, health and safety ("**EHS**") audits and using technology throughout its safety processes from employee training in compliance with operational processes and procedures to emergency preparedness. By extension, the Issuer will incorporate its EHS standards into its subcontractor selection qualifications to ensure that its commitment to high EHS standards is shared by its subcontractors and stakeholders. See "*Risk Factors - Environmental, Health and Safety Regulations and Risk*".

The Board expects to establish a Safety and Sustainability Committee to assist the Board in fulfilling its oversight responsibilities relating to operating in a safe, environmentally and socially responsible (sustainable) manner and ensuring the integrity of policies and practices with respect to: workforce and public safety in the Issuer activities and at its operating sites; and sustainability in the Issuer activities with respect to people (wellbeing), planet (environmental) and prosperity (community and innovation) considerations. In particular, the Safety and Sustainability Committee will be responsible for, among other things: reporting to the Board on matters and items related to the safety and sustainability program of the Issuer; ensuring that there are appropriate processes in place to facilitate identification of various safety and sustainability risks that may arise from the Issuer's operations and related mitigation and possible resulting consequential risks to the Issuer and directors, officers and employees; assessing whether the Issuer's safety and sustainability policies are effective, properly implemented and comply with applicable legislation and industry standards; reviewing corporate safety and sustainability activities and performance; reviewing the Issuer's method of communicating (internally and externally) safety and sustainability policies, practises and procedures; reviewing and assessing the sufficiency of resources to the Issuer's safety and sustainability program; ensuring that appropriate reporting procedures are established relating to safety and sustainability matters by management to ensure adequate reports are made to the chair of the Safety and Sustainability Committee on a regular basis; reviewing insurable risks related to safety and sustainability issues; evaluating adequacy of insurance coverage; and performing any other activities consistent with the Safety and Sustainability Committee's mandate and generally, covering laws as the Safety and Sustainability Committee or Board deems necessary or appropriate.

The Issuer has also adopted a Whistleblower Policy for individuals to report complaints and concerns regarding, among other things, accounting, internal accounting controls and auditing matters.

***Regulatory Environment***

The Issuer's proposed pyrolysis project in Alberta, the Maximus Facility, will be governed primarily by the Environmental Protection and Enhancement Act (Alberta) ("EPEA") and will also be subject to other provincial regulations to ensure environmental protection, health, safety and compliance with applicable laws. Municipalities may also have regulations regarding the operation of pyrolysis facilities that could impact the Maximus Facility. The Issuer expects that the Maximus Facility will also be subject to the Waste Control Regulation established under the EPEA.

Before commencing operations to construct the Maximus Facility, the Issuer will need to obtain certain environmental approvals and permits as required under the EPEA and its regulations. These approvals and regulations are expected to outline the conditions and requirements that the Maximus Facility will need to satisfy in order to minimize its environmental impacts. Permits may include, among other things, provisions for air emissions, wastewater discharges, waste management and waste storage.

As part of the approval and permit process, because the activities of the Issuer involve waste management, the Issuer will need to submit an application to the Regulatory Approvals Centre at Alberta Environment and Protected Areas (the "RAC"), the regulatory body that oversees approvals under the EPEA, which is expected to include:

(i) an explanation about any public consultation that the Issuer has undertaken or proposes to undertake in respect of the Maximus Facility, and

(ii) the location, capacity and size of the proposed activity.

The public must be notified of all approval applications and may also appeal approval decisions. When reviewing applications, the director designated under the EPEA (the "Director") will determine the proposed project's overall environmental impact, and if required, ask an applicant to provide additional information. An applicant may also be asked to address the public's concerns, if any, which could involve holding information meetings or responding to individual statements of concern. The Director considers public hearings and statements of concern in its decision-making process. Decisions regarding the Issuer's application will be shared with the Issuer and anyone who filed a statement of concern.

The Issuer believes that the Maximus Facility will be classified as a "waste management facility" under the EPEA, which means a facility for the collection, storage, treatment or disposal of waste. The Issuer may also be required to obtain a certificate of qualification if its proposed pyrolysis operations will affect the environment, (e.g., if the proposed facilities involve the release of substances into the environment).

According to the Activities Designation Regulation established under the EPEA, the Issuer believes the proposed activities at the Maximus Facility will qualify as activities involving:

(a) the construction, operation or reclamation of a fixed facility where more than 10 tonnes per month of waste are treated by physical, chemical, thermal or biological processes;

(b) the construction, operation or reclamation of a facility for the collection and processing of waste or recyclables to produce fuel, where more than 10 tonnes of waste or recyclables per month are used to produce the fuel; and/or

(c) the construction, operation or reclamation of a facility for energy recovery,

all of which require registration under the EPEA. An operation can consist of or include one or more activities. Upon receipt of an application from the Issuer, the RAC will determine which activities are applicable to the Issuer and issue a permit for such activities. The Issuer has been advised by the RAC that an application for a greenfield site can take three (3) to twelve (12) months to process. As of the date hereof, the application fee is $1,000.

The Issuer does not envision the registration requirements impacting its proposed operations as the requirements do not limit production output but instead impose a production threshold that, if met, require registration under the EPEA.

Additionally, EPEA regulations for pyrolysis facilities vary depending on the type of feedstock that is being used, the amount of waste that is being produced, how the waste is being treated, and the type of end product that is being produced as a result of the pyrolysis process. For example, if the feedstock and/or the waste that produced from the pyrolysis process qualifies as hazardous waste under the regulations, the Maximus Facility would be subject to additional regulatory requirements, such as hazardous waste storage requirements. If the activities at the Maximus Facility are considered to be activities involving the construction, operation or reclamation of a facility for energy recovery, the Issuer may be subject to the Code of Practice for Energy Recovery. The Issuer expects that the Maximus Facility will also be subject to other laws and regulations regarding, among other things, emission requirements if it is dispersing any matter into the environment and emission trading, incentives, subsidies, and fees. The Issuer will work with the RAC to determine how its activities are caught by the regulations and which requirements are applicable to the Issuer and its operations.

Other than City of Calgary permitting and approval (which the Issuer obtained), the Primus Facility is not subject to any regulatory requirements.

The regulatory landscape surrounding waste-to-energy facilities in Alberta is evolving and the Issuer will need to stay informed of the latest regulatory developments. Failure to comply with applicable regulatory requirements can lead to various enforcement actions such as fines, penalties, and orders, which may cause significant project delays and reputational harm to the Issuer. Obtaining the necessary approval and permits and continuing to comply with regulatory requirements will be critical for the Issuer and its operations. See “Risk Factors - Environmental, Health and Safety Regulations and Risk.”

### *Employees*

The Issuer currently operates the Primus Facility with one (1) part-time employee and two (2) part-time contractors. As the Issuer’s business activity grows, it will require additional financial and administrative personnel as well as additional operations staff. See "*Risk Factors – Executive Recruitment and Retention" and "Competition*".

***Specialized Skill and Knowledge***

The nature of the Issuer's business requires specialized skills, knowledge and technical expertise in the areas of recycling and oil and gas development, construction and operations. The Issuer's management team has decades of combined experience in the development, design, construction and operation of facilities that produce oil and gas.

Troy Lupul, the Chief Executive Officer and President of the Issuer, has over thirty (30) years experience in the oil and gas industry, specializing in water processing and project development, taking ideas and processes from the concept stage to full-scale plants and facilities. Further, Mr. Lupul brings business acumen and management experience to the Issuer, which he has developed through founding and operating two (2) successful private oil and gas start-ups.

Like Mr. Lupul, Dr. Wayne Monnery, the Chief Technology Officer of the Issuer, has over thirty (30) years experience in the oil and gas industry, specializing in gas processing (pipeline hydraulics, separation, dehydration, H2S/CO2 treating, sulfur recovery and refrigeration processes) and also has experience with crude oil dehydration, stabilization and micro-refining topping plants. Dr. Monnery's industry experience overlaps well with the waste to energy industry and the products that the Issuer intends to develop with the Condensate. In addition, Dr. Monnery has worked on several large-scale projects, serving as a consultant to engineering, procurement and construction firms.

In addition to Mr. Lupul and Dr. Monnery, Gerry Gilewicz and James Cairns, two (2) of the members of the Board of Directors of the Issuer, have experience in finance and management (Mr. Gilewiz) and transportation and logistics (Mr. Cairns). The Issuer intends to rely on the expertise of Mr. Gilewicz and Mr. Cairns in the development of projects and strategic partnerships.

The Issuer's management team led the design, fabrication, testing and operation of the Primus Facility. With the Primus Facility, the management team has developed a comprehensive understanding of project requirements that can be applied to the design, fabrication, testing and operation of the Maximus Facility. See "*Risk Factors - Construction of Facilities*".

By leveraging the strengths and experiences of its management team involving individuals who possess a wealth of combined knowledge and experience necessary for marketing products in the oil and gas industry, the Issuer intends to, over time, establish itself as a leader in the waste to energy market. The Issuer believes that its management team's track record in developing and managing start-ups and their experience with project development and management gives it a strategic advantage in establishing its business and commercial production. The Issuer has targeted and will continue to target personnel with diverse experience and the integration of key technical, environmental, and administrative support functions support its ability to design and operate projects with sustained and predictable cash flows. See "*Directors and Officers*".

In addition to the specialized skills listed above, the Issuer expects to rely on staff members, contractors and consultants with specialized knowledge of logistics and operations as well as those with experience working with public officials to, among other things, obtain regulatory approval and minimize disruption to communities surrounding the Maximus Facility and related issues associated with the phenomenon know as "Not in my Back Yard." The Issuer's goal in engaging consultants and contractors to work with public officials is to efficiently navigate the permit and approval process, so as to avoid operational delays, as well as minimize potential push-back from surrounding communities who may not support a large-scale waste production site "in their back yard". The Issuer intends to select a project site for the Maximus Facility that mitigates against the NIMBY phenomenon. The Issuer has not experienced the NIMBY phenomenon with the Primus Facility given its small size. See "*Risk Factors – The 'NIMBY' Phenomenon*" and *"Risk Factors – Permit and Authorizations*".

The Issuer also expects to work with technology providers with track records in the applications required. The Issuer may also, from time to time, work with leading engineering companies to base project designs on the most suitable equipment and technology for the specific application.

***Intellectual Property***

As a technology-based firm, the Issuer's intellectual property rights are important to its business. In February 2023, PlasCred applied to the CIPO for patent protection for the PlasCred Process across Canada and to the USPTO for patent protection for the PlasCred Process across the United States. The applications filed with each of the CIPO and the USPTO also include protection across Canada and the United States for trademark protection for *Zero Sulphur Green Condensate*™. In accordance with industry practice, the Issuer intends to rely on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect its intellectual property. As of the date hereof, the patent related to the PlasCred Process is the only patent the Issuer has applied for. The processing of patent applications is under the control of the CIPO and the USPTO, and the Issuer cannot predict when a patent will be approved, or if a patent will be granted at all. While patent approval is desirable, design and fabrication of the Maximus Facility and resulting commercial production will proceed with or without the patent, which may expose the Issuer to additional risks. The Issuer has a restrictive covenant agreement in place with Dr. Monnery, which limits access to and use of its intellectual property. The Issuer intends to have its executive officers on Closing and future employees, consultants, contractors and other third-parties execute confidentially agreements to further protect the Issuers intellectual property. The success of the Issuer will depend, in part, on its ability to obtain approval for the patent applications for protection across Canada and the United States related to the PlasCred Process (as well as any future patent applications), maintain trade secrets and unpatented know-how protection and to operate without infringing on the intellectual property rights of third parties or having third parties circumvent its rights. See "*Risk Factor – Intellectual Property".*

***Cycles***

The business of the Issuer is neither cyclical nor seasonal.

***Reliance on Third Parties***

Other than the memorandums of understanding entered into with each of CN and FibreCo, the Issuer has not currently entered any contracts in which it is substantially dependent. However, the Issuer will be dependent on third parties to carry out its operations, including suppliers, who the Issuer will rely on for feedstock and other inputs, and transportation and logistic companies (including CN and FibreCo), who the Issuer will depend on for both the delivery of feedstock and other inputs and the delivery of its products. See "*Risk Factors – Reliance on Usable Plastic Commercial Products"* and "*Risk Factors – Joint Arrangement with Partners*".

***Availability of Feedstock***

The Issuer's business will rely on the availability of feedstock in significant quantities. The failure of the Issuer to enter contracts with suppliers of feedstock needed to manufacture the Condensate will have a material adverse effect on the Issuer's business, as would a disruption on the availability of feedstock or an increase in its cost. See "*Risk Factors – Reliance on Usable Plastic Commercial Products" and "Risk Factors – Joint Arrangement with Partners*".

***Foreign Operations***

The Issuer currently has no foreign operations and is not dependent on any relationships with foreign suppliers, customers or partners. The Issuer does not intend to operate or supply its products outside of Canada within the next twelve (12) months. See "*Risk Factors – Permits and Authorizations*".

## 4.2 Asset Backed Securities

Neither Cover nor PlasCred has any asset backed securities outstanding and the Issuer will not have any asset backed securities outstanding.

## 4.3 Companies with Mineral Projects

Neither Cover nor PlasCred has any mineral projects and the Issuer will not have any mineral projects.

## 4.4 Companies with Oil and Gas Operations

Neither Cover nor PlasCred has any oil and gas operations and the Issuer will not have any oil and gas operations.

# 5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

## 5.1 Consolidated Financial Information – Annual Information for Cover

The following selected financial information is subject to the detailed information contained in the financial statements of Cover and related notes thereto appearing elsewhere in this Listing Statement. This information should only be read in conjunction with the financial statements, and accompanying notes, included elsewhere in this Listing Statement. The selected financial information is derived from the audited financial statements of Cover for the fiscal years ended September 30, 2022, September 30, 2021, and September 30, 2020. This information should be read in conjunction with the audited financial statements for the fiscal years ended September 30, 2022, September 30, 2021, and September 30, 2020, and accompanying notes, which are attached hereto as Schedule A.

| | For the Year Ended September 30 (audited) | | |
|---|---|---|---|
| | 2022 ($) | 2021 ($) | 2020 ($) |
| Revenue | - | - | - |
| Loss from Operating Expenses | (2,128,934) | (4,018,069) | (548,974) |
| Comprehensive loss for the Year | (2,361,523) | (8,621,698) | (473,346) |
| Basic and diluted Loss per Common Share | (0.43) | (2.12) | (1.20) |
| **Balance Sheet Data:** | **September 30, 2022 ($)** | **September 30, 2021 ($)** | **September 30, 2020 ($)** |
| Total Assets | 314,429 | 2,121,883 | 73,781 |
| Total Liabilities | 1,163,227 | 1,138,450 | 1,777,864 |
| Total Current Assets | 314,429 | 2,121,883 | 73,781 |
| Total Current Liabilities | 1,163,227 | 1,138,450 | 1,777,864 |
| Shareholders' Equity (deficit) | (848,798) | 983,433 | (1,704,083) |

The following selected financial information is subject to the detailed information contained in the financial statements of PlasCred and related notes thereto appearing elsewhere in this Listing Statement. This information should only be read in conjunction with the financial statements, and accompanying notes, included elsewhere in this Listing Statement. The selected financial information is derived from the audited financial statements of PlasCred for the fiscal year ended December 31, 2022. This information should be read in conjunction with the audited financial statements for the fiscal years ended December 31, 2022, and accompanying notes, which are attached hereto as Schedule D.

| | For the Year Ended December 31 (audited) |
|---|---|
| | 2022 ($) |
| Revenue | - |
| Loss from Operating Expenses | (629,543) |
| Comprehensive loss for the Year | (629,543) |
| Basic and diluted Loss per Common Share | (0.06) |
| **Balance Sheet Data:** | |
| Total Assets | 490,803 |
| Total Liabilities | 1,110,346 |
| Total Current Assets | 157,163 |
| Total Current Liabilities | 1,110,346 |
| Shareholders' Equity (deficit) | (619,543) |

## 5.2 Consolidated Financial Information – Quarterly Information for Cover

The results of Cover for each of the eight (8) most recently completed quarters ending at the end of the most recently competed fiscal year, namely September 30, 2022, are summarized below:

| Fiscal 2022 (unaudited and prepared in accordance with IFRS) | | | | |
|---|---|---|---|---|
| | September 30, 2022 ($) | June 30, 2022 ($) | March 31, 2022 ($) | December 31, 2021 ($) |
| Revenue | - | - | - | - |
| Net and Comprehensive Income and (Loss) | (527,703) | (260,384) | (673,696) | (898,573) |
| Income (Loss) per Common Share – Basic and diluted | (0.10) | (0.05) | (0.14) | (0.22) |

| Fiscal 2021 (unaudited and prepared in accordance with IFRS) | | | | |
|---|---|---|---|---|
| | September 30, 2021 ($) | June 30, 2021 ($) | March 31, 2021 ($) | December 31, 2020 ($) |
| Revenue | - | - | - | - |
| Net and Comprehensive Income and (Loss) | (6,708,504) | (434,121) | (1,343,490) | (135,583) |
| Income (Loss) per Common Share – Basic and diluted | (1.21) | (0.13) | (0.89) | (0.35) |

### 5.3 Dividends

The Issuer does not have a dividend policy and, as of the date of this Listing Statement, has not paid any dividends on the Common Shares. The holders of Common Shares are entitled to dividends if, as and when declared by the Board, such declaration will depend on, among other factors, earnings, capital requirements and operating and financial condition of the Issuer. The Issuer does not intend to pay dividends in the foreseeable future but instead intends to retain future earnings, if any, to finance the growth and development of the Issuer's business.

### 5.4 Foreign Generally Accepted Accounting Principles (GAAP)

The Issuer's primary financial statements have not been prepared using foreign GAAP, therefore, this Section 5.4 is not applicable to the Issuer.

## 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

The MD&A of Cover for the fiscal years ended September 30, 2022, September 30, 2021, and September 30, 2020 and for the six (6) month period ended March 31, 2023 are attached hereto as Schedule C.

The MD&A of PlasCred for the period from incorporation on January 28, 2022 to December 31, 2022 and for the three (3) month period ended March 31, 2023 are attached hereto as Schedule F.

## 7. MARKET FOR SECURITIES

The Common Shares are currently listed on the CSE under the symbol "PLAS" and on the Frankfurt Stock Exchange under the symbol "304". Trading of the Common Shares on the CSE commenced on December 2, 2011 and the Common Shares were halted at the request of Cover on November 14, 2022 in connection with the Transaction. Trading of the Common Shares on the Frankfurt Stock Exchange commenced on January 30, 2015.

## 8. CONSOLIDATED CAPITALIZATION

The following table sets forth the capitalization of Cover as of September 30, 2022. This table should be read in conjunction with Section 6 – *"Management's Discussion and Analysis"* of this of this Listing Statement and the consolidated financial statements and related notes appearing elsewhere in this Listing Statement.

| Designation of Security | Number of Authorized | Number of Shares Issued and Outstanding(1) |
|---|---|---|
| Common Shares | Unlimited number without par value | 2,760,655 |
| Cover Warrants(2) | - | 1,332,709 |
| Convertible Promissory Notes(3) | - | - |

(1) Calculated on a post-consolidation basis.
(2) Each Warrant was exercisable into one additional Common Share at an exercise price of $10.50 and expired on February 26, 2023.
(3) In connection with the Financing, Cover issued the Convertible Promissory Notes in the aggregate principal amount of $1,500,000, which were subsequently converted into 5,000,000 post-Consolidation Common Shares prior to the Closing. See "*General Development of the Business – The Transaction*" for more details on the Convertible Promissory Notes.

Except as disclosed below, there have been no material changes in Cover share and loan capital since September 30, 2022.

On February 26, 2023, 1,332,709 outstanding post-consolidation Cover Warrants expired in accordance with their terms.

On May 11, 2023, the Issuer, in connection with the Assignment Agreement, issued 12,000,000 Units at a deemed price of $0.10 per Unit, with each Unit consisting of one (1) post-Consolidation Common Share and one Warrant exercisable for a period of two (2) years at an exercise price of $0.25 per post-Consolidation Common Share.

On August 3, 2023, the Issuer, in connection with the Closing, issued:

- 35,000,000 Common Shares at a deemed price of $0.10 per post-Consolidation Common Share pursuant to the Second Amended and Restated Share Exchange Agreement;

- 5,000,000 Performance Warrants to Troy Lupul pursuant to the Second Amended and Restated Share Exchange Agreement, with each Performance Warrant exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per Common Share for a period of sixty (60) months from the date of issuance on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*";

- 10,339,662 post-Consolidation Common Shares at a price of $0.30 per post-Consolidation Common Share, which share total includes an aggregate of 5,000,000 post-Consolidation Common Shares issued in connection with the due conversion of $1,500,000 in Convertible Promissory Notes and gross proceeds of $1,601,898.60 in connection with the Financing;

- 396,249 post-Consolidation Common Shares at a price of $0.30 per post-Consolidation Common Share to settle aggregate debt of approximately $120,856 owed to certain arm's length creditors of the Company; and

- 1,500,000 post-Consolidation Common Shares at a price of $0.30 per post-Consolidation Common Share pursuant to the Finder's Agreement.

As of the date of this Listing Statement, the outstanding capital of the Issuer consists of:

| Designation of Security | Authorized | Number of Securities Issued[(1)] | Percentage of Fully Diluted Issued and Outstanding[(1)] |
|---|---|---|---|
| Common Shares | Unlimited | 61,996,566 | 78.48% |
| Warrants[(2)] | - | 17,000,000 | 21.52% |
| | **Total:** | **78,996,566** | **100.00%** |

(1) Calculated on a post-Consolidation basis.
(2) Comprised of 12,000,000 Warrants each exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share until November 14, 2024 pursuant to the Assignment Agreement and 5,000,000 Performance Warrants each exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share until August 3, 2028 pursuant to the Second Amended and Restated Share Exchange Agreement, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*". See also "*Capitalization – Convertible Securities*" for more information.

## 9. OPTIONS TO PURCHASE SECURITIES

*Cover Options*

On June 2, 2022, the board of directors of Cover approved the Stock Option Plan. Following the completion of the Transaction, the Issuer will continue with the Stock Option Plan. The purpose of the Stock Option Plan is to, among other things, advance the interests of Cover by encouraging the directors, officers, employees and consultants of Cover to acquire Common Shares, thereby increasing their proprietary interest in Cover, encouraging them to remain associated with Cover. The Stock Option Plan was approved by the Cover Shareholders on July 14, 2022.

*Purpose*

The purpose of the Stock Option Plan is to is to advance the interests of Cover by encouraging the directors, officers, employees and consultants of Cover, and of its subsidiaries and affiliates, if any, to acquire Common Shares, thereby increasing their proprietary interest in Cover, encouraging them to remain associated with Cover and furnishing them with additional incentive in their efforts on behalf of Cover in the conduct of its affairs. The Stock Option Plan is administered by the Board, or by a special committee of directors of Cover appointed from time to time by the Board, pursuant to rules of procedure fixed by the Board. All Options granted pursuant to the Stock Option Plan are subject to the rules and policies of the Exchange.

*Eligibility*

Directors, officers, consultants, and employees of Cover or its subsidiaries, and employees of a person or company which provides management services to Cover or its subsidiaries shall be eligible for selection to participate in the Stock Option Plan.

*Availability*

The number of Common Shares reserved for issue to any one person pursuant to the Stock Option Plan may not exceed 5% of the issued and outstanding Common Shares at the date of such grant, unless Cover has obtained approval by a majority of the votes cast by the shareholders eligible to vote at a shareholders' meeting, excluding votes attaching to Common Shares beneficially owned by insiders and their associates. The number of Common Shares issuable to parties providing investor relations services, in any 12-month period, cannot exceed 1% of the issued and outstanding Common Shares. The number of Common Shares subject to an Option granted to any one participant shall be determined by the Board, but no one participant shall be granted an Option which exceeds the maximum number permitted by the Exchange. In no circumstances shall the maximum term of any Options granted under the Stock Option Plan exceed ten (10) years.

*Exercise Pricing*

The exercise price of the Common Shares subject to each Option shall be determined by the Board at the time any Option is granted. In no event shall such exercise price be lower than the exercise price permitted by the Exchange.

*Vesting*

Subject to the requirements of the Exchange, the vesting provisions, the terms and conditions of exercise and forfeiture of the Options and the applicable option exercise expiry date for Options granted under the Stock Option Plan will be determined by the Board at the time of issuance. Management believes the Stock Option Plan will provide Cover with a sufficient number of Common Shares issuable under the Stock Option Plan to fulfill the purpose of the Stock Option Plan, namely, to secure for Cover and its shareholders the benefits of incentive inherent in share ownership by the directors, officers, key employees and consultants of Cover who, in the judgment of the Board, will be largely responsible for its future growth and success.

*Cover RSUs*

On June 2, 2022, the board of directors of Cover approved the RSU Plan to grant RSUs to directors, officers, key employees and consultants of Cover. Following the completion of the Transaction, the Issuer will continue with the RSU Plan. The RSU Plan was approved by the Cover Shareholders on July 14, 2022.

The RSU Plan provides for granting of RSUs for the purposes of advancing the interests of Cover through motivation, attraction and retention of employees, officers, consultants and directors by granting equity-based compensation incentives, in addition to the Stock Option Plan. RSUs granted pursuant to the RSU Plan will be used to compensate participants for their individual performance-based achievements and are intended to supplement option awards granted by Cover in this respect. The goal of such grants is to more closely tie awards to individual performance based on established performance criteria.

*Performance Warrants*

On August 3, 2023, the Issuer issued 5,000,000 Performance Warrants to Troy Lupul. Each Performance Warrant is exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of sixty (60) months from the date of the issuance, subject to the prior achievement of the following milestones:

(a) 1,666,667 Performance Warrants exercisable upon the Issuer securing a financing of $15,000,000 or greater for the Maximus Facility;

(b) 1,666,667 Performance Warrants exercisable upon the construction of its first full-scale facility, the Maximus Facility; and

(c) 1,666,666 Performance Warrants exercisable upon the completion of Phase One, the initial 2,000 barrels output per day at the Maximus Facility.

*Compliance with CSE Policies*

The Issuer will not grant Options or other securities based compensation awards with an exercise price lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the Options or other securities based compensation awards, and (b) the date of grant of the Options or other securities based compensation awards.

The terms of an Option, RSU or Performance Warrant may not be amended once issued. If an Option, RSU or Performance Warrant is cancelled prior to its expiry date, the Issuer shall not grant new Options, RSUs or Performance Warrants to the same person until 30 days have elapsed from the date of cancellation.

The aggregate number of Common Shares that may be issued on exercise of Options, RSUs and Performance Warrants, together with any other share compensation arrangements of the Issuer, shall not exceed 20% of the number of issued and outstanding Common Shares from time to time. As at the date of this Listing Statement, there are no Options or RSUs outstanding, and 5,000,000 Performance Warrants are outstanding.

The Issuer will amend the terms of its security based compensation arrangements to be fully compliant with the revised CSE Policies that came into effect on April 3, 2023 and will seek shareholder approval of the amendments at its next annual general meeting of shareholders.

A copy the Stock Option Plan is attached as Schedule I to this Listing Statement and is attached as Schedule B to Cover's information circular filed on SEDAR+ on June 23, 2022.

A copy the RSU Plan is attached as Schedule J to this Listing Statement and is attached as Schedule C to Cover's information circular filed on SEDAR+ on June 23, 2022.

## 10. DESCRIPTION OF THE SECURITIES

### 10.1 Description of the Issuer's Securities

**Common Shares**

The Issuer is authorized to issue an unlimited number of Common Shares without par value. As of the date of this Listing Statement, there are 61,996,566 Common Shares issued and outstanding.

The holders of Common Shares are entitled to dividends if, as and when declared by the Board. The holders of the Common Shares shall be entitled to vote at all meetings of shareholders of the Issuer and at all such meetings each such holder has one (1) vote for each Common Share held. Each holder of Common Shares is, upon liquidation, entitled to share equally in such assets of the Issuer as are distributable to the holders of Common Shares.

In the event of a liquidation, dissolution or winding up of the Issuer, whether voluntary or involuntary, or other distribution of assets or property of the Issuer amongst its shareholders for the purpose of winding up its affairs, shareholders will be entitled to receive all property and assets of the Issuer properly distributable to the shareholders.

There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a security holder to contribute additional capital.

**Sections 10.2 – Section 10.5**

The authorized capital of the Issuer includes Common Shares only and these are the only securities being listed. All of the material attributes of the Common Shares are disclosed above at Section 10.1.

### 10.6 Prior Sales of Common Shares

In the twelve (12) months prior to the date of this Listing Statement, Cover issued the following securities:

| Date of Issue | Type of Security | Price(1) | Number(1) |
|---|---|---|---|
| May 11, 2023 | Common Shares(2) | $0.10 | 12,000,000 |
| May 11, 2023 | Warrants(3) | - | 12,000,000 |
| July 5, 2023 | Common Shares(4) | $0.30 | 5,339,662 |
| July 5, 2023 | Common Shares(5) | $0.30 | 396,249 |
| July 14, 2023 | Common Shares(6) | $0.30 | 5,000,000 |
| August 3, 2023 | Common Shares(7) | $0.10 | 35,000,000 |
| August 3, 2023 | Performance Warrants(8) | - | 5,000,000 |
| August 3, 2023 | Common Shares(9) | $0.30 | 1,500,000 |

(1) Calculated on a post-Consolidation basis.
(2) These Common Shares were issued pursuant to the Assignment Agreement.
(3) These Warrants were issued pursuant to the Assignment Agreement, with each Warrant entitling the holder to purchase one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of two (2) years.
(4) These Common Shares were issued pursuant to the Financing.
(5) These Common Shares were issued to settle aggregate debt of approximately $120,856 owed to certain arm's length creditors of the Company at a price of $0.30 per Common Share.
(6) These Common Shares were issued pursuant to the Convertible Promissory Notes in the aggregate principal amount of $1,500,000.
(7) These Common Shares were issued pursuant to the Second Amended and Restated Share Exchange Agreement.
(8) These Performance Warrants were issued pursuant to the Second Amended and Restated Share Exchange Agreement to Troy Lupul, with each Performance Warrant exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of five (5) years, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*".
(9) These Common Shares were issued pursuant to the Finder's Agreement.

## 10.7 Stock Exchange Price

The following table sets out the high, low and closing trading prices and total trading volume of the Common Shares on the CSE on a monthly basis for each month of the current quarter, for each month of the quarter immediately preceding the current quarter, and on a quarterly basis for the next preceding seven quarters:

| | CSE | | | |
|---|---|---|---|---|
| **Period** | **High[1] ($)** | **Low[1] ($)** | **Close[1] ($)** | **Volume Traded[1] (#)** |
| August 1, 2023 to August 2, 2023[2] | No trades | | | |
| July 1, 2023 to July 31, 2023[2] | No trades | | | |
| June 1, 2023 to June 30, 2023[2] | No trades | | | |
| May 1, 2023 to May 31, 2023[2] | No trades | | | |
| April 1, 2023 to April 30, 2023[2] | No trades | | | |
| Quarter ended March 31, 2023[2] | No trades | | | |
| Quarter ended December 31, 2022[2] | 0.30 | 0.10 | 0.185 | 364,792 |
| Quarter ended September 30, 2022 | 0.335 | 0.015 | 0.115 | 1,062,046 |
| Quarter ended June 30, 2022 | 0.43 | 0.25 | 0.25 | 366,151 |
| Quarter ended March 31, 2022 | 0.76 | 0.3 | 0.345 | 1,814,636 |
| Quarter ended December 31, 2021 | 1.04 | 0.11 | 0.67 | 24,569,796 |
| Quarter ended September 30, 2021 | 3.01 | 0.64 | 0.73 | 6,739,781 |

(1) Calculated on a pre-Consolidation basis.
(2) The Common Shares were halted at the request of Cover on November 14, 2022 in connection with the Transaction.

The shares of PlasCred are not listed and posted for trading or quoted on any stock exchange or quotation and trade reporting system.

## 11. ESCROWED SECURITIES

Upon the Listing, an aggregate of 29,344,997 post-Consolidation Common Shares and 5,000,000 Performance Warrants will be held in escrow (collectively, the "**Escrowed Securities**") as required by CSE Policy 8 – *Fundamental Changes and Changes of Business*, pursuant to the terms of the Escrow Agreement among the Issuer, Endeavour Trust Company and the holders of the Escrowed Securities. The following table sets out the number of Escrowed Securities.

| Name and Municipality of Residence of Securityholder | Designation of Class | Number of Escrowed Securities (#)[1] | Percentage (%)[1] |
|---|---|---|---|
| Wayne Monnery | Common Shares | 1,750,000 | 2.82[2] |
| Troy Lupul | Common Shares | 27,594,997 | 44.51[2] |
| | Performance Warrants | 5,000,000[3] | 29.41[4] |

(1) Calculated on a post-Consolidation basis.

(2) Based on 61,996,566 post-Consolidation Common Shares outstanding as at the date hereof.

(3) These Performance Warrants were issued pursuant to the Second Amended and Restated Share Exchange Agreement to Troy Lupul, with each Performance Warrant exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share for a period of five (5) years, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*".

(4) Based on 17,000,000 Warrants outstanding as at the date hereof.

The Escrowed Securities are subject to the following release schedule, which is in accordance with the provisions in NP 46-201 for an "Emerging Issuer" (as defined in NP 46-201):

| Date of Automatic Timed Release | Common Shares Released |
|---|---|
| On the Listing Date | 1/10 of the Escrowed Shares held |
| 6 months after the Listing Date | 1/6 of the remainder of the Escrowed Shares held |
| 12 months after the Listing Date | 1/5 of the remainder of the Escrowed Shares held |
| 18 months after the Listing Date | 1/4 of the remainder of the Escrowed Shares held |
| 24 months after the Listing Date | 1/3 of the remainder of the Escrowed Shares held |
| 30 months after the Listing Date | 1/2 of the remainder of the Escrowed Shares held |
| 36 months after the Listing Date | The remainder of the Escrowed Shares held |

In addition to the above, the 35,000,000 post-Consolidation Common Shares issued by the Issuer pursuant to the Second Amended and Restated Share Exchange Agreement are subject to a contractual lock-up to be released as follows:

(a) 20% (7,000,000) of the post-Consolidation Common Shares on the date that is six (6) months after the Listing Date; and

(b) 20% (7,000,000) of the post-Consolidation Common Shares every six (6) months thereafter.

## 12. PRINCIPAL SHAREHOLDERS

### 12.1 Principal Shareholders

Other than as set out below, to the knowledge of the directors and officers of the Issuer, no Person beneficially owns, directly or indirectly, or exercises control or direction over Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares.

| Name of Securityholder | Number of Common Shares (#)[(1)] | Percentage (%)[(1)(2)] |
|---|---|---|
| Troy Lupul | 27,594,997[(3)] | 44.51% |

(1) Calculated on a post-Consolidation basis.
(2) Based on 61,996,566 post-Consolidation Common Shares outstanding as at the date hereof.
(3) Does not include 5,000,000 Performance Warrants held by Troy Lupul, each exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share until August 3, 2028 pursuant to the Second Amended and Restated Share Exchange Agreement, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*".

## 13. DIRECTORS AND OFFICERS

### 13.1 Directors and Officers

The following table sets the name, municipality of residence of each director or officer and their respective positions and offices held with the Issuer and their respective principal occupations during the five preceding years. In addition, the table states the period during which the director and/or officer has served in that capacity and the number of Common Shares that each individual beneficially owns, or exercises control or direction over, directly or indirectly, as of the date of this Listing Statement. The information as to Common Shares owned beneficially, not being within the knowledge of the Issuer, has been forwarded by the directors and officers individually.

| Name, Place of Residence and Position(s) with the Issuer | Principal Occupation, Business or Employment for Last Five (5) Years[(1)] | Director and/or Officer Since | No. of Common Shares Owned[(1)(2)] | Percentage of Common Shares[(3)] |
|---|---|---|---|---|
| Troy Lupul[(4)]<br>*Calgary, Alberta*<br>*CEO, President and Director* | Chief Executive Officer and President of PlasCred since January 28, 2022 and sales specialist at Stage 3 Separation, a private company involved in solids control and advanced water treatment for oil and gas operations, since 2021. Prior thereto, Mr. Lupul was a sales specialist at AWC Solutions, a private company involved in advanced water processing equipment, since 2019 and a founder of ClearBakk Energy Services, a private fluid management and environmental solution company. | Since August 3, 2023 | 27,594,997[(5)] | 44.51% |
| Brian Hearst<br>*Calgary, Alberta*<br>*CFO and Corporate Secretary* | Chartered professional accountant providing services on a contract basis. | Since August 3, 2023 | Nil | N/A |
| Wayne Monnery<br>*Calgary, Alberta*<br>*CTO* | Independent consultant providing consulting services on a contract basis for oil and gas companies. | Since August 3, 2023 | 1,750,000 | 2.82% |
| Gerry Gilewicz[(4)(6)]<br>*Calgary, Alberta*<br>*Director* | Chief Financial Officer of Journey Energy Inc., a public oil exploration and production company. | Since August 3, 2023 | Nil | N/A |
| James Cairns[(4)]<br>*Calgary, Alberta*<br>*Director* | Independent consultant and independent director of Altex Energy Ltd., a private rail transportation company. Prior thereto, Mr. Cairns was an executive at CN, a private rail transportation company. | Since August 3, 2023 | Nil | N/A |

* Means less than 1%.

(1) Information has been furnished by the respective officers/directors individually.

(2) Calculated on a post-Consolidation basis.

(3) Based on 61,996,566 post-Consolidation Common Shares outstanding as at the date hereof.

(4) Member of the Audit Committee.

(5) Does not include 5,000,000 Performance Warrants held by Troy Lupul, each exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share until August 3, 2028 pursuant to the Second Amended and Restated Share Exchange Agreement, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*".

(6) Chair of the Audit Committee.

See "*Directors and Officers – Other Directorships*" and "*Directors and Officers – Management*".

As of the date of this Listing Statement, the directors and executive officers of the Issuer beneficially own, or exercise control or direction over, directly or indirectly, as a group 29,344,997 post-Consolidation Common Shares representing 47.33% of all outstanding post-Consolidation Common Shares on a non-dilutive basis.

## 13.2 Board Committees

### *Audit Committee*

The Issuer's only committee is the Audit Committee. The Audit Committee is responsible for managing, on behalf of the shareholders, the relationship between the Issuer and the external auditors, including the prescribed responsibilities set out in NI 52-110. Pursuant to NI 52-110, the Issuer's Audit Committee is required to have a charter. The Issuer's Audit Committee Charter is attached hereto as Schedule H to this Listing Statement. The Audit Committee fulfills its responsibilities primarily by carrying out the activities enumerated in the Audit Committee Charter.

### Composition of Audit Committee

The members of the Issuer's Audit Committee are:

| Name | Independent(1) | Financially Literate(2) |
|---|---|---|
| Gerry Gilewicz(3) | Yes | Yes |
| James Cairns | Yes | Yes |
| Troy Lupul | No | Yes |

(1) A member of an audit committee is independent pursuant to the provisions of NI 52-110, if the member has no direct or indirect material relationship with the company, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment, and does not currently hold, or in the past has not held, certain prescribed relationships set out in NI 52-110.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the company's financial statements.

(3) Chair of the Audit Committee.

See "*Directors and Officers – Management*" for more information with respect to the members of the Audit Committee.

### Other Directorships

The following individuals are currently directors of other reporting issuers as set out below:

| Name of Director | Names of Other Reporting Issuers | Securities Exchange |
|---|---|---|
| Brian Hearst | Dixie Gold Inc. | TSXV |
| | Jade Capital Corp. | N/A |
| | Red Lake Gold Inc. | CSE |
| | 79 Resources Ltd. | CSE |

## 13.5 Director and Officer Principal Occupations

The principal occupation of the Issuer's directors and officers is disclosed in the table above under Section 13.1.

## 13.6 Corporate Cease Trade Orders or Bankruptcies

A cease trade order was issued against Mena Hydrocarbons Inc. ("**Mena**") (TSXV:MNH) in May 2016 for failure to file its audited financial statements and MD&A for the year ended December 31, 2015, while Mr. Brian Hearst was a director and CFO of Mena. The cease trade order is still in effect and Mena is no longer listed on the TSXV.

To the knowledge of the Issuer, other than Mr. Hearst, no director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within ten (10) years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities laws, for a period of more than thirty (30) consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

## 13.7 Penalties or Sanctions

To the knowledge of the Issuer, no director, officer or promoter of the Issuer, or a securityholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has

(a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable investor making an investment decision.

## 13.8 Settlement Agreements

None of the persons named in Section 13.7 have ever been party to any settlement agreement therefore, this Section 13.8 is not applicable to Cover, PlasCred or the Issuer.

### 13.9 Personal Bankruptcies

To the knowledge of the Issuer, no director, officer or promoter of the Issuer, or a securityholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons, has, within the ten (10) years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

### 13.10 Existing or Potential Conflicts of Interest

The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the Issuer, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA. In determining whether or not the Issuer will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Issuer may be exposed and its financial position at that time.

To the knowledge of the Issuer, there are no known existing or potential conflicts of interest among the Issuer and its promoter, directors and officers, except that certain of the directors, officers, and the promoter serve as directors, officers, and promoters and members of management of other public companies, and therefore it is possible that a conflict may arise as a result of their duties as a director, officer, promoter or member of management of such other companies.

### 13.11 Management

The following is a brief description of the officers and directors of the Issuer.

***Troy Lupul, Age 55, President, CEO and Director***
***Calgary, Alberta***

Mr. Lupul is a graduate of the Northern Alberta Institute of Technology and holds a degree in water and wastewater processes. Mr. Lupul has thirty (30) years of experience of process water and produced water experience in the oil and gas sector. In 1999, Mr. Lupul founded Filterboxx Inc., a private company that provides large scale utilities and process water equipment and operations for major oil and gas companies across North America and provided two water treatment plants for NATO in Afghanistan. Mr. Lupul was the president of Filterboxx and assisted in the development of the aforementioned water treatment plants. In 2013, Mr. Lupul founded ClearBakk Energy Services, a private fluid management and environmental solution company. Mr. Lupul was the president of ClearBakk Energy Services and assisted with the development of a polymer hydration plant for a public energy company. Mr. Lupul began working as a sale specialist for AWC Solutions, a private company that specializes in advanced water processing equipment, in 2019. In 2021, Mr. Lupul became a sale specialist for Stage 3 Separation, a private company that focuses on solids control and advanced water treatment for oil and gas operations, a position he occupies to this date. Mr. Lupul is also currently the CEO and President of the Issuer. He occupied these same roles for PlasCred from January 28, 2022 to Closing. Mr. Lupul is a part-time employee of the Issuer, devoting fifty (50%) percent of his time to the Issuer. He has not entered into an employment agreement with the Issuer nor a restrictive covenant agreement containing non-competition, non-disclosure and confidentiality provisions.

***Brian Hearst, Age 62, CFO and Corporate Secretary***
***Calgary, Alberta***

Mr. Hearst is a Chartered Professional Accountant with over thirty (30) years of experience in the oil and gas industry, twenty (20) years' of experience as chief financial officer with small Canadian public energy companies and twelve (12) years' experience with a major energy company, serving as an internal auditor and financial accountant. Over the last five (5) years Mr. Hearst has provided chief financial officer services on a contract basis, which services include preparing quarterly and annual financial statements for reporting issuers, and is currently providing such services to three (3) companies, two of which are junior mining companies listed on the TSXV. Mr. Hearst also sits on the board of the aforementioned mining companies as an independent director.

Mr. Hearst is a part-time contractor, devoting 50% of his time to the Issuer. He has not entered into a consulting agreement with the Issuer nor a restrictive covenant agreement containing non-competition, non-disclosure and confidentiality provisions.

***Wayne Monnery, Age 61, CTO***
***Calgary, Alberta***

Dr. Monnery has a PhD in Chemical Engineering from the University of Calgary, Canada (1996). Dr. Monnery has written several papers that have been published in both academic and industry journals. Dr. Monnery has over thirty (30) years of industry experience, specializing in gas processing (pipeline hydraulics, separation, dehydration, $H_2S/CO_2$ treating, sulfur recovery and refrigeration processes) and also has experience with crude oil dehydration, stabilization and micro-refining topping plants. Dr. Monnery has experience with developing new energy technology and is recently involved in lithium from brine, waste biomass/used motor oil pyrolysis, used motor oil re-refining, geothermal and plastic pyrolysis projects. Dr. Monnery has recognized expertise in thermodynamics and physical and transport properties of fluids. He has consulted for several engineering, procurement and construction firms as well as operating companies through his private company, Chem-Pet Process Tech Ltd. In addition, Dr. Monnery is currently involved with a large steam assisted gravity drainage carbon capture project as well as helping clients determine best processing options. Dr. Monnery has been involved with $CO_2$ dehydration and $CO_2$ flood gas treating as well as acid gas injection projects for several years. Over the last five (5) years, Dr. Monnery has provided consulting services on a contract basis.

Dr. Monnery is a part-time contractor, devoting 20% of his time to the Issuer. He hast not entered into a consulting agreement with the Issuer but has entered into a restrictive covenant agreement with the Issuer containing non-competition, non-disclosure and confidentiality provisions.

***Gerald Gilewicz, Age 62, Director***
***Calgary, Alberta***

Mr. Gilewicz serves as the Chief Financial Officer of Journey Energy Inc., a public oil exploration and production company, a position he has held since 2012. From November 2005 to August 2012 Mr. Gilewicz served as Chief Financial Officer and Vice President of Finance at Vero Energy Inc., which, at the time, was a private oil and gas exploration, development and production company. Mr. Gilewicz also sesrve as the Vice President of Finance and Chief Financial Officer of Devlan Exploration Inc. and Dual Exploration Inc., both private oil and gas exploration, development and production companies, from September 1999 to November 2005. Prior to this Mr. Gilewicz served as a Senior Manager at Deloitte & Touche LLP. Mr. Gilewicz has served as a Director and Chair of the Finance Committee of the Small Explorers and Producers Association of Canada. Mr. Gilewicz is a Certified Professional Accountant and received a Bachelor of Commerce in Accounting from the University of Saskatchewan.

As a director, it is expected that Mr. Gilewicz will devote 5% of his time to the Issuer. Mr. Gilewicz has entered into a restrictive covenant agreement with the Issuer containing non-competition and non-disclosure provisions.

***James Cairns, Age 57, Director***
***Calgary, Alberta***

Mr. Cairns is currently an independent consultant and is an independent director of Altex Energy Ltd., a private rail transportation company. Mr. Cairns served as the Senior Vice-President of Rail Centric Supply Chain for CN from April 2019 to July 2022. In this role, Mr. Cairns oversaw the execution and expansion of CN's bulk and merchandise carload businesses, leading the commercial teams and non-rail operations in his supply chains, and adapting all last-mile services for customers. Mr. Cairns was also responsible for CN's grain, fertilizers, sulphur and coal businesses as well as for petroleum and chemicals, forest products, and metals and minerals. Prior to this role, Mr. Cairns was Vice-President, Petroleum and Chemicals and Assistant Vice-President of CN's domestic intermodal. Mr. Cairns joined CN in 1988 as a train order operator, before being promoted to rail traffic controller and then to team leader with CN's Customer Service Centre in Winnipeg, Manitoba. Mr. Cairns entered the Sales and Marketing world in 1997 as an Intermodal account manager in Toronto, and was promoted to director, Intermodal Sales in 1999. Mr. Cairns then successively held senior positions in Intermodal Wholesale, Petroleum & Plastics Marketing, and IMX operations. Mr. Cairns holds a Bachelor degree in Business Administration from the University of Winnipeg and an MBA from Queen's University in Kingston, Ontario.

As a director, it is expected that Mr. Cairns will devote 5% of his time to the Issuer. Mr. Cairns has entered into a restrictive covenant agreement with the Issuer containing non-competition, non-disclosure and confidentiality provisions.

See "*Executive Compensation – Employment, Consulting and Management Agreements*" for more information.

## 14. CAPITALIZATION

### 14.1 Issued Capital

The following tables provide information about the capitalization of the Issuer, calculated on a post-Consolidation basis, as of the date of this Listing Statement:

| Issued Capital[(1)] | Number of Securities (non-diluted) | Number of Securities (fully-diluted) | % of Issued (non-diluted) | % of Issued (fully diluted) |
|---|---|---|---|---|
| **Public Float** | | | | |
| Total Outstanding **(A)** | **61,996,566** | **78,996,566** | **100%** | **100%** |
| Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who | 33,999,997 | 33,999,997 | 54.84% | 43.04% |

| | | | | |
|---|---|---|---|---|
| beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) **(B)** | | | | |
| **Total Public Float (A-B)** | **27,996,569** | **44,996,569** | **45.16%** | **59.96%** |
| **Freely-Tradeable Float** | | | | |
| Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in shareholder agreement and securities held by control block holders **(C)** | 35,000,000 | 35,000,000 | 56.45% | 44.30% |
| **Total Tradeable Float (A-C)** | **26,996,566** | **43,996,566** | **43.55%** | **55.70%** |

(1) Figures are reported to the best of the knowledge of management of the Issuer.

***Public Securityholders (Registered)***

The following table sets forth information, on a post-Consolidation basis, regarding registered "public securityholders" of the Issuer, being persons other than persons enumerated in section (B) of the *Issued Capital* table above:

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | 58 | 196 |
| 100 – 499 securities | 5 | 1,231 |
| 500 – 999 securities | 4 | 2,888 |
| 1,000 – 1,999 securities | 4 | 4,782 |
| 2,000 – 2,999 securities | 2 | 4,889 |
| 3,000 – 3,999 securities | 0 | 0 |
| 4,000 – 4,999 securities | 0 | 0 |
| 5,000 or more securities | 25 | 27,982,583 |
| **TOTAL:** | **98** | **27,996,569** |

***Public Securityholders (Beneficial)***

The following table sets forth information regarding beneficial "public securityholders" of the Issuer, calculated on a post-Consolidation basis, being Persons other than Persons enumerated in section (B) of the *Issued Capital* table above who either: (i) hold securities in their own name as registered shareholders; or (ii) hold securities through an intermediary where the Issuer has been given written confirmation of shareholdings:

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | 334 | 4,369 |
| 100 – 499 securities | 138 | 30,382 |

| | | |
|---|---|---|
| 500 – 999 securities | 56 | 38,623 |
| 1,000 – 1,999 securities | 42 | 56,865 |
| 2,000 – 2,999 securities | 15 | 32,685 |
| 3,000 – 3,999 securities | 0 | 0 |
| 4,000 – 4,999 securities | 27 | 89,182 |
| 5,000 or more securities | 83 | 27,744,463 |
| **TOTAL:** | **695** | **27,996,569** |

(1) The amounts included in this table are based on a share range report dated May 23, 2023 and a registered shareholders list dated May 23, 2023. The Issuer may have other beneficial holders of its securities that it is not aware of. Certain of the shareholders in this table may be insiders of the Issuer, however such information is not distinguished in the share range report and accordingly is outside the knowledge of the Issuer.

***Non-Public Securityholders (Registered)***

For the purposes of this chart, "non-public securityholders" are persons enumerated under (B) in the *Issued Capital* table above and is calculated on a post-Consolidation basis.

| Size of Holding | Number of Holders | Total Number of Securities |
|---|---|---|
| 1 – 99 securities | - | - |
| 100 – 499 securities | - | - |
| 500 – 999 securities | - | - |
| 1,000 – 1,999 securities | - | - |
| 2,000 – 2,999 securities | - | - |
| 3,000 – 3,999 securities | - | - |
| 4,000 – 4,999 securities | - | - |
| 5,000 or more securities | 3 | 33,999,997 |
| **TOTAL:** | **3** | **33,999,997** |

## 14.2 Convertible Securities

The following table summarizes the outstanding securities convertible into post-Consolidation Common Shares as of the date of this Listing Statement:

| Description of Security (include conversion/exercise terms, including conversion/exercise price) | Number of convertible/exchangeable securities outstanding(1) | Number of listed securities issuable upon conversion/exercise(1) |
|---|---|---|
| Options | - | - |
| Warrants(2) | 17,000,000 | 17,000,000 |

(3) Calculated on a post-Consolidation basis.

(4) Comprised of 12,000,000 Warrants each exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share until November 14, 2024, pursuant to the Assignment Agreement and 5,000,000 Performance Warrants each exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share until August 3, 2028 pursuant to the Second Amended and Restated Share Exchange Agreement, on terms and conditions further

described under "*Options to Purchase Securities – Performance Warrants*". See also "*Capitalization – Convertible Securities*" for more information.

### 14.3 Other Listed Securities

The Issuer has no other listed securities reserved for issuance that are not included in Section 14.2.

## 15. EXECUTIVE COMPENSATION

Details related to the executive compensation paid by the Issuer, prepared in accordance with Form 51-102F6 of National Instrument 51-102 – Continuous Disclosure Obligations, can be found under the Issuer's profile on SEDAR+ at www.sedarplus.ca in the Management Information Circular posted on June 23, 2022.

The Issuer intends to continue PlasCred's process for determining executive compensation on a relatively informal basis, in view of the size and early stage of the Issuer and its operations. It is not currently anticipated that the directors of the Issuer will receive any compensation except for Options granted under the Stock Option Plan. In addition, it is not anticipated that pension plan benefits of any sort will be awarded to either the directors or officers of the Issuer.

## 16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No individual who is, or at any time during the most recently completed financial year was, a director or executive officer of the Issuer, a proposed nominee for election as a director of the Issuer, or an associate of any such director, executive officer or proposed nominee:

(i) is, or at any time since the beginning of the most recently completed financial year of the Issuer has been, indebted to the Issuer or any of its subsidiaries, or

(ii) is or has been indebted to another entity where such indebtedness is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Issuer or any of its subsidiaries.

## 17. RISK FACTORS

**An investment in the Common Shares is considered to be speculative due to the nature of the Issuer's business and the present stage of its development. The following risk factors, as well as risks not currently known to the Issuer could materially adversely affect the Issuer's future business, operations and financial condition and could cause them to differ materially from estimates described in forward-looking statements relating to the Issuer. A prospective investor should carefully consider the risk factors set out below.**

**A purchase of any of the securities of the Issuer involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Issuer should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should carefully evaluate the following risk factors associated with an investment in the Issuer's securities prior to purchasing any of the securities.**

***Risks Related to the Business of the Issuer***

**Limited Operating History**

The Issuer is an early-stage company. As such, the Issuer will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Issuer will be successful in achieving a return on shareholders' investment and the likelihood of success of the Issuer must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business.

**Lack of Operating Cash Flow**

The Issuer currently has no source of operating cash flow and is not expected to have operating cash flow for the next twelve (12) months. The Issuer's failure to achieve profitability and positive operating cash flows could have a material adverse effect on its business. If the Issuer sustains losses over an extended period of time, it may be unable to continue its business. It may be several years before the Issuer may generate any revenues from operations, if at all. There can be no assurance that the Issuer will realize revenue or achieve profitability.

**Operational Risks**

Waste plastic feedstock to crude oil production generally involves a high degree of risk, including hazards and risks normally encountered in obtaining feedstock, process design and possible damage to, or destruction of the producing facilities. Further, the Issuer will operate its business in industrial working environments that include, inter alia, use of heavy machinery, hazardous processes and materials. The Issuer's current and planned operations, including the Primus Facility and the Maximus Facility, will utilize potentially dangerous machinery, hazardous materials, high voltage electricity, high-pressured processes, and high temperature processes and may include high-decibel noise, extreme weather conditions and other hazardous working conditions and activities. The present and future working environments may cause bodily harm to employees or other third parties as well as environmental damage. In the event that such damage is caused, it may have a material effect on the Issuer's business.

**Reliance on Usable Plastic Commercial Products**

The Issuer's business will rely on the availability of feedstock in significant quantities. A disruption in the availability of this key component, or an increase in its cost, could adversely affect the Issuer's business. The Issuer is and will be dependent on third parties for its feedstock and will rely on obtaining long-term contracts for the supply of feedstock. There can be no assurance that the Issuer will be able to contract for feedstock or re-contract with any given party upon expiry of a given contract, nor is there any assurance that the Issuer will be able to replace lost feedstock because of a failure to renew an existing contract. Currently the Issuer has not entered into any long-term contracts for the supply of feedstock.

The price or availability of feedstock is influenced by a multitude of factors, including market demand, policies with respect to collection or management of waste and general economic and regulatory factors. The significance and relative effect of these factors on the price or availability of feedstock is difficult to predict. Any event that tends to negatively affect the supply of feedstock could increase feedstock prices and potentially harm the Issuer's business. In addition, the Issuer may have difficulty, from time to time, physically sourcing feedstock on economic terms due to supply shortages. Such a shortage may required the Issuer to suspend future operations until feedstock is available at economical terms, which would have a material adverse effect on the Issuer's business.

In addition to feedstock, the Issuer's production process is dependent on several other key inputs and their related costs, including raw materials, supplies and equipment related to its operations as well as electricity, water and other utilities. Any significant interruption, price increase or negative change in the availability or economics of required materials and supplies could have an affect on the Issuer's business.

**Construction of Facilities**

The Issuer has not commenced construction of the Maximus Facility to carry out its operations. Construction of facilities may take several years to complete, and market conditions can change from the Issuer's internal forecasts. As a result, the Issuer may be unable to fully realize the expected returns, which could have an adverse effect on the Issuer's business.

A number of factors related to the development and operation of individual facilities could have an adverse effect on Issuer's business, including but not limited to:

- regulatory changes to waste management policies or changes to the waste collection industry that could reduce the amount of waste available to be used at the proposed facilities;
- changes in the regulations in the regions where the Issuer operates or will operate;
- ability to obtain regulatory permits on acceptable terms;
- a decrease in the availability, pricing and timeliness of delivery of raw materials, components and supplies necessary for the facilities to function;
- the competitive landscape if an increased number of waste to energy facilities become operational; and
- unexpected delays in the development and completion of facilities as well as unforeseen events giving rise to unexpected delays once such facilities are operational.

In addition, the Issuer, or its joint arrangement partners (if any), will need to raise capital for the construction and development of facilities, which may not be available on acceptable terms, or at all. The final amount of capital expenditures relating to the development of the Issuer's facilities may be significantly greater than expected, in which case the Issuer may be required to curtail or delay construction, which would reduce the Issuer's planned production capacity and have a negative effect on its business.

**Environmental, Health and Safety Regulations and Risk**

The Issuer's current and planned operations are and will be, as the case may be, subject to environmental, health and safety regulation and standards in the jurisdictions in which the Issuer and any of its facilities operate, including, but not limited to the EPEA. These regulations require the Issuer to obtain certain approvals and permits to operate its facilities as well as mandate, among other things, the maintenance of air, water, and soil quality standards. These regulations also establish limitations on emissions and discharges to water, air and land, the generation, handling, transportation, storage and disposal of solid and hazardous waste, and employee health and safety.

The time required to obtain approvals and permits by such regulatory authorities is unpredictable. Any delay in obtaining the necessary approvals and permits, or failure to obtain such approvals and permits, may significantly delay or impact the Issuer's business and products and production goals and could have a material adverse effect on the Issuer's operating results.

Failure to comply with applicable environmental, health and safety laws may result in significant fines or other enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and require the Issuer to take corrective measures including significant additional capital expenditures for installation of additional equipment. The Issuer may also be required to compensate those suffering environmental loss or damage by reason of Issuer operations and may have civil or criminal fines or penalties imposed on it for violations of applicable environmental laws or regulations.

The Issuer believes that environmental legislation is evolving in a manner that will impose strict standards and enforcement, increased fines and penalties for any non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

Changes to environmental or employee health and safety laws or more vigorous enforcement thereof could require extensive changes to the Issuer's operations, give rise to material liabilities or result in additional costs or delays.

**Manufacturing Difficulties, Disruptions or Delays**

The Issuer's ability to adequately manufacture and supply its products in a timely manner is dependent on the uninterrupted and efficient operation of Issuer facilities, which may be impacted by: (i) the availability of power; (ii) the capacity of facilities; (iii) contamination from microorganisms, viruses, or foreign particles during the manufacturing process; (iv) compliance with regulatory requirements, including the potential shut down of the Issuer's facilities by regulators for non-compliance; (v) the timing and actual number of production runs and production success rates and yields; (vi) the availability of skilled employees; (vii) updates of manufacturing specifications; (viii) contractual disputes with suppliers and contract manufacturers; (ix) the timing and outcome of product quality testing, which may result in the write-off of failed batches; and/or (x) the breakdown, failure, substandard performance or improper installation or operation of equipment and electricity fallouts.

If the efficient manufacture and supply of the Issuer's products is interrupted, the Issuer may experience delayed shipments, obsoleting of products, supply constraints, stock-outs, adverse event trends, contract disputes and/or recalls of the Issuer's products. If the Issuer is at any time unable to provide an uninterrupted supply of our products to customers, customers may elect to use, competing products instead of products of the Issuer, which could have a material adverse effect on the Issuer's business.

**Joint Arrangements with Partners**

The Issuer currently has memorandum of understandings in place with CN and Fibreco The Issuer and its partners may be unable to agree on terms to enter definitive agreements. Further, the Issuer may conduct some of its operations through joint arrangements, including with CN and Fibreco, in which the Issuer may share control over certain economic and joint business interests. Such arrangements present a number of risks, including potential disagreements between the Issuer and joint arrangement partners about how to construct, operate and/or finance a facility as well as joint arrangement partners having different economic, business or legal interests than the Issuer. Any differences in views among the Issuer and its joint arrangement partners which could prevent or delay actions that are in the best interest of the Issuer or the joint arrangement could have a material adverse effect on the Issuer's business.

**Fluctuation of Lighter Crude Oil**

The profitability of the Issuer's operations will be significantly affected by changes in the market price of lighter crude oil. The level of interest rates, the rate of inflation, world supply and stability of exchange rates can all cause fluctuations in the price of lighter crude oil. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. Short-term operating factors relating to the production of lighter crude oil from waste, such as increased feedstock costs, could have an adverse effect on the Issuer's business.

**Permits and Authorizations**

The Issuer's current and planned operations require licenses, permits and in some cases renewals of such licenses and permits from various governmental authorities. The Issuer's ability to obtain, comply with, maintain or renew these licenses and permits on acceptable, commercially viable terms are subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. The Issuer's inability to obtain, amend to conform to its operations at the time or extend a permit or license or a loss of any of these licenses or permits may have a material adverse effect on its business or result in additional costs or delays.

**The 'NIMBY' Phenomenon**

The Issuer's current and planned operations involve the transportation of waste plastic feedstock for recycling and there processing. Furthermore, the facilities of the Issuer will involve high traffic of trucks, industrial noise, malodor and other collateral hazards. Therefore, the Issuer may suffer from the phenomenon colloquially known as the 'NIMBY' (Not In My Back Yard) phenomenon. As such, the Issuer may confront hard opposition by individuals and public officials, living, working and operating near existing and prospective sites of Issuer business. In some cases, due to the 'waste industry's' negative image and perception in the public, the Issuer's presence may provoke local opposition from residents and activists. Thus, the Issuer may be adversely affected if its projects are blocked or delayed. Furthermore, the Issuer may suffer from ongoing complaints and claims from local residents and other parties in respect of its current and planned facilities. Such complaints may cause the Issuer to incur heavy expenditures to satisfy such complaints and loss from delays and the cessation of operations of such facilities.

**Additional Funding Requirements**

When additional capital is required, the Issuer will need to pursue various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or, if available, the terms of such financing might not be favorable to the Issuer and might involve substantial dilution to existing shareholders. The Issuer may not be successful in locating suitable financing transactions in the time period required or at all. A failure to raise capital when needed would have a material adverse effect on the Issuer's business. Any future issuance of securities to raise required capital will likely be dilutive to existing shareholders. In addition, debt and other debt financing may involve a pledge of assets and may be senior to interests of equity holders. The Issuer may incur substantial costs in pursuing future capital requirements, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets, the Issuer's operating history, the price of commodities and/or the loss of key management personnel.

**Risks Associated with Acquisitions**

If appropriate opportunities present themselves, the Issuer may acquire companies that the Issuer believes are strategic. The Issuer currently has no understandings, commitments or agreements with respect to material acquisitions and no other material acquisitions are currently being pursued. There can be no assurance that the Issuer will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired Issuer into the Issuer may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Issuer's business. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Issuer's business.

**Executive Employee Recruitment and Retention**

The success of the Issuer will be dependent upon the performance of its management and key employees. The loss of any key executive or manager of the Issuer may have an adverse effect on the Issuer's business. As the Issuer's business activity grows, it will require additional key financial and administrative personnel as well as additional operations staff. There is no assurance that it will be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If the Issuer is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on the Issuer's business.

**Labour Disruptions**

The Issuer may also be exposed to the risk of labour disruption in both its operations and the operations of any joint arrangement partners. Any prolonged work stoppages or other labour disputes affecting the Issuer directly or affecting the Issuer's joint arrangement partners may have an adverse impact on the Issuer's business.

**Intellectual Property**

The Issuer intends to rely on a combination of contract, copyright, patent, trademark and trade secret laws, confidentiality procedures and other measures to protect its intellectual property. The success of the Issuer will depend, in part, on its ability to obtain patents, including the approval of its current patent applications to the CIPO and the USPTO for protection relating to the PlasCred

Process across Canada and the United States, maintain trade secrets and unpatented know-how protection and to operate without infringing on the intellectual property rights of third parties or having third parties circumvent the Issuer's rights. There can be no assurance that the steps taken will prevent misappropriation of the intellectual property rights of the Issuer. The Issuer may be exposed to delays in obtaining approval for its current patent applications for protection across Canada and the United States, obtaining further patents and other intellectual property registrations, and competition for intellectual property rights from other plastic recycling entities may also impact the ability and cost for obtaining intellectual property rights required or desirable for the Issuer's business, which may have an adverse impact on the Issuer's business. There can be no assurance that the Issuer will be able to obtain a granted patent for its current patent applications with the CIPO and the USPTO for patent protection across Canada and the United States, or that the Issuer will be able to obtain further patents or other intellectual property registrations. While patent approval is desirable, design and fabrication of the Maximus Facility and resulting commercial production will proceed with or without the patent, which may expose the Issuer to additional risks. The Issuer may receive in the future, claims from third parties alleging that the Issuer has infringed the intellectual property rights of others, and the Issuer may in the future commence lawsuits against others whom the Issuer believes are infringing upon its rights. The Issuer's involvement in intellectual property litigation could result in significant expense, adversely affecting the development of its business or intellectual property or diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Issuer's favour. In the event of an adverse outcome as a defendant in any such litigation, the Issuer may, among other things, be required to: (i) pay substantial damages and third party litigation costs; (ii) cease the development, use, sale or importation of products or processes that infringe upon the intellectual property of others; (iii) expend significant resources to develop, license or acquire non-infringing intellectual property; (iv) discontinue products or processes incorporating infringing technology; (v) obtain licenses to the infringing intellectual property; and/or (vi) incur legal and other costs. The Issuer may not be successful in such development or acquisition, or such licenses may not be available on reasonable terms. Any such development, acquisition or license could require the expenditure of substantial time and other resources, could result in additional costs or delays and could have an adverse impact on the Issuer's business, as would the failure to receive or a delay in receiving an approval of its current patent applications filed with the CIPO and the USPTO relating to the PlasCred Process.

***Risks Related to the Common Shares***

**Share Price Volatility**

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to several factors, many of which are beyond the Issuer's control including actual or anticipated fluctuations in the Issuer's results of operations; changes in the economic performance or market valuations of companies in the same industry in which the Issuer operates; sales or perceived sales of additional Common Shares; release or expiration of transfer restrictions on outstanding Common Shares; operating and share price performance of other companies that investors deem comparable to the Issuer; addition or departure of the Issuer's executive officers and other key personnel; announcements of developments and other material events by the Issuer or its competitors; sentiments toward stocks; recommendations by securities research analysts; operating and financial performance that varies significantly from the expectations of management, securities analysts and investors; regulatory changes affecting the Issuer's industry, business and operations; news reports relating to trends, concerns, technological or competitive developments, and other related issues in the Issuer's industry or target markets; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Issuer or its competitors; and changes in global financial markets, global economies and general market conditions, such as interest rates and product price volatility.

These factors may have a significant impact on the market price of the Common Shares. Global stock markets, including the CSE, have, from time-to-time, experienced extreme price and volume fluctuations. There can be no assurance that an active or liquid market will develop or be sustained for the Common Shares.

**Dilution**

The issuance of additional Common Shares, Warrants, or Performance Warrants, the issuance of Options or RSUs, or the creation and distribution of other securities convertible into Common Shares could result in dilution to holders of Common Shares.

***General Business Risks***

**Adverse General Economic Conditions**

The unprecedented events in global financial markets in the past several years have had a profound impact on the global economy. Many industries were impacted by these market conditions. Some of the key impacts of the financial market turmoil included contraction in credit markets resulting in a widening of credit risk, devaluations, high volatility in global equity, commodity, foreign exchange and precious metal markets, a lack of market liquidity, natural disasters, public health crisis (such as the ongoing dispute between the sovereign state of the Ukraine and Russia) and other events outside of the Issuer's control. A similar slowdown in the financial markets or other economic conditions, including but not limited to, inflation, fuel and energy costs, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Issuer's business. Specifically, a global credit/liquidity crisis could impact the cost and availability of financing and our overall liquidity, the volatility of prices would impact the Issuer's prospects, volatile energy, commodity and consumables prices and currency exchange rates would impact costs and the devaluation and volatility of global stock markets would impact the valuation of its equity and other securities. These factors could have a material adverse effect on the Issuer's business.

**Competition**

The Issuer faces competition from other companies using feedstock to produce products. Such competition may lead to the cost of feedstock being driven up. Further, competitors producing a similar product to the Issuer could enter the market, increasing competition and leading to the price of the Issuer's product being driven down.

Other companies may have greater success in the recruitment and retention of key employees and may have greater access to feedstock, market presence, economies of scale, financial resources and engineering, technical and marketing capabilities, which may give them a competitive advantage.

**Waste to Energy Market is a Relatively New Industry**

As the waste to energy market is a relatively new industry, there is little information about comparable companies available for potential investors to review in deciding whether to invest in the Issuer. Further, there is a lack of established companies whose business model the Issuer can follow or upon whose success it can build. As a result, investors should rely on their own estimates regarding the potential size, economics, and risks of the waste-to-energy market in deciding whether to invest in the Issuer. There is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated.

**Conflicts of Interest**

Certain of the directors and officers of the Issuer will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of the Issuer may become subject to conflicts of interest. The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the Issuer, the director shall disclose his or her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

**Dividends**

To date, the Issuer has not paid any dividends. Any decision to pay dividends on the shares of the Issuer will be made by the Board on the basis of the Issuer's earnings, financial requirements and other conditions.

**Potential Litigation**

The Issuer and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit at any time following the date of this Listing Statement. From time to time in the ordinary course of its business, the Issuer may become involved in various legal proceedings, including commercial, employment and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause the Issuer to incur significant expenses. Furthermore, because litigation is inherently unpredictable, the results of any such actions may have a material adverse effect on the Issuer's business, operating results or financial condition.

**Tax Issues**

Income tax consequences in relation to the Common Shares will vary according to the circumstances by each purchaser. Prospective purchasers should seek independent advice from their own tax and legal advisors prior to subscribing for Common Shares.

## 18. PROMOTERS

Troy Lupul, the President, CEO and a director and officer of the Company is the promoter of the Issuer. Mr. Lupul has ownership and control of 27,594,997 post-Consolidation Common Shares representing approximately 44.51% of the outstanding post-Consolidation Common Shares of the Company and holds 5,000,000 Performance Warrants, each exercisable into one (1) post-Consolidation Common Share at an exercise price of $0.25 per post-Consolidation Common Share until August 3, 2028 pursuant to the Second Amended and Restated Share Exchange Agreement, on terms and conditions further described under "*Options to Purchase Securities – Performance Warrants*", as of the date of this Listing Statement. Mr. Lupul does not beneficially own, directly or indirectly, or exercise control over, any voting or equity securities in any subsidiaries of the Issuer.

No asset was acquired within the two years before the date of the Listing Statement or thereafter, or is to be acquired, by the Issuer or by a subsidiary of the Issuer from Troy Lupul.

For further information regarding Troy Lupul, please refer to Section 13 – *Directors and Officers* and Section 15 – *Executive Compensation*.

## 19. LEGAL PROCEEDINGS

In the normal course of business, the Issuer may be subject to lawsuits, claims, regulatory proceedings, and litigation for amounts not covered by liability insurance. These proceedings could result in significant costs and divert management attention. As of the date of this Listing Statement, there are no legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and no such proceedings are known to the Issuer to be contemplated.

## 20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Issuer, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Common Shares, and no Associate or Affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction within the three (3) years before the date of the Listing Statement or in any proposed transaction that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer.

## 21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

### 21.1 Auditors

The Issuer's auditor is Meyers Norris Penny LLP ("**MNP**") at its office at 1500, 640 - 5th Avenue SW ,Calgary, Alberta T2P 3G4.

### 21.2 Transfer Agent and Registrar

Endeavor Trust Corporation, at its office located at Suite 702 – 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4, is the transfer agent and registrar for the Common Shares.

## 22. MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by Cover, PlasCred and/or the Issuer which are currently in effect and considered to be currently material:

1. Assignment Agreement dated November 14, 2022 among NumberCo, Cover and PlasCred. See "*General Development of the Business – The Transaction*". A copy of the Assignment Agreement was also filed on SEDAR+ on August 3, 2023.

2. First Amended and Restated Share Exchange Agreement dated November 14, 2022 among Cover, PlasCred and the Original PlasCred Shareholders. See "*General*

*Development of the Business – The Transaction*". A copy of the First Amended and Restated Share Exchange Agreement was filed on SEDAR+ on August 3, 2023.

3. Second Amended and Restated Share Exchange Agreement dated March 1, 2023 among Cover, PlasCred and the Original PlasCred Shareholders. See "*General Development of the Business – The Transaction*". A copy of the Second Amended and Restated Share Exchange Agreement was filed on SEDAR+ on August 3, 2023.

4. Second Loan Agreement dated March 1, 2023 between Cover and PlasCred. See "*General Development of the Business – The Transaction*". A copy of the Second Loan Agreement was filed on SEDAR+ on August 3, 2023.

5. Second GSA dated March 1, 2023 between Cover and PlasCred. See "*General Development of the Business – The Transaction*". A copy of the Second GSA was filed on SEDAR+ on August 3, 2023.

6. Amendment Agreement dated May 24, 2023, among Cover, PlasCred and the Original PlasCred Shareholders. See "*General Development of the Business – The Transaction*". A copy of the Amendment Agreement was filed on SEDAR+ on August 3, 2023.

7. Finder's Agreement dated August 3, 2023 between the Issuer and the Finder. See "*General Development of the Business – The Transaction*". A copy of the Finder's Agreement was filed on SEDAR+ on August 3, 2023.

8. Escrow Agreement dated August 3, 2023 among the Issuer, Endeavor Trust Corporation and certain insiders of the Issuer. See "*Escrowed Securities*". A copy of the Escrow Agreement was filed on SEDAR+ on August 3, 2023.

Copies of these agreements may be inspected without charge during regular business hours at the offices of the Issuer. Copies of these agreements may also be found on SEDAR+ at www.sedarplus.ca.

## 23. INTEREST OF EXPERTS

The only persons who are named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement are Cover's auditors, Dale Matheson Carr-Hilton LaBonte, LLP, as such pertains to the audited financial statements of Cover, and auditor's report thereon, for the fiscal years ended September 30, 2022, September 30, 2021, and September 30, 2020 as well as PlasCred's auditors, MNP, as such pertains to the audited financial statements of PlasCred, and auditor's report thereon, period from incorporation on January 28, 2022 to December 31, 2022. The auditors have advised the Issuer that they are independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

No direct or indirect interest in any property of the Issuer or of a Related Person of the Issuer has been received or is to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this Listing Statement or prepared or certified a report or valuation described or included in this Listing Statement.

## 24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Issuer and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its respective securities.

## 25. FINANCIAL STATEMENTS

The audited financial statements of Cover, with the accompanying notes, for the fiscal years ended September 30, 2022, September 30, 2021, and September 30, 2020 are attached hereto as Schedule A.

The unaudited financial statements of Cover, with the accompanying notes, for the six (6) month period ended March 31, 2023 are attached hereto as Schedule B.

The audited financial statements of PlasCred, with the accompanying notes, for the period from incorporation on January 28, 2022 to December 31, 2022 are attached hereto as Schedule D.

The unaudited financial statements of PlasCred, with the accompanying notes, for the three (3) months ended March 31, 2023 are attached hereto as Schedule E.

The pro forma financial statements of PlasCred Circular Innovations Inc. for the fiscal year ended March 31, 2023 are attached hereto as Schedule G.

**SCHEDULE A**

**AUDITED FINANCIAL STATEMENTS OF COVER**

[*See Attached*]

# COVER TECHNOLOGIES INC.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED SEPTEMBER 30, 2022 and 2021

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cover Technologies Inc.

## Opinion

We have audited the consolidated financial statements of Cover Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2022 and 2021 and October 1, 2020, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2022 and 2021 and October 1, 2020, and its financial performance and its cash flows for the years ended September 30, 2022 and 2021 in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

January 30, 2023

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Financial Position**
(Expressed in Canadian Dollars)

| | Note | September 30, 2022 | As at September 30, 2021(i) | October 1, 2020(i) |
|---|---|---|---|---|
| | | $ | $ | $ |
| **ASSETS** | | | | |
| Cash | | 224,489 | 1,329,318 | 12,401 |
| Other receivables | | - | - | 1,225 |
| Sales tax receivable | | 87,884 | 101,916 | 10,155 |
| Prepaids | 13 | 2,056 | 690,649 | - |
| | | 314,429 | 2,121,883 | 23,781 |
| Prepaids | | - | - | 50,000 |
| **TOTAL ASSETS** | | 314,429 | 2,121,883 | 73,781 |
| | | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable and accrued liabilities | 4 | 515,206 | 354,363 | 371,748 |
| Due to related parties | 7 | 72,000 | 80,806 | 188,840 |
| Notes payable | 6 | 3,025 | 92,245 | 516,856 |
| Advance from Investissement Québec | 5 | 572,996 | 553,443 | 533,891 |
| Proceeds from convertible debenture | 9 | - | 57,593 | 166,529 |
| | | 1,163,227 | 1,138,450 | 1,777,864 |
| | | | | |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | |
| Share capital | 8 | 18,620,088 | 18,249,463 | 9,063,200 |
| Reserves | 8 | 2,299,194 | 2,142,025 | 254,024 |
| Deficit | | (21,768,080) | (19,408,055) | (11,021,307) |
| | | (848,798) | 983,433 | (1,704,083) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | 314,429 | 2,121,883 | 73,781 |

(i) Restated, see note 2

| | |
|---|---|
| Nature of operations and going concern | 1 |
| Commitments | 12 |
| Subsequent events | 17 |

Approved and authorized by the Board on January 30, 2023

**Approved on behalf of the Board:**

*"Frank Vlastelic"*
Director

"*Dorian Banks*"
Director

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

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in Canadian Dollars)

| | Note | Years ended September 30, 2022 | September 30, 2021 |
|---|---|---|---|
| | | $ | $ |
| **Expenses** | | | |
| Investor communication | | 928,370 | 980,502 |
| Management fees | 7 | 72,000 | 111,000 |
| Office and administration | | 33,553 | 43,552 |
| Professional and consulting fees | 7 | 760,028 | 1,137,830 |
| Research expense | | 50,000 | 6,000 |
| Share-based compensation | 8 | 158,667 | 1,676,936 |
| Transfer agent and filing fees | | 80,543 | 62,249 |
| Sales tax provision | | 45,773 | - |
| **Loss from operating expenses** | | (2,128,934) | (4,018,069) |
| **Other items** | | | |
| Flurbo acquisition cost | 12 | - | (4,490,300) |
| Interest expense | 5, 6, 9 | (31,091) | (32,616) |
| Write-off of deposit | 12 | - | (75,000) |
| Secured loan receivable provision | 14 | (200,000) | - |
| Loss on debt settlement | | - | (7,000) |
| **Loss for the year** | | (2,360,025) | (8,622,985) |
| **Other comprehensive income (loss)** | | | |
| Item that may be subsequently reclassified to profit or loss: | | | |
| Foreign currency translation adjustment | | (1,498) | 1,287 |
| **Comprehensive loss for the year** | | (2,361,523) | (8,621,698) |
| **Weighted average number of common shares outstanding – basic and diluted** | | 4,967,811 | 2,142,923 |
| **Basic and diluted loss per share** | | (0.48) | (4.02) |

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

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian Dollars)

| | Years ended September 30, 2022 | September 30, 2021 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Net loss for the year | (2,360,025) | (8,622,985) |
| Items not involving cash: | | |
| Accrued interest on notes payable | - | 6,525 |
| Accrued interest on convertible debentures | - | 7,633 |
| Accrued interest on government grant | 19,553 | 19,552 |
| Flurbo acquisition cost | - | 4,490,300 |
| Impairment of interest | - | (7,993) |
| Loss on debt settlement | - | 7,000 |
| Write-off of deposit | - | 75,000 |
| Sales tax provision | 45,773 | - |
| Secured loan receivable provision | 200,000 | - |
| Foreign exchange | 2,299 | - |
| Share-based compensation | 158,667 | 1,676,936 |
| Non-cash working capital items | | |
| Trade and other receivable | (31,741) | (90,536) |
| Prepaids | 688,738 | (690,649) |
| Accounts payable and accrued liabilities | 113,677 | (33,954) |
| Due to related parties | 36,000 | 28,806 |
| | (1,127,059) | (3,134,365) |
| **Financing activities** | | |
| Proceeds from private placement, net | 370,625 | 4,505,808 |
| Proceeds from notes payable | - | 26,000 |
| Proceeds from warrant exercise | - | 43,260 |
| Repayment of notes payable | (89,304) | - |
| Repayment of convertible debenture | (57,593) | (100,000) |
| | 223,728 | 4,475,068 |
| **Investing activities** | | |
| Secured loan receivable | (200,000) | - |
| Prepaid | - | (25,000) |
| | (200,000) | (25,000) |
| Effect of foreign currency on cash | (1,498) | 1,214 |
| **Change in cash during the year** | (1,103,331) | 1,315,703 |
| **Cash, beginning of the year** | 1,329,318 | 12,401 |
| **Cash, end of the year** | 224,489 | 1,329,318 |
| **Non-cash financing activities** | | |
| Shares issued for debt | $ - | $ 448,000 |
| Related party shares issued for debt | $ - | $ 137,910 |
| Finders fee share | $ - | $ 528,194 |
| Fair value of broker warrants | $ - | $ 456,760 |

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

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
**For the years ended September 30, 2022 and 2021**
(Expressed in Canadian Dollars)

| | | Share Capital | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Notes** | **Number of common shares** | **Amount** | **Warrant** | **Loan** | **Option** | **Translation gain (loss)** | **Deficit** | **Total** |
| | | | $ | $ | $ | $ | $ | $ | $ |
| **September 30, 2020** | | 393,073 | 9,063,200 | - | 2,664,963 | 236,237 | 17,787 | (13,686,270) | (1,704,083) |
| Impact of change in accounting policy | 2 | - | - | - | (2,664,963) | - | - | 2,664,963 | - |
| **Restated balance, October 1, 2020** | | 393,073 | 9,063,200 | - | - | 236,237 | 17,787 | (11,021,307) | (1,704,083) |
| Shares for debt | 6,7,8 | 201,669 | 592,910 | - | - | - | - | - | 592,910 |
| Private placement | 8 | 2,587,601 | 4,799,850 | - | - | - | - | - | 4,799,850 |
| Finders' fee | 8 | 75,456 | (750,802) | 456,760 | - | - | - | - | (294,042) |
| Flurbo acquisition | 12 | 801,839 | 4,490,300 | - | - | - | - | - | 4,490,300 |
| Warrant exercise | 8 | 6,429 | 33,750 | - | - | - | - | - | 33,750 |
| Finders' warrant exercise | 8 | 1,811 | 20,255 | (10,745) | - | - | - | - | 9,510 |
| Cancellation or expiry of stock options | | - | - | - | - | (236,237) | - | 236,237 | - |
| Share-based compensation | 8 | - | - | - | - | 1,676,936 | - | - | 1,676,936 |
| Foreign exchange adjustment | | - | - | - | - | - | 1,287 | - | 1,287 |
| Loss | | - | - | - | - | - | - | (8,622,985) | (8,622,985) |
| **Restated balance, September 30, 2021** | | 4,067,878 | 18,249,463 | 446,015 | - | 1,676,936 | 19,074 | (19,408,055) | 983,433 |
| Private placement | 8 | 1,453,431 | 370,625 | - | - | - | - | - | 370,625 |
| Foreign exchange adjustment | 8 | - | - | - | - | - | (1,498) | - | (1,498) |
| Share-based compensation | 8 | - | - | - | - | 158,667 | - | - | 158,667 |
| Loss | | - | - | - | - | - | - | (2,360,025) | (2,360,025) |
| **Restated balance, September 30, 2022** | | 5,521,309 | 18,620,088 | 446,015 | - | 1,835,603 | 17,576 | (21,768,080) | (848,798) |

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

## 1. Nature of Operations and Going Concern

Cover Technologies Inc. ("Cover" or the "Company") was incorporated on June 18, 2007 in British Columbia, Canada. The Company's head office is located at Suite 810 – 789 West Pender Street, Vancouver, V6C 1H2. The Company's shares are traded on the Canadian Securities Exchange ("CSE"), Frankfurt stock exchange and the OTC Bulletin Board ("OTCBB"). Cover is a technology research and development company with a focus on emerging technologies and solutions. Cover is in pursuit of identifying opportunities in emerging technologies.

### Going Concern

The company incurred a net loss of $2,360,025 for the year ended September 30, 2022. As at September 30, 2022, the Company had a history of losses and an accumulated deficit of $21,768,080. Total cash used in operations for the year ended September 30, 2022 amounted to $1,127,059.

These 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.

As of September 30, 2022, the Company had total liabilities of $1,163,227, of which $572,996 was due to Investissement Québec relating to default of a contribution agreement (Note 5). Subsequent to September 30, 2022, the Company terminated a technology acquisition agreement (Note 12) and is currently uncertain whether to continue with the magnesium processing business. As the Investissement Québec grant relates to magnesium processing, it is uncertain whether the Quebec government will demand repayment if the Company decides to discontinue its operations in magnesium processing. As of September 30, 2022, Investissement Québec has not taken legal action against the Company. 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 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. Such adjustments could be material.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance 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").

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Statement of compliance and basis of presentation (continued)

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

These consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the 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 September 30, 2022 are as follows:

| | | Ownership Percentage | |
|---|---|---|---|
| **Name** | **Incorporation** | **2022** | **2021** |
| 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 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.

### New accounting pronouncements

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. Many are not applicable or do not have a significant impact to the Company and have been excluded.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Significant estimates, assumptions and judgements

The preparation of the 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is 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.

The information about significant areas of estimates considered by management in preparing the consolidated financial statements is as follows:

*Income taxes*

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in the consolidated statement of loss and comprehensive loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

*Share-based payments*

Determining the fair value of shares, warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company’s future operating results or on other components of shareholders’ equity.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

i. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;
ii. assessing control and significant influence over an investee;
iii. the determination of functional currency;
iv. the assessment of the Company’s ability to continue as a going concern, as discussed in Note 1, involves judgement regarding future funding available for its operations and working capital requirements.
v. the determination of whether expenditures on research and development activities meet the criteria for capitalization as internally generated assets is subject to estimation and uncertainty.

### Cash

Cash is comprised of cash on hand and demand deposits.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets generated internally by incurring research and development expenditures

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) its intention to complete the intangible asset and use or sell it;
(c) its ability to use or sell the intangible asset;
(d) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized as soon as the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred.

The Company is in the research phase and all costs have been expensed.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. They are amortized on a straight-line basis over their useful life, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

### Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the costs incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of loss and comprehensive loss.

### Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares issued and outstanding during the period. Diluted earnings represent the profit or loss for the period, divided by the weighted average number of common shares issued and outstanding during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted loss per share is anti-dilutive and accordingly, the diluted loss per share would be the same as basic loss per share.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is greater than an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### Related party transactions

Parties are considered to be related if one party has control or joint control over the Company, has significant influence over the Company or is a member of key management personnel of the Company. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Proceeds from issuances of units of the Company that are comprised of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the fair market value of the shares.

### Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payments is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

*(i) Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as FVTPL.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. The Company’s financial asset at amortized cost comprises cash.

Financial assets at FVTOCI
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company’s financial assets are classified as FVTOCI.

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value (including transaction costs) and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company’s financial assets at amortized cost comprise secured loan receivable and other receivables.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are immediately recognized in the consolidated statements of loss and comprehensive loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the consolidated statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

| Financial Assets | Classification |
|---|---|
| Cash | FVTPL |
| Secured loan receivable | Amortized cost |

*(ii) Financial liabilities and equity instruments*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A financial liability is defined as any contractual obligation to deliver cash or another financial asset to another entity. The Company classified its financial liabilities as subsequently measured at amortized cost which include accounts payable and accrued liabilities, due to related parties, notes payable and advance from Investissement Québec. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

<u>Financial liabilities at FVTPL</u>
Financial liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

<u>Financial liabilities at amortized cost</u>
Financial liabilities at amortized cost are initially recognized at fair value (including transaction costs) and subsequently carried at amortized cost less any impairment. They are classified as current liabilities or non-current liabilities based on their maturity date.

| Financial Liabilities | Classification |
|---|---|
| Accounts payable | Amortized cost |
| Due to related parties | Amortized cost |
| Notes payable | Amortized cost |
| Advance from Investissement Québec | Amortized cost |
| Proceeds from convertible debenture | Amortized cost |

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*(iii) Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

### Externally acquired intangible assets

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives.

### Income taxes

<u>Current income tax:</u>
Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(Expressed in Canadian Dollars)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income taxes (continued)

Deferred tax:
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

### Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options or broker warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised and cancelled, the amount recorded is transferred to deficit.

### Change in accounting policy

On October 1, 2021, the Company amended its significant accounting policy to state that upon settlement of convertible debentures, the Company reclassifies the carrying value of equity portion from loan reserve to deficit in order to provide more relevant information on the Company's financial position. This change was applied retrospectively; therefore, the opening balances of each affected component of financial position for the earliest period presented and other comparative amounts disclosed for each prior period have been presented as if this method has always been applied.

Retrospective application of this change in accounting policy results in the following impact on the October 1, 2020 opening statement of financial position:

| | As at October 1, 2020 | | |
|---|---|---|---|
| | Reported at October 1, 2020 | Impact of changes | Restated at October 1, 2020 |
| Reserves | 2,918,987 | (2,664,963) | 254,024 |
| Deficit | (13,686,270) | 2,664,963 | 11,021,307 |

(Expressed in Canadian Dollars)

## 3. INTANGIBLE ASSETS

*Magnesium Technology*

During the year ended year ended September 30, 2020, the Company and its subsidiary, MOOI, entered into an agreement with Asbestos Corp. Ltd. ("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 had been extended to March 1, 2022. The agreement lapsed during the year ended September 30, 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. The Company did not acquire any tailings during the years ended September 30, 2022 and 2021.

## 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | September 30, 2022 | September 30, 2021 |
|---|---|---|
| | $ | $ |
| Accounts payable (Note 7) | 368,634 | 274,015 |
| Accrued liabilities | 146,572 | 80,348 |
| | 515,206 | 354,363 |

## 5. 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, 2022, 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 requirements, the grants have been reflected as a demand liability incurring interest at prime rate per annum. During the year ended September 30, 2022, the Company accrued $19,553 (September 30, 2021 - $19,552) in interest on the Grant pursuant to the notice of default.

(Expressed in Canadian Dollars)

## 6. NOTES PAYABLE

During the year ended September 30, 2022, the Company received unsecured loan proceeds of $Nil (September 30, 2021 - $26,000). During the year ended September 30, 2022, the Company repaid $86,000 (September 30, 2021 - $ Nil) plus interest totalling $100,843 (September 30, 2021 - $Nil) of the notes payable. During the year ended September 30, 2022, the Company issued Nil common shares (September 30, 2021 - 55,101 commons shares) in settlement of notes payable amounting to $Nil (September 30, 2021 - $155,000) and reduced the interest owing by $Nil (September 30, 2021 - $7,993) (Note 8).

| Principal $ | Interest Rate % | Due Date | Owing as at September 30, 2022 $ | Owing as at September 30, 2021 $ |
|---|---|---|---|---|
| 1,000 | 8 | On Demand | - | 1,000 |
| 5,000 | 8 | November 18, 2020 | - | 5,000 |
| 50,000 | 8 | November 22, 2020 | - | 50,000 |
| 30,000 | 8 | January 30, 2021 | - | 33,304 |
| 86,000 | | | - | 89,304 |

In addition to the above, as at September 30, 2022, the Company had arms-length notes outstanding of $3,025 (September 30, 2021 - $2,941). These loans are unsecured, non-interest bearing and due on demand.

## 7. RELATED PARTY TRANSACTIONS

The Company considers its officers (CEO and CFO) and directors to be key management. Key management are those persons having authority and responsibility for planning, directing, and controlling activities, directly or indirectly, of the Company.

Compensation paid to key management

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

| | September 30, 2022 | September 30, 2021 |
|---|---|---|
| | $ | $ |
| Executive Director, CEO and interim CFO | 60,000 | 7,500 |
| Former executive Director and CEO | - | 135,000 |
| Non-executive Director for consulting fees | 36,000 | 36,000 |
| Share-based compensation | 158,667 | 2,306 |
| | 254,667 | 180,816 |

Due to related parties

| | September 30, 2022 | September 30, 2021 |
|---|---|---|
| | $ | $ |
| Former Executive Director and CEO | - | 34,806 |
| Company related to a former Executive Director and CEO | - | 10,000 |
| Non-executive Directors | 72,000 | 36,000 |
| | 72,000 | 80,806 |

## 7. RELATED PARTY TRANSACTIONS (continued)

The current year balance owing to former executive director and CEO has been included in accounts payable. Included in accounts payable and accrued liabilities as at September 30, 2022 is $44,806 (September 30, 2021 - $4,725) owing to former executive director and CEO and a company controlled by the former CEO (Note 4).

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, 2020, the Company entered into a loan agreement with a director of the Company whereby the director agreed to lend $16,000. The loan was unsecured, due on January 29, 2021 and bears interest at 8% per annum. During the year ended September 30, 2022, the Company issued Nil common shares (September 30, 2021 - 6,772 common shares) in settlement of the loan agreement amounting to $Nil (September 30, 2021 - $19,910) (Note 8).

## 8. SHARE CAPITAL

### (a) Authorized

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

During the year ended September 30, 2022, the Company consolidated the issued share capital on the basis of 7 old common shares for one (1) new common share (the "Consolidation"). Outstanding stock options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

During the year ended September 30, 2021, 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 consolidated financial statements have been retroactively restated to reflect the share consolidation.

### (b) Common Shares - issued and outstanding

Transaction for the issue of share capital during the year ended September 30, 2022:

The Company completed a non-brokered private placement and issued 1,453,431 common shares at a price of $0.255 per share for gross proceeds of $370,625.

Transaction for the issue of share capital during the year ended September 30, 2021:

A total of 201,669 common shares were issued with a fair value of $2.94 per share to settle $585,910 debt owing.

The Company completed a non-brokered private placement of 2,587,601 units (the "Units") at a price of $1.855 per Unit for net proceeds of $4,799,850. Each Unit consists 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 $5.25 until February 26, 2023, subject to an acceleration provision whereby if the Shares trade at a price of $5.00 or greater per Share for a period of 10 consecutive trading days after four months and one day from the closing of the private placement, the Company may accelerate the expiry of the

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL (continued)

### (b) Common Shares - issued and outstanding (continued)

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. Finder's fees were paid in connection with the private placement to arm's length finders that consisted of cash commission in the total amount of $294,042. In addition, an aggregate of 75,456 Shares and 86,057 broker warrants (the "Broker Warrants") have been issued to finders. The terms of the Broker Warrants are identical to the terms of the Warrants. The fair value of the Broker Warrants was determined to be $456,760 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of warrants – 2 years; expected volatility – 152.33%; expected dividend yield – 0%; and risk-free rate – 0.30%.

The Company issued 6,429 common shares for gross proceeds of $33,750 for warrants exercised

The Company issued 1,811 common shares for gross proceeds of $9,510 for finders' warrants exercised. Accordingly, $10,745 was transferred from reserves to share capital.

The Company issued a total of 785,714 common shares with a fair value of $5.60 per share for consideration of $4,400,000 to Nifty Technologies Inc. ("Nifty") and a finder for the acquisition of Flurbo. Pursuant to the acquisition, the Company also issued a total of 16,125 finder's shares with a fair value of $5.60 per share.

### (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.

Stock options issued and outstanding are as follows:

| | September 30, 2022 | | September 30, 2021 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| **Balance, beginning** | 404,286 | $ 5.01 | 22,143 | $ 14.00 |
| Granted | - | $ - | 404,286 | $ 5.01 |
| Expired | - | $ - | (22,143) | $ 14.00 |
| **Balance, end** | 404,286 | $ 5.01 | 404,286 | $ 5.01 |

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL (continued)

### (c) Stock Options (continued)

| Expiry Date | Number of Options Outstanding | Number of Options Vested | Number of Options Unvested | Exercise Price | Weighted Average Remaining Life |
|---|---|---|---|---|---|
| September 24, 2024 | 21,429 | 21,429 | - | $ 4.55 | 0.11 |
| September 29, 2026 | 382,857 | 382,857 | - | $ 5.04 | 3.79 |

On September 24, 2021, the Company granted a total of 21,429 stock options to certain officers, directors and/or consultants of the Company exercisable at $4.55 for a period of 3 years. The fair value of the stock options was determined to be $79,043 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 3 years; expected volatility – 150.57%; expected dividend yield – 0%; and risk-free rate – 1.03%. As at September 30, 2022, 21,429 stock options remain outstanding. All options were vested by September 24, 2022. During the year ended September 30, 2022, $77,084 (September 30, 2021 - $1,960) share-based payment was recorded.

On September 29, 2021, the Company granted a total of 382,857 stock options to certain officers, directors and/or consultants of the Company exercisable at $5.04 for a period of 5 years. The fair value of the stock options was determined to be $1,756,559 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 5 years; expected volatility – 150.61%; expected dividend yield – 0%; and risk-free rate – 1.11%. As at September 30, 2022, 382,857 stock options remain outstanding. All options were vested by September 29, 2022. During the year ended September 30, 2022, $81,583 (September 30, 2021- $1,674,976) share-based payment was recorded.

### (d) Warrants

Details of warrants outstanding are as follows:

| | September 30, 2022 | | September 30, 2021 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| **Balance, beginning** | 2,665,418 | $ 5.25 | - | $ - |
| Granted | - | $ - | 2,673,658 | $ 5.25 |
| Exercised | - | $ - | (8,240) | $ 5.25 |
| **Balance, end** | 2,665,418 | $ 5.25 | 2,665,418 | $ 5.25 |

During year ended September 30, 2022, the weighted average share price on the days of warrant exercised was $Nil (September 30, 2021 - $6.20).

(Expressed in Canadian Dollars)

## 8. SHARE CAPITAL (continued)

### (e) Warrants (continued)

| Expiry Date | Number of Options Outstanding | Exercise Price | Weighted Average Remaining Life |
|---|---|---|---|
| February 26, 2023 | 2,665,418 | $ 5.25 | 0.41 |

## 9. 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 issuance of Convertible Debentures was subject to regulatory approval.

During the year ended September 30, 2022, the Company repaid $50,000 (September 30, 2021 - $100,000) plus interest totalling $57,593 (September 30, 2021 - $116,569) of the Convertible Debenture. Details of Convertible Debentures outstanding are as follows:

| | September 30, 2022 $ | September 30, 2021 $ |
|---|---|---|
| **Balance, beginning** | 57,593 | 166,529 |
| Interest accruals | - | 7,633 |
| Repayment of principal | (50,000) | (100,000) |
| Repayment of interest | (7,593) | (16,569) |
| **Balance, end** | - | 57,593 |

## 10. FINANCIAL INSTRUMENTS

Fair values

The Company's consolidated financial instruments consist of cash, accounts payable, due to related parties, notes payable, advance from Investissement Québec 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 September 30, 2022, 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 advance from Investissement Québec is exposed to changes in prime rate. As at September 30, 2022, a 1% increase/decrease in prime rate would increase/decrease the net loss by $5,730 (September 30, 2021 - $5,534).

*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 exposed to minimal foreign exchange risk.

## 10.FINANCIAL INSTRUMENTS (continued)

*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.

## 11.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.

There were no changes in the Company's approach to capital management during the period and the Company is not subject to any externally imposed capital requirements.

## 12.COMMITMENTS

(a) During the year ended September 30, 2021, the Company entered into an agreement to purchase the technology known as Flurbo, for decentralized finance ("DeFi") applications ("Flurbo") from Nifty, an arm's length party. Pursuant to the terms of the agreement, the Company issued 785,714 commons shares with a fair value of $4,400,000. In the event that after twelve (12) months from closing, Flurbo achieves a positive EBITDA within twenty-four (24) months from closing of the transaction, Cover will issue an additional number of shares equal to $3,500,000 at the time of such achievement (the "Performance Shares"). Finders' fees were paid in connection with the acquisition of Flurbo, of an aggregate of 16,125 common shares with a fair value of $90,300. Nifty was in the early stage of developing solutions that facilitate tracking, trading, transacting, and borrowing against digital assets, all in a secured and transparent manner. At the time of acquisition, no fair value was attributed to the Flurbo technology. As such, the consideration paid and related acquisition costs in the amount of $4,490,300 were expensed as share-based compensation in the consolidated statement of loss and comprehensive loss. During the year ended September 30, 2022, there was no progress on development of Flurbo. Subsequent to the year ended September 30, 2022, the Company no longer pursued the development of Flurbo technology.

**12.COMMITMENTS (continued)**

(b) 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. Subsequent to the year ended September 30, 2022, the Company terminated this agreement. As of September 30, 2022, the Company owed $118,650 to Tech Magnesium.

(c) 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. During the year ended September 30, 2021, the Company terminated negotiations with COVEX and all costs were written-off to operations.

(d) In September 2019, the Company entered into a settlement agreement with the arm's length party and was committed to pay $125,000 as of September 30, 2022 and September 30, 2021. The commitment was settled subsequent to the year ended September 30, 2022 (Note 17c).

(Expressed in Canadian Dollars)

## 13. PREPAIDS

| | September 30, 2022 $ | September 30, 2021 $ |
|---|---|---|
| Consulting prepayments | - | 636,700 |
| Management fees prepayments | - | 12,000 |
| Rent prepayments | - | 12,500 |
| Other prepayments to vendors | 2,056 | 29,449 |
| | 2,056 | 690,649 |

*Consulting prepayments*
Consulting prepayments pertain to prepaid amounts for capital market, digital marketing and business development consulting services.

*Management fees prepayments*
Management fees prepayment pertains to prepaid amounts to a company controlled by the President of MOOI for consulting fees.

*Rent prepayments*
Rent prepayments pertains to prepaid amounts for rental of short term leased property.

*Other prepayments*
Other prepayments include various advance payments to suppliers for purchases and services which were delivered or rendered after the end of the reporting period.

## 14. SECURED LOAN RECEIVABLE

On September 29, 2022, the Company advanced a short-term loan of $200,000 (“Secured Loan”) to PlasCred, Inc. (“PlasCred”), in connection with an assignment agreement (the “Assignment”) entered subsequent to the year ended September 30, 2022 (Note 17). The Secured Loan is secured by a general security agreement over all the assets of PlasCred (the “Loan Assignment”), bears interest of 10% per annum, compounded monthly, and matures on the earlier of June 2, 2023 or 90 days after the Assignment is terminated.

During the year ended September 30, 2022, due to the degree of uncertainty surrounding the collection of this loan and the timing of completion of the Assignment, the Company recorded a provision of $200,000 on the statement of loss and comprehensive loss. In the event the Assignment is terminated, management will pursue the collection of this secured loan receivable.

## 15. SEGMENTED INFORMATION

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

(Expressed in Canadian Dollars)

## 16. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | September 30, 2022 $ | September 30, 2021 $ |
|---|---|---|
| Net loss for the year | (2,360,025) | (8,622,985) |
| Statutory tax rate | 27% | 27% |
| Expected income tax recovery at the statutory tax rate | (637,207) | (2,328,206) |
| Non-deductible items and other | 100,981 | 1,588,099 |
| Adjustment to prior year provision | (1,193,222) | (13,197) |
| Temporary differences not recognized | 1,729,448 | 753,304 |
| Income tax recovery | - | - |

The Company has the following tax effected deduction temporary differences for which no deferred tax asset has been recognized:

| | September 30, 2022 $ | September 30, 2021 $ |
|---|---|---|
| Non-capital loss carry-forwards | 3,085,631 | 2,537,756 |
| Exploration and evaluation assets | 60,397 | 75,319 |
| Share issuance cost | 47,659 | 63,546 |
| Capital assets | 1,261,644 | 49,262 |
| | 4,455,331 | 2,725,883 |
| Unrecognized deferred tax assets | (4,455,331) | (2,725,883) |
| Net deferred tax assets | - | - |

The Company has non-capital losses in Canada totaling approximately $11,000,000 that expire between 2032 and 2042. The Company also has non-capital losses available in the United States of America totaling approximately $509,000 that expire in various amounts until 2037.

## 17. SUBSEQUENT EVENTS

a) The Company entered into an assignment agreement (the “Agreement”) with 1346487 B.C. Ltd. (“NumberCo”) and PlasCred, a private green technology company with a patent-pending and proprietary process for plastic waste removal. Pursuant to the Agreement, the Company has agreed to enter into an Assignment of a securities exchange agreement dated August 2, 2022 among NumberCo and PlasCred and the shareholders of PlasCred (collectively, the “PlasCred Shareholders”). In connection with the Assignment, the Company has also agreed by way of novation and assumption agreement to take assignment of the monies that have been advanced by NumberCo to Plascred, which are expected to be $800,000 by the time of closing of the Assignment and secured by a general security agreement over all the assets of PlasCred (the “Loan Assignment”). In consideration for the Assignment, the Company will issue to NumberCo 12,000,000 units (each, a “Unit”) of the Company, as adjusted after the completion of any consolidation or subdivision, with each Unit consisting of one common share in the capital of the Company and one share purchase warrant, exercisable for a period of two years at an exercise price of $0.25 per share. The Assignment will allow the Company to acquire all of the outstanding securities of PlasCred from the securityholders of PlasCred (the “Transaction”). In connection with the completion of the Transaction, the Company will issue up to an aggregate of 35,000,000 shares on a pro rata basis to the securityholders of PlasCred. Except for the Loan Assignment, the Company is not assuming any long-term debt as part of the Transaction and no finders’ fees are anticipated to be paid. Completion of the Transaction is subject to regulatory approval and

## 17. SUBSEQUENT EVENTS (continued)

fulfillment of the closing terms outlined in the Assignment. The terms and details in the Assignment are currently under negotiation.

b) The Company entered into an agreement with Adelaide Capital Markets Inc. (“Adelaide”), pursuant to which Adelaide has agreed to provide investor relations and communications services to the Company in exchange for an aggregate amount of $60,000, payable in monthly instalments of $10,000 until March 19, 2023. Pursuant to the agreement between Adelaide and the Company, the Company granted stock options to Adelaide to purchase up to 150,000 common shares of the Company at an exercise price of $0.25 per share. Of these Options, 37,500 shall vest on December 19, 2022, 37,500 shall vest on March 19, 2023, 37,500 shall vest on June 19, 2023 and 37,500 shall vest on September 19, 2023.

c) Subsequent to the year ended September 30, 2022, the Company paid $125,000 to an arm’s length party pursuant to a settlement agreement (Note 12).

# COVER TECHNOLOGIES INC.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED SEPTEMBER 30, 2021

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Cover Technologies Inc.

## Opinion

We have audited the consolidated financial statements of Cover Technologies Inc. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.  We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Cherry Ho.

DMCL

**DALE MATHESON CARR-HILTON LABONTE LLP**
**CHARTERED PROFESSIONAL ACCOUNTANTS**
Vancouver, BC

January 28, 2022

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Financial Position**
(Expressed in Canadian Dollars)

| | Note | September 30, 2021 | September 30, 2020 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | | 1,329,318 | 12,401 |
| Other receivables | 7 | - | 1,225 |
| Sales tax receivable | | 101,916 | 10,155 |
| Prepaids | 16 | 690,649 | - |
| | | 2,121,883 | 23,781 |
| Prepaids | 15 | - | 50,000 |
| | | 2,121,883 | 73,781 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICENCY)** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | 6 | 354,363 | 371,748 |
| Due to related parties | 9 | 80,806 | 188,840 |
| Notes payable | 8 | 92,245 | 516,856 |
| Advance from Investissement Québec | 7 | 553,443 | 533,891 |
| Proceeds from convertible debenture | 11 | 57,593 | 166,529 |
| | | 1,138,450 | 1,777,864 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| Share Capital | 10 | 18,249,463 | 9,063,200 |
| Reserves | 10 | 4,806,988 | 2,918,987 |
| Deficit | | (22,073,018) | (13,686,270) |
| | | 983,433 | (1,704,083) |
| | | 2,121,883 | 73,781 |

| | |
|---|---|
| Nature of operations and going concern | 1 |
| Commitments | 16 |

Approved and authorized by the Board on January 28, 2022

**Approved on behalf of the Board:**

*"Dorian Banks"*
Director

*"Frank Vlastelic"*
Director

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

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Loss and Comprehensive Loss**
(Expressed in Canadian Dollars)

| | Note | September 30, 2021 | September 30, 2020 |
|---|---|---|---|
| | | $ | $ |
| **Expenses** | | | |
| Management fees | 9 | 111,000 | 154,000 |
| Office and administration | | 43,552 | 21,058 |
| Professional and consulting fees | 9 | 1,137,830 | 234,394 |
| Investor communication | | 980,502 | (19,252) |
| Research expense, net | 7, 9 | 6,000 | 124,457 |
| Travel | | - | 7,422 |
| Transfer agent and filing fees | | 62,249 | 26,895 |
| Share-based compensation | 10 | 1,676,936 | - |
| **Loss from operating expenses** | | (4,018,069) | (548,974) |
| **Other Items** | | | |
| Flurbo acquisition cost | 15 | (4,490,300) | - |
| Impairment of intangible asset | 4 | - | (25,000) |
| Impairment of receivable | 5 | - | (17,750) |
| Interest expense | 7, 8, 11 | (32,616) | (36,744) |
| Write-off of deposit | 15 | (75,000) | - |
| Loss on debt settlement | 8 | (7,000) | - |
| Gain on contract cancellation | 3 | - | 50,474 |
| Other income | 14 | - | 104,613 |
| **Loss for the year** | | (8,622,985) | (473,381) |
| **Other Comprehensive Income** | | | |
| Foreign currency translation adjustment | | 1,287 | 35 |
| **Comprehensive loss for the year** | | (8,621,698) | (473,346) |
| **Weighted average number of common shares outstanding – basic and diluted** | | 2,142,923 | 393,164 |
| **Basic and diluted loss per share** | | (4.02) | (1.20) |

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

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Cash Flows**
(Expressed in Canadian Dollars)

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Net loss for the year | (8,622,985) | (473,381) |
| Adjustments for: | | |
| Accrued interest on notes payable | 6,525 | 5,842 |
| Accrued interest on convertible debentures | 7,633 | 11,030 |
| Accrued interest on government grant | 19,552 | 19,606 |
| Flurbo acquisition cost | 4,490,300 | - |
| Impairment of interest | (7,993) | - |
| Impairment of intangible asset | - | 25,000 |
| Impairment of receivable | - | 17,750 |
| Loss on debt settlement | 7,000 | - |
| Write-off of deposit | 75,000 | - |
| Share-based compensation | 1,676,936 | - |
| Non-cash working capital items | | |
| Trade and other receivable | (90,536) | 19,806 |
| Prepaids | (690,649) | (43,920) |
| Accounts payable and accrued liabilities | (33,954) | (14,655) |
| Due to related parties | 28,806 | 172,541 |
| | (3,134,365) | (260,381) |
| **Investing activities** | | |
| Prepaids | (25,000) | - |
| Purchase of intangible asset | - | (25,000) |
| | (25,000) | (25,000) |
| **Financing activities** | | |
| Proceeds from notes payable | 26,000 | 215,000 |
| Proceeds from private placement, net | 4,505,808 | - |
| Proceeds from warrant exercise | 43,260 | - |
| Proceeds from sale of assets classified as held for sale | - | 40,000 |
| Repayment of convertible debenture | (100,000) | - |
| | 4,475,068 | 255,000 |
| Effect of foreign currency on cash | 1,214 | 35 |
| **Change in cash during the year** | 1,315,703 | (30,381) |
| **Cash, beginning of the year** | 12,401 | 42,747 |
| **Cash, end of the year** | 1,329,318 | 12,401 |

| | | |
|---|---|---|
| **Non-cash financing and investing activities** | | |
| Expiry of stock options to deficit | $ 236,237 | $ 4,394,983 |
| Expiry of warrants to deficit | $ - | $ 1,181,804 |
| Shares issued for debt | $ 448,000 | $ - |
| Related party shares issued for debt | $ 137,910 | $ - |
| Finders' fee shares | $ 528,194 | $ - |
| Reclassification from subscriptions received in advance to due to related party | $ - | $ 100,000 |
| Reclassification from due to related party to notes payable | $ - | $ 293,294 |
| Fair value of finders' warrants | $ 456,760 | $ - |

**COVER TECHNOLOGIES INC.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
(Expressed in Canadian Dollars)

| | | Share Capital | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Number of common shares | Amount | Warrant | Loan | Option | Translation gain (loss) | Deficit | Total |
| | | | $ | $ | $ | $ | $ | $ | $ |
| **September 30, 2019** | | 393,073 | 9,063,200 | 1,181,804 | 2,664,963 | 4,631,220 | 17,752 | (18,789,676) | (1,230,737) |
| Foreign exchange adjustment | | - | - | - | - | - | 35 | - | 35 |
| Cancellation or expiry of stock options | | - | - | - | - | (4,394,983) | - | 4,394,983 | - |
| Cancellation or expiry of warrants | | - | - | (1,181,804) | - | - | - | 1,181,804 | - |
| Loss | | - | - | - | - | - | - | (473,381) | (473,381) |
| **September 30, 2020** | | 393,073 | 9,063,200 | - | 2,664,963 | 236,237 | 17,787 | (13,686,270) | (1,704,083) |
| Shares for debt | 8,9,10 | 201,669 | 592,910 | - | - | - | - | - | 592,910 |
| Private placement, net | 10 | 2,587,601 | 4,799,850 | - | - | - | - | - | 4,799,850 |
| Finders' fee | 10 | 75,456 | (750,802) | 456,760 | - | - | - | - | (294,042) |
| Flurbo acquisition | 10,15 | 801,839 | 4,490,300 | - | - | - | - | - | 4,490,300 |
| Warrant exercise | 10 | 6,429 | 33,750 | - | - | - | - | - | 33,750 |
| Finders' warrant exercise | 10 | 1,811 | 20,255 | (10,745) | - | - | - | - | 9,510 |
| Cancellation or expiry of stock options | | - | - | - | - | (236,237) | - | 236,237 | - |
| Share-based compensation | 10 | - | - | - | - | 1,676,936 | - | - | 1,676,936 |
| Foreign exchange adjustment | | - | - | - | - | - | 1,287 | - | 1,287 |
| Loss | | - | - | - | - | - | | (8,622,985) | (8,622,985) |
| **September 30, 2021** | | 4,067,878 | 18,249,463 | 446,015 | 2,664,963 | 1,676,936 | 19,074 | (22,073,018) | 983,433 |

## 1. Nature of Operations and Going Concern

Cover Technologies 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 Street, 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 a technology research and development company focused on magnesium processing technologies and emerging technologies and solutions.

### Going Concern

The company incurred a net loss of $8,622,985 for the year ended September 30, 2021. As at September 30, 2021, the Company had a history of losses and an accumulated deficit of $22,073,018. Total cash used in operations for the year ended September 30, 2021 amounted to $3,134,365.

These 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 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. Such adjustments could be material.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19), which include the implementation of travel bans, self-imposed quarantine periods and social distancing. COVID-19 has caused material disruption to businesses globally resulting in an economic slowdown. These measures may adversely affect and harm the Company by potentially limiting access to our technologies and preventing the Company from meeting its obligations. Additionally, these measures could affect the ability to complete due diligence on potential transactions by limiting in person meetings and restricting travel. The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. It is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

## 2. SIGNIGICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared in accordance 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").

## 2. SIGNIGICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation

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

These consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the 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 in line with those used by the Company.

The subsidiaries of the Company as of September 30, 2021 are as follows:

| | | Ownership Percentage | |
|---|---|---|---|
| **Name** | **Incorporation** | **2021** | **2020** |
| 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 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.

## 2. SIGNIGICANT ACCOUNTING POLICIES (continued)

### New accounting pronouncements

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. T. Many are not applicable or do not have a significant impact to the Company and have been excluded

### Significant estimates, assumptions and judgements

The preparation of the 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 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.

The information about significant areas of estimates considered by management in preparing the consolidated financial statements is as follows:

*Income taxes*

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in the consolidated statement of loss and comprehensive loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

*Share-based payments*

Determining the fair value of shares, warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

The information about significant areas of judgment considered by management in preparing the consolidated financial statements is as follows:

i. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;
ii. assessing control and significant influence over an investee;
iii. the determination of functional currency;
iv. The assessment of the Company's ability to continue as a going concern, as discussed in Note 1, involves judgement regarding future funding available for its operations and working capital requirements.
v. The determination of whether expenditures on research and development activities meet the criteria for capitalization as internally generated assets is subject to estimation and uncertainty.

## 2. SIGNIGICANT ACCOUNTING POLICIES (continued)

### Cash

Cash is comprised of cash on hand and demand deposits.

### Research and development

The Company is in the research phase of an internal project and is of the opinion that the research activities have not yet yielded any asset that could generate probable future economic benefits. Consequently, the Company recognizes spending towards research as an expense when it is incurred.

### Government grants

Government grants received on capital expenditure are generally deducted in arriving at the carrying amount of the asset purchased. Grants for revenue expenditure are netted against the costs incurred by the Company. Where retention of a government grant is dependent on the Company satisfying certain criteria, it is initially recognized as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated statement of loss and comprehensive loss.

### Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares issued and outstanding during the period. Diluted earnings represents the profit or loss for the period, divided by the weighted average number of common shares issued and outstanding during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted loss per share is anti-dilutive and accordingly, the diluted loss per share would be the same as basic loss per share.

### Impairment of non-financial assets

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is greater than an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### Related party transactions

Parties are considered to be related if one party has control or joint control over the Company, has significant influence over the Company or is a member of key management personnel of the Company. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

## 2. SIGNIGICANT ACCOUNTING POLICIES (continued)

### Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Proceeds from issuances of units of the Company that are comprised of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the fair market value of the shares.

### Share-based compensation

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payments is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

### Financial instruments

*(i) Financial assets*

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as FVTPL.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

<u>Financial assets at FVTPL</u>
Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. None of the Company's financial assets are classified as FVTPL.

## 2. SIGNIGICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial assets at FVTOCI
Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company's financial assets are classified as FVTOCI.

Financial assets at amortized cost
Financial assets at amortized cost are initially recognized at fair value (including transaction costs) and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets at amortized cost comprise cash and other receivables.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are immediately recognized in the consolidated statements of loss and comprehensive loss.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the consolidated statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

| | Classification | |
|---|---|---|
| **Financial Assets** | **September 30, 2021** | **September 30, 2020** |
| Cash | Amortized cost | Amortized cost |
| Other receivable | Amortized cost | Amortized cost |

*(ii) Financial liabilities and equity instruments*

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

A financial liability is defined as any contractual obligation to deliver cash or another financial asset to another entity. The Company classified its financial liabilities as subsequently measured at amortized cost which include accounts payable and accrued liabilities, due to related parties, notes payable, advance from Investissement Québec, and proceeds from convertible debt. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

Financial liabilities at FVTPL
Financial liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

## 2. SIGNIGICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

Financial liabilities at amortized cost
Financial liabilities at amortized cost are initially recognized at fair value (including transaction costs) and subsequently carried at amortized cost less any impairment. They are classified as current liabilities or non-current liabilities based on their maturity date.

| | Classification | |
|---|---|---|
| **Financial Liabilities** | **September 30, 2021** | **September 30, 2020** |
| Accounts payable | Amortized cost | Amortized cost |
| Due to related parties | Amortized cost | Amortized cost |
| Notes payable | Amortized cost | Amortized cost |
| Advance from Investissement Québec | Amortized cost | Amortized cost |
| Proceeds from convertible debenture | Amortized cost | Amortized cost |

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*(iii) Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

### Externally acquired intangible assets

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives.

### Income taxes

Current income tax:
Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 2. SIGNIGICANT ACCOUNTING POLICIES (continued)

### Income taxes (continued)

Deferred tax:
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## 3. 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. The Company recognized a gain on contract cancellation of $50,474.

## 4. 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 Systémes Geostat International (the “Technical Report”). The Company paid $5,000 and issued 5,714 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.

**4. INTANGIBLE ASSETS (continued)**

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. Subsequent to the year ended September 30, 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 7,143 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 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.

## 4. INTANGIBLE ASSETS (continued)

*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. As at 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.

(Expressed in Canadian Dollars)

## 5. EQUIPMENT

| | **Total** |
|---|---|
| **Cost:** | $ |
| September 30, 2019 | 77,000 |
| Disposal | (77,000) |
| September 30, 2020 | - |
| | |
| **Accumulated Amortization:** | |
| September 30, 2019 | 19,250 |
| Disposal | (19,250) |
| September 30, 2020 | - |
| | |
| **Net book value:** | |
| September 30, 2020 and September 30, 2021 | - |

During the year ended September 30, 2020, the Company completed the sale of its pilot plan equipment with Centre d'Innovation Minière de la MRC des Sources ("CIMMS"). In consideration of past efforts and the actual amount of equipment purchased, the Company agreed to sell the pilot plant equipment for $57,750 whereby $40,000 would be received as a cash payment and $17,750 would be credited towards future work at CIMMS for a minimum contract of $100,000. During the year ended September 30, 2020, the Company recognized an impairment in value of $17,750 against the future credit at CIMMS to reduce the carrying value to Nil.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| | $ | $ |
| Accounts payable (Note 9) | 274,015 | 287,674 |
| Accrued liabilities | 80,348 | 84,074 |
| | 354,363 | 371,748 |

## 7. GOVERNMENT GRANTS

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 year ended September 30, 2021, the Company incurred a total of $Nil (2020 - $90,237) of eligible expenditures related to the project. A total of $Nil (2020 - $32,400) 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. 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.

## 7. GOVERNMENT GRANTS (continued)

Government of Canada via Natural Resources Canada - Clean Growth Program (the "CGP") (continued)

During the year ended September 30, 2021, the Company incurred a total of Nil (2020 - $31,482) of eligible expenditures related to this project. A total of $Nil (2020 - $12,246) has been recognized into profit or loss as an offset to research expense, of which $Nil (2020 - $1,225) was recorded in other receivables. During the year ended September 30, 2021, the Company provided notification to the Minister of not proceeding; therefore the Minister released $1,225, representing the 10% holdback.

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, 2021 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 requirements, the grants have been reflected as a demand liability incurring interest at prime rate per annum. During the year ended September 30, 2021, the Company accrued $19,552 (2020 - $19,606) in interest on the Grant from the date of notice of default.

(Expressed in Canadian Dollars)

## 8. NOTES PAYABLE

During the year ended September 30, 2021, the Company received unsecured loan proceeds of $26,000 (September 30, 2020 - $215,000) from arms-length parties. During the year ended September 30, 2021, the Company issued 55,101 commons shares in settlement of notes payable amounting to $155,000 and reduced the interest owing by $7,993 to arms-length parties (Note 10). The Company recognized $7,000 loss on the settlement.

| Principal $ | Interest Rate % | Due Date | Principal and interest owing as at September 30, 2021 $ | Principal and interest owing as at September 30, 2020 $ |
|---|---|---|---|---|
| 1,000 | 8 | On demand | 1,000 | - |
| 5,000 | 8 | November 18, 2020 | 5,000 | 5,347 |
| 50,000 | 8 | November 22, 2020 | 50,000 | 53,430 |
| 30,000 | 8 | January 30, 2021 | 33,304 | 30,905 |
| 20,000 | 5 | February 18, 2021 | - | 20,591 |
| 10,000 | 5 | February 18, 2021 | - | 10,308 |
| 50,000 | 5 | September 7, 2021 | - | 50,151 |
| 75,000 | 5 | September 14, 2021 | - | 50,110 |
| 250,000 | | | 89,304 | 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). During the year ended September 30, 2021 the Company issued 99,660 commons shares in settlement of notes payable amounting to $293,000(Note 10).

In addition to the above, as at September 30, 2021, the Company had arms-length notes outstanding of $57,941 (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:

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| | $ | $ |
| Former Executive Director, CEO and interim CFO | 7,500 | - |
| Former Executive Director and CEO | 135,000 | 70,000 |
| Non-executive Director for consulting fees | 36,000 | 18,000 |
| Company controlled by the President of MOOI for consulting fees and research expenses | - | 164,000 |
| A company controlled by a non-executive Director for consulting fees | - | 5,000 |
| A company controlled by a former CFO for professional fees | - | 7,500 |
| Share-based compensation | 2,306 | - |
| | 180,816 | 264,500 |

(Expressed in Canadian Dollars)

## 9. RELATED PARTY TRANSACTIONS (continued)

Due to related parties

| | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| | $ | $ |
| Former Executive Director and CEO | 34,806 | 70,000 |
| Company related to a former Executive Director and CEO | 10,000 | 6,000 |
| Non-executive Directors | 36,000 | 36,840 |
| Company controlled by the President of MOOI | - | 76,000 |
| | 80,806 | 188,840 |

Included in accounts payable and accrued liabilities as at September 30, 2021 is $4,725 (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, 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).

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. During the year ended September 30, 2021, the Company issued 6,772 common shares in settlement of the loan agreement amounting to $19,910(Note 10). As of September 30, 2021, the Company had a balance payable including principal and interest of $Nil (September 30, 2020 - $18,840).

During the year ended September 30, 2021, the Company issued 40,136 common shares to settle $118,000 debt with a director and a former director of the Company(Note 10).

## 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.

Subsequent to the year ended September 30, 2021, the Company consolidated the issued share capital on the basis of 7 old common shares for one (1) new common share (the “Consolidation”). Outstanding stock options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

During the year ended September 30, 2021, 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.

## 10.SHARE CAPITAL (continued)

### (b) Common Shares - issued and outstanding

Transaction for the issue of share capital during the year ended September 30, 2021:

1. A total of 201,669 common shares were issued with a fair value of $2.94 per share to settle $585,910 debt owing (Note 8 and 9).

2. The Company completed a non-brokered private placement of 2,587,601 units (the "Units") at a price of $1.855 per Unit for net proceeds of $4,799,850. Each Unit consists 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 $5.25 until February 26, 2023, subject to an acceleration provision whereby if the Shares trade at a price of $5.00 or greater per Share for a period of 10 consecutive trading days after four months and one day from the closing of the private placement, 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. Finder's fees were paid in connection with the private placement to arm's length finders that consisted of cash commission in the total amount of $294,042. In addition, an aggregate of 75,456 Shares and 86,057 broker warrants (the "Broker Warrants") have been issued to finders. The terms of the Broker Warrants are identical to the terms of the Warrants. The fair value of the Broker Warrants was determined to be $456,760 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of warrants – 2 years; expected volatility – 152.33%; expected dividend yield – 0%; and risk-free rate – 0.30%.

3. The Company issue 6,429 common shares for gross proceeds of $33,750 for warrants exercised

4. The Company issued 1,811 common shares for gross proceeds of $9,510 for finders' warrants exercised. Accordingly, $10,745 was transferred from reserves to share capital.

5. The Company issued a total of 785,714 common shares with a fair value of $5.60 per share for consideration of $4,400,000 to Nifty Technologies Inc. ("Nifty") and an arm's length finder for the acquisition of Flurbo. Pursuant to the acquisition, the Company also issued a total of 16,125 finder's shares with a fair value of $5.60 per share (Note 15).

No capital activity was initiated during 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.

(Expressed in Canadian Dollars)

**10.SHARE CAPITAL (continued)**

**(c) Stock Options (continued)**

Stock options issued and outstanding at September 30, 2021 are as follows:

| | September 30, 2021 | | September 30, 2020 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| **Balance, beginning of year** | 22,143 | $ 14.00 | 30,000 | $ 14.00 |
| Granted | 404,286 | $ 5.01 | - | $ - |
| Expired | (22,143) | $ 14.00 | (7,857) | $ 14.00 |
| **Balance, end of year** | 404,286 | $ 5.01 | 22,143 | $ 14.00 |

| **Expiry Date** | **Number of Options Outstanding** | **Number of Options Vested** | **Number of Options Unvested** | **Exercise Price** | **Weighted Average Remaining Life** |
|---|---|---|---|---|---|
| September 24, 2024 | 21,429 | - | 21,429 | $ 4.55 | 2.99 |
| September 29, 2026 | 382,857 | 365,000 | 17,857 | $ 5.04 | 5.00 |

On September 24, 2021, the Company granted a total of 21,429 stock options to certain officers, directors and/or consultants of the Company exercisable at $4.55 for a period of 3 years. The fair value of the stock options was determined to be $79,043 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 3 years; expected volatility – 150.57%; expected dividend yield – 0%; and risk-free rate – 1.03%. Half of the options will be vested on March 24, 2022 and the remaining options will be vested on September 24, 2022. As at September 30, 2021, 21,429 stock options remain outstanding. During the year ended September 30, 2021, $1,960 share-based payment was recorded.

On September 29, 2021, the Company granted a total of 382,857 stock options to certain officers, directors and/or consultants of the Company exercisable at $5.04 for a period of 5 years. The fair value of the stock options was determined to be $1,756,559 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 5 years; expected volatility – 150.61%; expected dividend yield – 0%; and risk-free rate – 1.11%. 365,000 options were vested immediately. 8,929 options will be vested on March 29, 2022 and 8,928 options will be vested on September 29, 2022. As at September 30, 2021, 382,857 stock options remain outstanding. During the year ended September 30, 2021, $1,674,976 share-based payment was recorded.

(Expressed in Canadian Dollars)

## 10.SHARE CAPITAL (continued)

### (d) Warrants

Details of warrants outstanding at September 30, 2021 are as follows:

| | September 30, 2021 | | September 30, 2020 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| **Balance, beginning of year** | - | $ - | 733,028 | $ 44.80 |
| Granted | 2,673,658 | $ 5.25 | - | $ - |
| Expired | - | $ - | (733,028) | $ 44.80 |
| Exercised | (8,240) | $ 5.25 | | |
| Cancelled | - | $ - | - | $ - |
| **Balance, end of year** | 2,665,418 | $ 5.25 | - | $ - |

| Expiry Date | Number of Options Outstanding | Exercise Price | Weighted Average Remaining Life |
|---|---|---|---|
| February 26, 2023 | 2,665,418 | $ 5.25 | 1.41 |

## 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 year ended September 30, 2021, the Company repaid $100,000 plus interest totalling $116,569 of the Convertible Debenture. During the year ended September 30, 2021, the Company accrued $7,633 (2020 – $11,030) of interest related to the Convertible Debentures.

| | September 30, 2021<br>$ | September 30, 2020<br>$ |
|---|---|---|
| **Balance, beginning of year** | 166,529 | 155,499 |
| Interest accruals | 7,633 | 11,030 |
| Repayment of principal | (100,000) | - |
| Repayment of interest | (16,569) | - |
| **Balance, end of year** | 57,593 | 166,529 |

## 12.FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments consist of cash, accounts payable, due to related parties, notes payable, advance from Investissement Québec 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 September 30, 2021, 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).

During the year ended September 30, 2021, the Company received $Nil (2020 - $10,000) for contract consulting work.

## 15. COMMITMENTS

(a) During the year ended September 30, 2021, the Company entered into an agreement to purchase the technology known as Flurbo, for decentralized finance ("DeFi") applications ("Flurbo") from Nifty, an arm's length party. Pursuant to the terms of the agreement, the Company issued 785,714 commons shares with a fair value of $4,400,000. In the event that after twelve (12) months from closing, Flurbo achieves a positive EBITDA within twenty-four (24) months from closing of the transaction, Cover will issue an additional number of shares equal to $3,500,000 at the time of such achievement (the "Performance Shares"). A finders' fees was paid in connection with the acquisition of Flurbo to arm's length finder consisted of an aggregate of 16,125 common shares with a fair value of $90,300. Nifty was in the early stage of developing solutions that facilitate tracking, trading, transacting, and borrowing against digital assets, all in a secured and transparent manner. At the time of acquisition, no fair value was attributed to the Flurbo technology. As such, the consideration paid and related acquisition costs in the amount of $4,490,300 were expensed as stock based compensation in the consolidated Statement of Loss and Comprehensive Loss.

(b) 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 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.

(c) 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. During the year ended September 30, 2021, the Company terminated negotiations with COVEX and all costs were written-off to operations.

(Expressed in Canadian Dollars)

## 15. COMMITMENTS (continued)

(d) The Company entered into an agreement with Bello Holdings Inc. d.b.a Bello Capital Partners ("Bello"), an arm's length party to the Company, to provide a digital marketing campaign comprised of the following (collectively, the "Services") for a period of three (3) months. The Company has paid Bello US $350,000 (plus GST) for the Services, which shall commence on the date of payment.

## 16. PREPAIDS

| | September 30, 2021<br>$ | September 30, 2020<br>$ |
|---|---|---|
| Consulting prepayments | 636,700 | - |
| Management fees prepayments | 12,000 | - |
| Rent prepayments | 12,500 | - |
| Other prepayments to vendors | 29,449 | - |
| | 690,649 | - |

*Consulting prepayments*
Consulting prepayments pertain to prepaid amounts for capital market, digital marketing and business development consulting services.

*Management fees prepayments*
Management fees prepayment pertains to prepaid amounts to a company controlled by the President of MOOI for consulting fees.

*Rent prepayments*
Rent prepayments pertains to prepaid amounts for rental of short term leased property.

*Other prepayments*
Other prepayments include various advance payments to suppliers for purchases and services which were delivered or rendered after the end of the reporting period.

## 17. SEGMENTED INFORMATION

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

## 18. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

| | September 30, 2021<br>$ | September 30, 2020<br>$ |
|---|---|---|
| Net loss for the year | (8,622,985) | (473,381) |
| Statutory tax rate | 27% | 27% |
| Expected income tax recovery at the statutory tax rate | (2,328,206) | (127,813) |
| Non-deductible items and other | 1,588,099 | - |
| Adjustment to prior year provision | (13,197) | (1,079) |
| Temporary differences not recognized | 753,304 | 128,892 |
| Income tax recovery | - | - |

(Expressed in Canadian Dollars)

## 18. INCOME TAXES (continued)

The Company has the following tax effected deduction temporary differences for which no deferred tax asset has been recognized:

| | September 30, 2021 $ | September 30, 2020 $ |
|---|---|---|
| Non-capital loss carry-forwards | 2,537,756 | 1,866,921 |
| Exploration and evaluation assets | 75,319 | 105,658 |
| Share issuance cost | 63,546 | - |
| Capital assets | 49,262 | - |
| | 2,725,883 | 1,972,579 |
| Unrecognized deferred tax assets | (2,725,883) | (1,972,579) |
| Net deferred tax assets | - | - |

The Company has non-capital losses in Canada totaling approximately $8,900,000 that expire between 2032 and 2041. The Company also has non-capital losses available in the United States of America totaling approximately $509,000 that expire in various amounts until 2041.

**SCHEDULE B**

**UNAUDITED FINANCIAL STATEMENTS OF COVER**

[*See Attached*]

# COVER TECHNOLOGIES INC.

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED MARCH 31, 2023 AND 2022

**Unaudited**

(Expressed in Canadian Dollars)

**COVER TECHNOLOGIES INC.**
**Condensed Interim Consolidated Statements of Financial Position**
**For the six month period ended March 31, 2023 and 2022**
(Unaudited - Expressed in Canadian Dollars)

| | Note | As at March 31, 2023 | As at September 30, 2022 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| Cash | | 424,963 | 224,489 |
| Other receivables | 3 | 1,856,287 | - |
| Sales tax receivable | | 99,425 | 87,884 |
| Prepaids | | 2,056 | 2,056 |
| Deferred acquisition cost | 3 | 8,281,161 | - |
| **TOTAL ASSETS** | | 10,663,892 | 314,429 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | 4 | 367,897 | 515,206 |
| Due to related parties | 7 | 110,000 | 72,000 |
| Notes payable | 6 | 1,294 | 3,025 |
| Advance from Investissement Québec | 5 | 582,745 | 572,996 |
| Convertible debenture deposit | 9 | 1,500,000 | - |
| | | 2,561,936 | 1,163,227 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | |
| Share capital | 8 | 18,620,088 | 18,620,088 |
| Consideration payable | 3 | 8,814,753 | - |
| Reserves | 8 | 2,301,894 | 2,299,194 |
| Deficit | | (21,634,779) | (21,768,080) |
| | | 8,101,956 | (848,798) |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)** | | 10,663,892 | 314,429 |

| | |
|---|---|
| Nature of operations and going concern | 1 |
| Commitments | 12 |
| Subsequent events | 14 |

Approved and authorized by the Board on July 28, 2023

**Approved on behalf of the Board:**

*"Frank Vlastelic"*
Director

"*Dorian Banks*"
Director

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

**COVER TECHNOLOGIES INC.**
**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**
**For the six months ended March 31, 2023 and 2022**
(Unaudited - Expressed in Canadian Dollars)

| | Note | Three months ended March 31, 2023 | Three months ended March 31, 2022 | Six months ended March 31, 2023 | Six months ended March 31, 2022 |
|---|---|---|---|---|---|
| | | | | $ | $ |
| **Expenses** | | | | | |
| Investor communication | | - | - | 30,000 | - |
| Management fees | 7 | 15,000 | 15,000 | 30,000 | 42,000 |
| Office and administration | | 2,803 | 1,010 | 11,726 | 13,930 |
| Professional and consulting fees | 7 | 28,612 | 259,481 | 102,559 | 493,770 |
| Marketing expense | | - | 309,366 | - | 796,701 |
| Research expense | | - | - | - | 50,000 |
| Share-based compensation | 8 | 6,932 | 57,428 | 20,276 | 119,360 |
| Transfer agent and filing fees | | 14,567 | 16,823 | 30,167 | 35,251 |
| **Loss from operating expenses** | | (67,914) | (659,108) | (224,728) | (1,551,012) |
| **Other items** | | | | | |
| Interest expense | 5 | (4,821) | (14,904) | (9,749) | (21,288) |
| Interest income | 3 | 37,105 | - | 37,105 | - |
| Gain on dissolution of subsidiaries | 2 | 48,386 | - | 48,386 | - |
| Loan recovery | 3 | 200,000 | - | 200,000 | - |
| Write off of accounts payable | 4 | 82,287 | - | 82,287 | - |
| **Income (loss) for the period** | | 295,043 | (674,012) | 133,301 | (1,572,300) |
| **Other comprehensive loss** | | | | | |
| Item that may be subsequently reclassified to profit or loss: | | | | | |
| Foreign currency translation adjustment | | (16,944) | 316 | (17,576) | 31 |
| **Comprehensive income (loss) for the period** | | 278,099 | (673,696) | 115,725 | (1,572,269) |
| **Basic and diluted income (loss) per share** | | 0.05 | (0.14) | 0.02 | (0.39) |
| **Weighted average number of common shares outstanding – basic and diluted** | | 5,521,309 | 4,762,295 | 5,521,309 | 4,067,878 |

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

**COVER TECHNOLOGIES INC.**
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
**For the six months ended March 31, 2023 and 2022**
(Unaudited - Expressed in Canadian Dollars)

| | | Share Capital | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Number of common shares | Amount | Warrant | Option | Translation gain (loss) | Consideration payable | Deficit | Total |
| | | | $ | $ | $ | $ | $ | $ | $ |
| **September 30, 2021** | | 4,067,878 | 18,249,463 | 446,015 | 1,676,936 | 19,074 | - | (19,408,055) | 983,433 |
| Private Placement | | 1,453,431 | 370,625 | - | - | - | - | - | 370,625 |
| Foreign exchange adjustment | | - | - | - | - | 31 | - | - | 31 |
| Share-based compensation | 8 | - | - | - | 119,360 | - | - | - | 119,360 |
| Loss for the period | | - | - | - | - | - | - | (1,572,300) | (1,572,300) |
| **March 31, 2022** | | 5,521,309 | 18,620,088 | 446,015 | 1,796,296 | 19,105 | - | (20,980,355) | (98,851) |
| | | | | | | | | | |
| **September 30, 2022** | | 5,521,309 | 18,620,088 | 446,015 | 1,835,603 | 17,576 | - | (21,768,080) | (848,798) |
| Consideration payable | 3 | - | - | - | - | - | 8,814,753 | - | 8,814,753 |
| Foreign exchange adjustment | | | | | | (17,576) | - | - | (17,576) |
| Share-based compensation | 8 | - | - | - | 20,276 | - | - | - | 20,276 |
| Income for the period | | - | - | - | - | - | - | 133,301 | 133,301 |
| **March 31, 2023** | | 5,521,309 | 18,620,088 | 446,015 | 1,855,879 | - | 8,814,753 | (21,634,779) | 8,101,956 |

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

**COVER TECHNOLOGIES INC.**
**Condensed Interim Consolidated Statements of Cash flows**
**For the six months periods ended March 31, 2023 and 2022**
(Unaudited - Expressed in Canadian Dollars)

| | Six months period ended March 31, 2023 | March 31, 2022 |
|---|---|---|
| | $ | $ |
| **Operating activities** | | |
| Net income (loss) for the period | 133,301 | (1,572,300) |
| Items not involving cash: | | |
| Accrued interest on notes payable | - | 11,538 |
| Write-off of accounts payable | (82,287) | - |
| Accrued interest on government grant | 9,749 | 9,750 |
| Loan recovery | (200,000) | - |
| Interest income | (37,105) | - |
| Gain on dissolution of subsidiaries | (48,386) | - |
| Share-based compensation | 20,276 | 119,360 |
| Non-cash working capital items | | |
| Trade and other receivable | (11,541) | (11,057) |
| Prepaids | - | 567,072 |
| Accounts payable and accrued liabilities | (104,272) | 66,921 |
| Deferred acquisition cost | (17,050) | - |
| Due to related parties | 38,000 | 18,000 |
| **Cash used in operating activities** | **(299,315)** | **(790,716)** |
| | | |
| **Investing activities** | | |
| Dissolution of subsidiary | (211) | - |
| **Cash used in investing activities** | **(211)** | - |
| | | |
| **Financing activities** | | |
| Convertible debenture deposit | 1,500,000 | - |
| Payment of convertible debentures | - | (57,593) |
| Loan receivable | (1,000,000) | - |
| Proceeds from share issuances | - | 370,625 |
| Payment of Notes payable | - | (100,843) |
| **Cash received from financing activities** | 500,000 | 212,189 |
| | | |
| Effect of foreign currency on cash | - | 31 |
| | | |
| **Change in cash during the period** | 200,474 | (578,527) |
| **Cash, beginning of the period** | 224,489 | 1,329,318 |
| **Cash, end of the period** | 424,963 | 750,822 |
| | | |
| **Supplemental Cash Flow Information** | | |
| Consideration payable | $ 8,214,753 | $ - |
| Assignment of Interest receivable | $ 18,182 | $ - |
| Assignment of loan receivable | $ 601,000 | $ - |
| Deferred acquisition cost included in accounts payable | $ 68,540 | $ - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Cover Technologies Inc. ("Cover" or the "Company") was incorporated on June 18, 2007 in British Columbia, Canada. The Company's head office is located at Suite 810 – 789 West Pender Street, Vancouver, V6C 1H2. The Company's shares are traded on the Canadian Securities Exchange ("CSE"), Frankfurt stock exchange and the OTC Bulletin Board ("OTCBB"). Cover is a technology research and development company with a focus on emerging technologies and solutions. Cover is in pursuit of identifying opportunities in emerging technologies.

### Going Concern

During the six months ended March 31 2023, the company incurred a net income of $133,301 (2022 net loss - $1,572,300). As at March 31, 2023, the Company had a history of losses and an accumulated deficit of $21,634,779 (September 30, 2022 - $21,768,080). Total cash used in operations for the six months ended March 31, 2023 amounted to $299,315 (March 31, 2022 - $790,716).

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.

As of March 31, 2023, the Company had total liabilities of $2,561,936 (September 30, 2022 - $1,163,227), of which $582,745 (September 30, 2022 - $572,996) was due to Investissement Québec relating to default of a contribution agreement (Note 5). As at March 31, 2023, the Company terminated a technology acquisition agreement and is no longer pursing the magnesium processing business. As the Investissement Québec grant relates to magnesium processing, it is uncertain whether the Quebec government will demand repayment if the Company decides to discontinue its operations in magnesium processing. As of March 31, 2023, Investissement Québec has not taken legal action against the Company. 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 condensed interim financial statements.

On November 14, 2022, the Company entered into an agreement (the "Agreement") with 1346487 B.C. Ltd. ("NumberCo") and PlasCred, Inc. ("PlasCred"), a private green technology company with a patent-pending and proprietary process for plastic waste removal. Pursuant to the Agreement, the Company has agreed to enter into an assignment agreement (the "Assignment") of a securities exchange agreement dated August 2, 2022 among NumberCo, PlasCred and the sharesholders of PlasCred (collectively, the "PlasCred Shareholders"). The Assignment will allow the Company to acquire all of the outstanding securities of PlasCred from the securityholders of PlasCred (the "Transaction"). In connection with the completion of the Transaction, the Company will issue up to an aggregate of 35,000,000 shares on a pro rata basis to the securityholders of PlasCred. Except for the $619,182 loan assignment (Note 3), the Company is not assuming any long-term debt as part of the Transaction and no finders' fees are anticipated to be paid. On March 1, 2023 and May 24, 2023, the Company entered into amendments to the Assignment to amend certain terms, including but not

## 1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

limited to the sale of MOOI. Completion of the Transaction is subject to regulatory approval and fulfillment of the closing terms outlined in the Assignment.

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. Such adjustments could be material.

## 2. 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”).

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, 2022. The condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s 2022 audited consolidated financial statements.

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.

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 interim condensed consolidated financial statements.

### 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.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (CONTINUED)

The subsidiary of the Company as of March 31, 2023 is as follows:

| | | Ownership Percentage | |
|---|---|---|---|
| **Name** | **Incorporation** | **2023** | **2022** |
| Mag One Operations Inc. ("MOOI") | Canada | 100% | 100% |

During the period ended March 31, 2023, the Company dissolved its wholly owned subsidiaries, North American Magnesium Products LLC ("NAMP") and MagOne Operations Inc. (MOOI USA), and recorded a gain on dissolution of subsidiaries of $48,386.

### 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 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.

### New accounting pronouncements

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. Many are not applicable or do not have a significant impact to the Company and have been excluded.

### 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 condensed interim consolidated 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 condensed interim consolidated 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 2022 annual financial statements.

(Unaudited - Expressed in Canadian Dollars)

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION (CONTINUED)

### Change in accounting policy

On October 1, 2021, the Company amended its significant accounting policy to state that upon settlement of convertible debentures, the Company reclassifies the carrying value of equity portion from loan reserve to deficit in order to provide more relevant information on the Company's financial position. This change was applied retrospectively; therefore, the opening balances of each affected component of financial position for the earliest period presented and other comparative amounts disclosed for each prior period have been presented as if this method has always been applied.

Retrospective application of this change in accounting policy results in the following impact on the October 1, 2020 opening statement of financial position:

| | As at October 1, 2020 | | |
|---|---|---|---|
| | Reported at October 1, 2020 | Impact of changes | Restated at October 1, 2020 |
| Reserves | 2,918,987 | (2,664,963) | 254,024 |
| Deficit | (13,686,270) | 2,664,963 | 11,021,307 |

## 3. OTHER RECEIVABLES

| | Amount $ |
|---|---|
| Balance, at September 30, 2021 | - |
| Additions | 200,000 |
| Secured loan receivable provision | (200,000) |
| Balance, at September 30, 2022 | - |
| Assignment agreement | 619,182 |
| Loan recovery | 200,000 |
| Interest income | 37,105 |
| Additions | 1,000,000 |
| Balance, at March 31, 2023 | 1,856,287 |

On September 29, 2022, the Company advanced a short-term loan of $200,000 ("Secured Loan") to PlasCred, Inc. ("PlasCred"), in connection with the Assignment entered on November 14, 2022. The Secured Loan is secured by a general security agreement over all the assets of PlasCred (the "Loan Assignment"), bears interest of 10% per annum, compounded monthly, and matures on the earlier of June 2, 2023 or 90 days after the Assignment is terminated.

During the year ended September 30, 2022, due to the degree of uncertainty surrounding the collection of this loan and the timing of completion of the Assignment, the Company recorded a provision of $200,000 on the statement of loss and comprehensive loss.

(Unaudited - Expressed in Canadian Dollars)

## 3. OTHER RECEIVABLES (CONTINUED)

In connection with the Assignment signed on November 14, 2022, the Company has also agreed by way of novation and assumption agreement to take assignment of the monies that have been advanced by NumberCo to Plascred, which was $619,182 by the time of closing of the Assignment and secured by the Loan Assignment. In consideration for the Assignment, the Company issued 24,000,000 Units on May 11, 2023 to the NumberCo. Each Unit consisted of one common share in the capital of the Company and one share purchase warrant, exercisable for a period of two years at an exercise price of $0.125 per share. The Assignment allows the Company to acquire all of the outstanding securities of PlasCred from the securityholders of PlasCred (the "Transaction") (Note 1).

On March 1, 2023, the Company entered into a second amendment agreement to amend certain terms in the Transaction and entered into a Loan Agreement with PlasCred Inc. to advance $1,000,000 ("Loan") to PlasCred Inc. The loans bear interest of 10%, compounded monthly, is secured by PlasCred's assets and matures on the earliest of: i) March 1, 2024, ii) July 29, 2023, if the transaction is not completed by April 30, 2023 and iii) 90 days after the date the share exchange agreement with PlasCred is terminated.

Based on the progress made on completing the Transaction, the Company recorded a loan recovery of $200,000 and was under the negotiation with PlasCred to extend the maturity date of Secured Loans during the six-month period ended March 31, 2023.

The Company recorded deferred acquisition cost and a corresponding consideration payable of $8,814,753, with the fair value of the common shares being $4,440,000 using a level 1 input on November 14, 2022 and the fair value of the warrants being $4,374,753. The total fair value of the warrant was calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of warrants – 2 years; expected volatility – 333%; expected dividend yield – 0%; and risk-free rate – 3.87%.

The deferred acquisition cost was netted against the assignment of the loan receivable of $619,182. Included in deferred acquisition cost are legal fees of $85,590 which have been incurred in connection with the Transaction, $27,388 of which was assumed from previous purchasers involved in the Transaction.

During the period ended March 31, 2023, the Company recorded interest income of $37,105 (2022 - $Nil).

## 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | March 31, 2023 | September 30, 2022 |
|---|---|---|
| | $ | $ |
| Accounts payable | 226,522 | 368,634 |
| Accrued liabilities | 141,375 | 146,572 |
| | 367,897 | 515,206 |

During the period ended March 31, 2023, the Company determined that $82,287 of accounts payable are no longer due to the statute of limitations on debt being reached.

## 5. 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 March 31, 2023, 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 requirements, the grants have been reflected as a demand liability incurring interest at prime rate per annum. During the six months period ended March 31, 2023, the Company accrued $9,749 (year ended September 30, 2022 - $19,553) in interest on the Grant pursuant to the notice of default.

## 6. NOTES PAYABLE

As at March 31, 2023, the Company had arms-length notes outstanding of $1,294 (September 30, 2022 - $3,025). These loans are unsecured, non-interest bearing and due on demand.

(Unaudited - Expressed in Canadian Dollars)

## 7. RELATED PARTY TRANSACTIONS

The Company considers its officers (CEO and CFO) and directors to be key management. Key management are those persons having authority and responsibility for planning, directing, and controlling activities, directly or indirectly, of the Company.

Compensation paid to key management

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

| | **March 31, 2023** | **March 31, 2022** |
|---|---|---|
| | $ | $ |
| Executive Director, CEO and interim CFO | 30,000 | 30,000 |
| Non-executive Director for consulting fees | 18,000 | 18,000 |
| Share-based compensation | - | 119,360 |
| | 48,000 | 167,360 |

Due to related parties

| | **March 31, 2023** | **September 30, 2022** |
|---|---|---|
| | $ | $ |
| Due to the CEO and interim CFO of the Company | 20,000 | - |
| Non-executive Directors | 90,000 | 72,000 |
| | 110,000 | 72,000 |

The amounts owing to related parties do not bear any interest, are unsecured and due on demand.

## 8. SHARE CAPITAL

### (a) Authorized

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

During the year ended September 30, 2022, the Company consolidated the issued share capital on the basis of seven (7) old common shares for one (1) new common share (the "Consolidation"). Outstanding stock options and warrants 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.

(Unaudited - Expressed in Canadian Dollars)

## 8. SHARE CAPITAL (CONTINUED)

### (b) Common Shares - issued and outstanding

Transactions for the issue of share capital during the six months period ended March 31, 2023:

The company did not issue any shares.

Transaction for the issue of share capital during the year ended September 30, 2022:

The Company completed a non-brokered private placement and issued 1,453,431 common shares at a price of $0.255 per share for gross proceeds of $370,625.

### (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.

Stock options issued and outstanding are as follows:

| | March 31, 2023 | | September 30, 2022 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| **Balance, beginning** | 404,286 | $ 5.01 | 404,286 | $ 5.01 |
| Granted | 150,000 | $ 0.25 | - | $ - |
| **Balance, end** | 554,286 | $ 3.72 | 404,286 | $ 5.01 |

Weighted average remaining life of outstanding options as at March 31, 2023 is 3.70 years.

As at March 31, 2023, the Company had the following stock options outstanding:

| **Expiry Date** | **Number of Options Outstanding** | **Number of Options Vested** | **Number of Options Unvested** | **Exercise Price** | **Weighted Average Remaining Life** |
|---|---|---|---|---|---|
| September 24, 2024 | 21,429 | 21,429 | - | $ 4.55 | 0.06 |
| September 29, 2026 | 382,857 | 382,857 | - | $ 5.04 | 2.42 |
| October 7, 2027 | 150,000 | 75,000 | 75,000 | $ 0.25 | 1.22 |

On October 7, 2022, the Company granted a total of 150,000 stock options to a consultant of the Company exercisable at $0.25 for a period of 5 years. The total fair value of the stock options was determined to be $25,421 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of options – 5 years; expected volatility – 268%; expected dividend yield – 0%; and risk-free rate – 3.48%. The options vest 25% every three months, starting December 19, 2022. During the six months ended March 31, 2023, $20,276 share-based payment was recorded. The options were cancelled on April 21, 2023 (Note 14).

(Unaudited - Expressed in Canadian Dollars)

## 8. SHARE CAPITAL (CONTINUED)

### (d) Warrants

Details of warrants outstanding are as follows:

| | March 31, 2023 | | September 30, 2022 | |
|---|---|---|---|---|
| | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| **Balance, beginning** | 2,665,418 | $ 5.25 | 2,665,418 | $ 5.25 |
| Expired | (2,665,418) | $ 5.25 | - | - |
| **Balance, end** | - | - | 2,665,418 | $ 5.25 |

Weighted average remaining life of outstanding warrants as at March 31, 2023 is Nil (September 30, 2022 – 0.41) years

## 9. CONVERTIBLE DEBENTURE DEPOSITS

During the period ended March 31, 2023, the Company entered into unsecured convertible debentures with arm’s length parties in the principal amount of $1,500,000. As of March 31, 2023, the convertible debenture has not closed and the Company has recorded the amounts received as a deposit.

## 10. FINANCIAL INSTRUMENTS

Fair values

The Company’s consolidated financial instruments consist of cash, accounts payable, due to related parties, notes payable, advance from Investissement Québec and convertible debentures deposits.

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 March 31, 2023, the fair values of the Company’s financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

## 10. FINANCIAL INSTRUMENTS (CONTINUED)

*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 moderate as receivables consists primarily of refundable government goods and services taxes and loan receivable from PlasCred. The loan receivables from PlasCred are secured by PlasCred's assets.

*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 advance from Investissement Québec is exposed to changes in prime rate. As at March 31, 2023, a 1% increase/decrease in prime rate would increase/decrease the net loss by $5,830 (September 30, 2022 - $5,730). The Company's convertible debenture and loan receivables bear a fixed interest rate so there is no interest rate risk associated with these accounts.

*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 exposed to minimal 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 acquire further equity or debt funding.  The Company is exploring all opportunities in acquiring further funding.

## 11. 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.

## 11. CAPITAL MANAGEMENT (CONTINUED)

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. There were no changes in the Company's approach to capital management during the period and the Company is not subject to any externally imposed capital requirements.

## 12. COMMITMENTS

(a) During the year ended September 30, 2021, the Company entered into an agreement to purchase the technology known as Flurbo, for decentralized finance ("DeFi") applications ("Flurbo") from Nifty, an arm's length party. Pursuant to the terms of the agreement, the Company issued 785,714 commons shares with a fair value of $4,400,000. In the event that after twelve (12) months from closing, Flurbo achieves a positive EBITDA within twenty-four (24) months from closing of the transaction, Cover will issue an additional number of shares equal to $3,500,000 at the time of such achievement (the "Performance Shares"). Finders' fees were paid in connection with the acquisition of Flurbo, of an aggregate of 16,125 common shares with a fair value of $90,300. Nifty was in the early stage of developing solutions that facilitate tracking, trading, transacting, and borrowing against digital assets, all in a secured and transparent manner. At the time of acquisition, no fair value was attributed to the Flurbo technology. As such, the consideration paid and related acquisition costs in the amount of $4,490,300 were expensed as share-based compensation in the consolidated statement of loss and comprehensive loss. There has been no progress on development of Flurbo. As at March 31, 2023, the Company no longer pursued the development of Flurbo technology.

(b) 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. During the six months period ended

## 12. COMMITMENTS (CONTINUED)

March 31, 2023, the Company terminated this agreement. As of March 31, 2023, the Company owed $127,125 (September 30, 2022 - $118,650) to Tech Magnesium and included the amount in accrued liabilities.

## 13. SEGMENTED INFORMATION

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

## 14. SUBSEQUENT EVENTS

On April 21, 2023, the Company cancelled 554,286 stock options to certain officers, directors and consultants of the Company.

On May 11, 2023, the Company issued 24,000,000 Units to the NumberCo as consideration for the Agreement (Note 1). Each Unit consisted of one common share in the capital of the Company and one share purchase warrant, exercisable for a period of two years at an exercise price of $0.125 per share.

On June 8, 2023, the Company entered into a share purchase agreement with 1346487 B.C. Ltd. for Sale of MOOI in connections with completion of the Transaction (Note 1).

## SCHEDULE C

## MD&A OF COVER

[*See Attached*]

# COVER TECHNOLOGIES INC.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FOR THE SIX MONTHS PERIOD ENDED MARCH 31, 2023 AND 2022

This management's discussion and analysis (“MD&A”) of Cover Technologies Inc. (“Cover” or the “Company”) provides an analysis of our financial situation which will enable the reader to evaluate important variations in our financial situation for the six months ended March 31, 2023, compared to the six months ended March 31, 2022. This report prepared as at July 28, 2023 intends to complement and supplement our condensed interim consolidated financial statements (the “financial statements”) as at March 31, 2023 which have been prepared in accordance with International Financial Reporting Standards, and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes. Readers are also advised to read the Company’s audited financial statements (the “financial statements”) and accompanying notes for the year ended September 30, 2022, (the “financial statements”), which have been prepared in accordance with International Financial Reporting Standards “IFRS”.

Our condensed interim consolidated financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate our financial situation.

Our condensed interim consolidated financial statements have been prepared using accounting policies consistent with IFRS. All dollar amounts contained in this MD&A are expressed in Canadian dollars, unless otherwise specified.

## FORWARD-LOOKING STATEMENT

Where we say “we”, “us”, “our”, the “Company”, we mean Cover Technologies Inc. (“Cover” or the “Company”), as it may apply.

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as “forward-looking statements”) within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may”, “projected”, “sustain”, “continues”, “strategy”, “potential”, “projects”, “grow”, “take advantage”, “estimate”, “well positioned” or similar words suggesting future outcomes. In particular, this MD&A may contain forward-looking statements relating to future opportunities, business strategies, mineral exploration, development and production plans and competitive advantages.

The forward-looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect and such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements, including among other things: inability of the Company to continue meeting the listing requirements of stock exchanges and other regulatory requirements; general economic and market factors, including business competition, changes in government regulations or in tax laws; general political and social uncertainties; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation affecting the Company; timing and availability of external financing on acceptable terms; conclusions of, or estimates contained in feasibility studies, pre-feasibility studies or other economic evaluations; and lack of qualified skilled labour or loss of key individuals; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, along with the Company's annual information form, if any, all of which are filed and available for review on SEDAR at www.sedar.com. Readers are cautioned that the foregoing list is not exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A and the Company does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

## OVERVIEW

The Company was incorporated on June 18, 2007 in British Columbia, Canada. The Company's head office is located at Suite 810 – 789 West Pender Street, Vancouver, V6C 1H2. The Company's shares are traded on the Canadian Securities Exchange ("CSE") and the Frankfurt stock exchange. Cover is a technology research and development company with a focus on emerging technologies and solutions.

Cover is in pursuit of identifying opportunities in emerging technologies. As at the date of this MD&A, in connection with the magnesium processing, the Company terminated a technology acquisition agreement and is no longer pursuing the magnesium processing business. As the Investissement Québec grant relates to magnesium processing, it is uncertain whether the Quebec government will demand repayment if the Company decides to discontinue its operations in magnesium processing although the Company believe it has met all the requirements imposed by Investissement Québec. Cover will focus its efforts on completing of the proposed transaction relating to the patent-pending and proprietary process enabling true plastic waste removal in a scalable, systematic and profitable way.

## OVERALL PERFORMANCE

On May 11, 2023, the Company issued 24,000,000 units to 1346487 B.C. Ltd. ("NumberCo") as consideration for the assignment agreement detailed below. Each unit consisted of one common share in the capital of the Company and one share purchase warrant, exercisable for a period of two years at an exercise price of $0.125 per share.

During the period ended March 31, 2023, the Company entered into unsecured convertible debentures with arm's length parties in the principal amount of $1,500,000. As of March 31, 2023, the sale of the convertible debentures has not closed and the Company has recorded the amounts received as a deposit.

During the year ended September 30, 2022, the Company consolidated the issued share capital on the basis of seven (7) old common shares for one (1) new common share. Outstanding stock options and warrants were adjusted by the consolidation ratio. All common shares and per common share amounts in these MD&A have been retroactively restated to reflect the share consolidation.

During the year ended September 30, 2022, the Company completed a non-brokered private placement and issued 1,453,431 common shares at a price of $0.255 per share for gross proceeds of $370,625.

On April 21, 2023, the Company cancelled 554,286 stock options to certain officers, directors and consultants of the Company.

### PlasCred Transaction

As of the date of this MD&A, the Company entered into an assignment agreement (the "Assignment Agreement") with NumberCo and PlasCred Inc. ("PlasCred"), pursuant to which the Company has taken an assignment (the "Assignment") of a securities exchange agreement ("SEA") dated August 2, 2022 among NumberCo and PlasCred and the shareholders of PlasCred (collectively, the "PlasCred

Shareholders”). In connection with the Agreement, the Company agreed by way of novation and assumption agreement to take an assignment of the monies that have been advanced by NumberCo to PlasCred, which was $619,182 by the time of closing of the Assignment and secured by a general security agreement over all the assets of PlasCred (the “Loan Assignment”).

PlasCred is a private green technology company incorporated in Alberta, whose patent-pending and proprietary process enables true plastic waste removal in a scalable, systematic and profitable way. The PlasCred “process” hopes to deliver a commercially viable plastic recycling process, providing immediate economic benefit for industry, communities and government organizations for handling waste plastic. PlasCred is also developing strategic partnerships with CN Rail, providing PlasCred with unparalleled logistics support across North America for transportation and handling of plastic waste. Further information on PlasCred, see their website located at www.plascred.com.

In consideration for the Assignment, the Company issued 24,000,000 units (each, a “Unit”) to NumberCo of the Company, as adjusted after the completion of any consolidation or subdivision, with each Unit consisting of one common share in the capital of the Company and one share purchase warrant, exercisable for a period of two years at an exercise price of $0.125 per share. The Assignment will allow the Company to acquire all of the outstanding securities of PlasCred from the securityholders of PlasCred (the “Transaction”). As of March 31, 2023, the Company has recorded the 24,000,000 units as a consideration payable with a fair value of $8,814,753 with the fair value of the common shares being $4,440,000 using a level 1 input on November 14, 2022 and the fair value of the warrants being $4,374,753. The total fair value of the warrant was calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of warrants – 2 years; expected volatility – 333%; expected dividend yield – 0%; and risk-free rate – 3.87%. On May 11, 2023, the Company issued the Units.

The Company recorded deferred acquisition cost and a corresponding consideration payable of $8,814,753. The deferred acquisition cost was netted against the assignment of the loan receivable of $619,182. Included in deferred acquisition cost are legal fees of $85,590 which have been incurred in connection with the Transaction, $27,388 of which was assumed from previous purchasers involved in the Transaction.

In connection with the completion of the Transaction (the “Closing”), the Company will issue up to an aggregate of 35,000,000 post-consolidated shares on a pro rata basis to the PlasCred Shareholders. Concurrent to the entry into of the Assignment Agreement, the Company, PlasCred and the PlasCred Shareholders entered into an amended and restated securities exchange agreement to, among other things, bring forward certain dates with respect to the Closing of the Transaction as well as to replace the representations and warranties of NumberCo with that of the Company. Completion of the Transaction remains subject to a number of conditions, including satisfactory due diligence by the parties, receipt of all requisite approvals, including the conditional approval of the CSE, and other conditions customary for transactions of this nature. The Transaction is a Fundamental Change under the Policies of the CSE, requiring the CSE to review and approve the Transaction and the Company to obtain shareholder approval for the Transaction.

Prior to the closing of the Transaction, the Company intends to consolidate its outstanding shares on the basis of two (2) pre-consolidation shares for every one (1) post-consolidation share (the “Consolidation”).

In addition, the Company will complete a non-brokered private placement consisting of the issuance of up to 13,333,333 post-Consolidation shares at a price of $0.30 per post-Consolidation share for gross aggregate proceeds of up to $4,000,000 (the “Financing”). The Company intends to use the proceeds from the Financing for general working capital purposes as well as to help fund the closing of the Transaction. Finders’ fees in cash and securities may be payable in connection with the Financing in accordance with the policies of the CSE and applicable securities laws.

On June 8, 2023, the Company entered into a share purchase agreement with NumberCo for the sale of its Quebec subsidiary, Mag One Operations Inc., in connections with completion of the Transaction.

**Investor Relations and Communication Services**

As of the date of this MD&A, the Company entered into an agreement with Adelaide Capital Markets Inc. ("Adelaide"), pursuant to which Adelaide has agreed to provide investor relations and communications services to the Company in exchange for an aggregate amount of $60,000, payable in monthly instalments of $10,000, of which $40,000 has been rendered as of March 31, 2023. The remainder will be rendered upon closing of the PlasCred Transaction. Pursuant to the agreement between Adelaide and the Company, the Company granted stock options to Adelaide on October 7, 2022 to purchase up to 150,000 common shares of the Company at an exercise price of $0.25 per share. Of these Options, 37,500 shall vest on December 19, 2022, 37,500 shall vest on March 19, 2023, 37,500 shall vest on June 19, 2023 and 37,500 shall vest on September 19, 2023. These options were cancelled on April 21, 2023.

**DISCUSSION OF OPERATIONS**

For the six months period ended March 31, 2023, the Company incurred a net income of $133,301 compared to the six months period ending March 31, 2022 net loss of $1,572,300. The overall administration expenses decreased to $224,727 compared to $1,551,012 for the same six months period during the prior year. The loss for the six months ending March 31, 2023 also included a non-cash stock-based compensation of $20,276 (2022 - $119,360).

Key changes in the primary components of the loss and comprehensive loss for the six months ended March 31, 2023 compared to the six months ended March 31, 2022 were as follows:

General and Administration of $224,728 (March 31, 2022 - $1,551,012), includes non-cash stock-based compensation of $20,276 (March 31, 2022 – $119,360). General and Administration decreased by $1,326,284 due to the following fluctuations:

- Professional and consulting fees decreased from $493,770 to $102,559. During the comparative period ending March 31, 2022, the Company engaged additional consultants to support the increase in business operations. During the current period ended March 31, 2023, the Company engaged fewer external consultants for the oversight of regulatory compliance. During the period March 31, 2023, the Company has been focused on completing the Transaction with PlasCred.
- Marketing expenses of $Nil (2022 - $796,701) decreased as the Company scaled back on marketing.
- Research expenses of $Nil (2022 - $50,000) as the Company did not do any research during the current period. In the current period, the Company is no longer conducting research and development on its magnesium project.
- Transfer agent and filing fees decreased by $5,084. The change in fees resulted from the change in general corporate compliance requirements.

A non-cash stock-based compensation charge of $20,276 (March 31, 2022 - $119,360) was incurred to reflect the fair value of stock options during the period. In addition, the Company recorded a loan recovery of $200,000 related to funds advanced to PlasCred during the year ended September 30, 2022. The Company recorded a write-off of accounts payable of $82,287 (2022 - $Nil) as there were historical payables deemed no longer due to the statute of limitations on debt being reached.

The Company incurred a net income of $295,043 for the current three-months period ending March 31, 2023 compared to a net loss of $674,012 for the same three-month period during the prior year. The current three-month spending includes a non-cash stock-based compensation of $6,932 (2022 - $57,428) and a loan recovery of $200,000. In the current period, the Company's general and administrative expense decreased from $659,108 to $67,914. In general, the Company's operations slowed in the current period relative to the previous period.

- Professional fees and marketing expenses decreased from $259,481 and $309,366 to $28,612 and $Nil, respectively. The Company initiated cost cutting measures and preserved cash flow as the Company continues to pursue the Transaction with PlasCred.

The Company recorded a write-off of accounts payable of $82,287 (2022 - $Nil) as there were historical payables deemed no longer due to the statute of limitations on debt being reached. In addition, the Company recorded interest income of $37,105 (2022 - $Nil) in relation to the loan receivable from PlasCred. During the period ended March 31, 2023, the Company dissolved its wholly owned subsidiaries, North American Magnesium Products LLC (“NAMP”) and MagOne Operations Inc. (“MOOI USA”), and recorded a gain on dissolution of subsidiaries of $48,386.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly financial information derived from the Company’s unaudited condensed interim consolidated financial statements, for each of the eight recently completed quarters.

| Period | Total revenue $ | Comprehensive gain (loss) for the period $ | Net loss per share, basic and fully diluted $ |
|---|---|---|---|
| March 31, 2023 | - | 278,099 | 0.05 |
| December 31, 2022 | - | (162,374) | (0.03) |
| September 30, 2022 | - | (528,870) | (0.10) |
| June 30, 2022 | - | (260,384) | (0.05) |
| March 31, 2022 | - | (673,696) | (0.14) |
| December 31, 2021 | - | (898,573) | (0.22) |
| September 30, 2021 | - | (6,708,504) | (1.98) |
| June 30, 2021 | - | (434,121) | (0.13) |

There are no general trends regarding the Company’s quarterly results and the Company’s business is not seasonal, as it can develop and progress on a year-round basis, funding permitting. Quarterly results may vary significantly depending mainly on whether the Company has engaged in new activities or abandoned any projects and these factors which may account for material variations in the Company’s quarterly net income (losses) are not predictable. See also the results of operations discussion above.

During the second quarter of 2023, the Company incurred a net income of $295,043 compared to $674,012 for the same quarter during the prior year. The loss includes $28,612 (2022 - $259,481) professional fees. The Company also did not incur any marketing expenses in the current period, compared to $309,366 in the comparative period. The Company engaged fewer external consultants for the oversight of regulatory compliance. The Company recorded a write-off of accounts payable of $82,287 (2022 - $Nil) as there were historical payables deemed no longer due. The Company recorded a non-cash loan recovery of $200,000 as a loan provision recorded at September 30, 2022 was reversed. The Company dissolved its wholly owned subsidiaries, NAMP and MOOI USA, and recorded a gain on dissolution of subsidiaries of $48,386.

During the first quarter ended December 31, 2022, the Company incurred a comprehensive loss of $162,374 compared to $898,573 during the same quarter the prior year. The decrease in losses is mainly as the Company engaged fewer external consultants for the oversight of regulatory compliance.

During the fourth quarter of the year ended September 30, 2022, the Company incurred a comprehensive loss of $528,870 compared to $6,708,504 during the same quarter the prior year. At the time of acquisition, no fair value was attributed to the Flurbo technology. As such the consideration paid and related acquisition costs in the amount of $4,490,300 were expensed as stock-based compensation in the consolidated Statement of Loss and Comprehensive Loss, for the comparative period.

## LIQUIDITY

### Cash flow

*Cash flows during the six months ended March 31, 2023 and March 31, 2022*

| | **March 31, 2023 $** | **March 31, 2022 $** | **Change $** |
|---|---|---|---|
| Cash used in operating activities | (299,315) | (790,716) | 491,401 |
| Cash used in investing activities | (211) | - | (211) |
| Cash provided by financing activities | 500,000 | 212,189 | 287,811 |

During the six months period ending March 31, 2023 compared to the six months period ending March 31 2022, cash used in operating activities between 2023 and 2022 decreased primarily as a result of the factors mentioned above under the summary of quarterly results.

During the six months period ending March 31, 2023, the Company dissolved its wholly owned subsidiaries, NAMP and MOOI USA, which resulted in cash write-off of $211 relating to the subsidiaries' bank balances. During the six months period ending March 31, 2022, the Company had no investing activities.

During the six months period ending March 31, 2023 compared to the six months period ending March 31 2022, cash provided by financing activities between 2023 and 2022 increased primarily as $500,000 net were raised by receipt of convertible debenture deposits compared to the prior year when $370,625 cash were raised from share issuances and $100,843 were used in the payment of notes payable and $57,593 were used to redeem convertible debentures.

### Liquidity

| | March 31, 2023 | September 30, 2022 |
|---|---|---|
| Cash on hand | $ 424,963 | $ 224,489 |
| Working capital (deficiency) | $ 8,101,956 | $ (848,798) |
| Deficit | $ (21,634,779) | $ (21,768,080) |

Recent developments in the capital markets have restricted access to debt and equity financing for many companies. As the Company has no significant income, cash balances will continue to decline as the Company utilizes these funds to conduct its operations, unless replenished by capital fundraising or debt.

## CAPITAL RESOURCES

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in granted and pending patents, and other assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

During the period ended March 31, 2023, the Company entered into unsecured convertible debentures with arm's length parties in the principal amount of $1,500,000. As of March 31, 2023, the sale of the convertible debentures has not closed and the Company has recorded the amounts received as a deposit.

## OFF – BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## RELATED PARTY DISCLOSURES

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

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

| | March 31, 2023 | March 31, 2022 |
|---|---|---|
| | $ | $ |
| Dorian Banks, Executive Director and CEO and interim CFO | 30,000 | 30,000 |
| Drew Brass, non-executive Director for consulting fees | 18,000 | 18,000 |
| Share-based compensation | - | 119,360 |
| | 48,000 | 167,360 |

<u>Due to related parties</u>

| | March 31, 2023 | September 30, 2022 |
|---|---|---|
| | $ | $ |
| Dorian Banks, Executive Director and CEO and interim CFO | 20,000 | - |
| Drew Brass, non-executive Director | 90,000 | 72,000 |
| | 110,000 | 72,000 |

All amounts owing to related parties do not bear any interest, are unsecured and due on demand.

## PROPOSED TRANSACTIONS

See the description of the Transaction with PlasCred above.

In the normal course of business, management actively targets 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. As of the date of this MD&A, the Company has no proposed transactions other than what has been outlined in this MD&A.

## CRITICAL ACCOUNTING ESTIMATES

### 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 condensed interim consolidated 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 condensed interim consolidated 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 2022 annual financial statements.

## CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretation Committee ("IFRIC") that are not yet effective. Many are not applicable or do not have significant impact to the Company and have been excluded.

On October 1, 2021, the Company amended its significant accounting policy to state that upon settlement of convertible debentures, the Company reclassifies the carrying value of equity portion from loan reserve to deficit in order to provide more relevant information on the Company's financial position. This change was applied retrospectively; therefore, the opening balances of each affected component of financial position for the earliest period presented and other comparative amounts disclosed for each prior period have been presented as if this method has always been applied.

Retrospective application of this change in accounting policy results in the following impact on the October 1, 2020 opening statement of financial position:

| | **As at October 1, 2020** | | |
|---|---|---|---|
| | **Reported at October 1, 2020** | **Impact of changes** | **Restated at October 1, 2020** |
| Reserves | 2,918,987 | (2,664,963) | 254,024 |
| Deficit | (13,686,270) | 2,664,963 | 11,021,307 |

## OUTSTANDING SHARE DATA

**(a) Authorized**

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

(b) The table below presents the Company's common share data:

| | **Number as May 30, 2023** | **Number as at March 31, 2022** |
|---|---|---|
| Common shares, issued and outstanding | 29,521,309 | 5,521,309 |
| Stock options convertible into common shares | - | 554,286 |
| Warrants | 24,000,000 | - |

## 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 currently has no source of revenues, though it raises capital by obtaining equity financing, selling assets and/or incurring debt. 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.

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.

There were no changes in the Company's approach to capital management during the period and the Company is not subject to any externally imposed capital requirements.

## FINANCIAL INSTRUMENTS

Fair values

The company's financial instruments consist of cash, accounts payable, due to related parties, notes payable, advance from Investissement Québec and convertible debentures deposits.

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 March 31, 2023, the fair values of the Company's financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

## RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

### *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 moderate as receivables consists primarily of refundable government goods and services taxes and loan receivable from PlasCred. The loan receivables from PlasCred are secured by PlasCred's assets.

### *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 advance from Investissement Québec is exposed to changes in prime rate. As at March 31, 2023, a 1% increase/decrease in prime rate would increase/decrease the net loss by $5,830 (September 30, 2022 - $5,730).

### *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 exposed to minimal 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.

### New Business

The Company currently does not have any contractual customers. To mitigate this risk, the Company is actively in discussion with several large companies who have shown great interest in purchasing the Company's magnesium-based products. However, there is a risk that the Company may not be able to find sufficient customers at the early stages.

### Market

The profitability of the Company's operations is significantly affected by changes in the market prices of the products. The level of interest rates, the rate of inflation, and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

### Key Personnel

The success of the Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

This risk is mitigated through the engagement of technology experts, consultants in the field, etc. who can intervene in such an instance. Once the final design, equipment procurement and construction of the pilot -plant and other operations is complete, this risk is further mitigated.

The facilities' location in an industrial community gives it the ability to engage qualified personnel to operate the facility, create local jobs and renovate an industrial wasteland to an environmentally friendly business hub is deemed to be a very low risk.

### Environmental and Safety Compliance

The processing facility will be designed and constructed to meet all required environmental, health and safety standards. Although best practices will be used to design, construct and operate the facility, there is always a risk that operator error or equipment failure will result in environmental and/or safety non-compliance.

### Intellectual Property

The Company has significant know-how which will be protected through the filing of patents as well as the issuance of non-disclosure agreements for specific know-how and business confidential information. Although every effort will be made to ensure that the Company's IP and know-how are protected, there is a risk that the competition and/or employees will not respect their legal obligations and the Company may be forced to take legal action.

### Legal Risk

In the normal course of the Company's business, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to the personal injuries, property damage, property tax, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

### Other

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at www.covertechnologies.ca and www.sedar.com.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A. Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional personnel in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased personnel only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

### Cautionary Statement

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding technologies and solutions, plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of investment and scope of programs, and (ii) estimates of stock-based compensation expense and (iii) future operations and (iv) continuation of operations. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavors to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with technology, price volatility in the technology sector and commodities we seek, and operational and political risks.

## APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

# COVER TECHNOLOGIES INC.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED SEPTEMBER 30, 2022

This Management Discussion and Analysis ("MD&A") of Cover Technologies Inc. ("Cover" or the "Company") should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2022 and 2021, together with the notes thereto ("Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All financial information in this MD&A have been prepared in accordance with IFRS. All dollar amounts included therein and in this MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including January 30, 2023 (the "Report Date").

## FORWARD-LOOKING STATEMENT

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A may contain forward-looking statements relating to future opportunities, business strategies, mineral exploration, development and production plans and competitive advantages.

The forward-looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, the actual results of exploration and development projects being equivalent to or better than estimated results in technical reports or prior activities, and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect and such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements, including among other things: inability of the Company to continue meeting the listing requirements of stock exchanges and other regulatory requirements, general economic and market factors, including business competition, changes in government regulations or in tax laws; general political and social uncertainties; commodity prices; the actual results of exploration, development or operational activities; accidents and other risks inherent in the mining industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of, or estimates contained in, feasibility studies, pre-feasibility studies or other economic evaluations; and lack of qualified, skilled labour or loss of key individuals; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, along with the Company's annual information form, if any, all of which are filed and available for review on SEDAR at www.sedar.com. Readers are cautioned that the foregoing list is not exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A

and the Company does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

## OVERVIEW

Cover was incorporated on June 18, 2007 in British Columbia, Canada and is currently active in BC and Québec. Activities in Québec are carried out through Cover's wholly-owned subsidiary, Mag One Operations Inc. ("MOOI"). The Company's shares are currently traded on the Canadian Securities Exchange ("CSE") under the symbol "COVE" and are also listed on the Börse Frankfurt stock exchange ("Frankfurt") with the ticker symbol "304" and on the OTCBB symbol, "MGPRF". The Company's head office is located at Suite 2380 - 1055 West Hastings Street, Vancouver, V6E 2E9. Cover is a technology research and development company with a focus on emerging technologies and solutions. Cover is in pursuit of identifying opportunities in emerging technologies. As at the Report Date, in connection with the magnesium processing, the Company terminated a technology acquisition agreement and is currently uncertain whether to continue with the magnesium processing business. As the Investissement Québec grant relates to magnesium processing, it is uncertain whether the Quebec government will demand repayment if the Company decides to discontinue its operations in magnesium processing. Cover will focus its efforts on completing of the Transaction relating to the patent-pending and proprietary process enabling true plastic waste removal in a scalable, systematic and profitable way.

## OVERALL PERFORMANCE

During the year ended September 30, 2022, the Company consolidated the issued share capital on the basis of 7 old common shares for one (1) new common share (the "Consolidation"). Outstanding stock options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these MD&A have been retroactively restated to reflect the share consolidation.

During the year ended September 30, 2021, the Company completed the consolidation of its issued and outstanding common shares (each, a "Share") on the basis of one (1) post-consolidation Share for every twenty (20) pre-consolidation Shares (the "Consolidation"). Outstanding stock options were adjusted by the Consolidation ratio. All common shares and per common share amounts in these MD&A have been retroactively restated to reflect the Consolidation.

During the year ended September 30, 2022, the Company completed a non-brokered private placement and issued 1,453,431 common shares at a price of $0.255 per share for gross proceeds of $370,625.

Subsequent to the year ended September 30, 2022, the Company paid $125,000 to an arm's length party pursuant to a settlement agreement.

### PlasCred Transaction

As of the Report Date, the Company entered into an assignment agreement (the "Agreement") with 1346487 B.C. Ltd. ("NumberCo") and PlasCred Inc. ("PlasCred"), pursuant to which the Company has agreed to enter into an assignment agreement (the "Assignment") of a securities exchange agreement dated August 2, 2022 among NumberCo and PlasCred Inc. ("PlasCred") and the shareholders of PlasCred (collectively, the "PlasCred Shareholders"). In connection with the Agreement, the Company has also agreed by way of novation and assumption agreement to take assignment of the monies that have been advanced by NumberCo to Plascred, which are expected to be $800,000 by the time of closing of the

Assignment and secured by a general security agreement over all the assets of PlasCred (the "Loan Assignment").

PlasCred is a private green technology company incorporated in Alberta, whose patent-pending and proprietary process enables true plastic waste removal in a scalable, systematic and profitable way. The PlasCred "process" hopes to deliver a commercially viable plastic recycling process, providing immediate economic benefit for industry, communities and government organizations for handling waste plastic. PlasCred is also developing strategic partnerships with CN Rail, providing PlasCred with unparalleled logistics support across North America for transportation and handling of plastic waste. Further information on PlasCred, see their website located at www.plascred.com.

In consideration for the Assignment, the Company will issue to NumberCo 12,000,000 units (each, a "Unit") of the Company, as adjusted after the completion of any consolidation or subdivision, with each Unit consisting of one common share in the capital of the Company and one Share purchase warrant, exercisable for a period of two years at an exercise price of $0.25 per Share. The Assignment will allow the Company to acquire all of the outstanding securities of PlasCred from the securityholders of PlasCred (the "Transaction").

In connection with the completion of the Transaction (the "Closing"), the Company will issue up to an aggregate of 35,000,000 Shares on a pro rata basis to the securityholders of PlasCred. Except for the Loan Assignment, the Company is not assuming any long-term debt as part of the Transaction and no finders fees are anticipated to be paid. Concurrent to the entry into of the Assignment Agreement, the Company, PlasCred and the PlasCred Shareholders entered into an amended and restated securities exchange agreement to, among other things, bring forward certain dates with respect to the Closing of the Transaction as well as to replace the representations and warranties of NumberCo with that of the Company. Completion of the Transaction remains subject to a number of conditions, including satisfactory due diligence by the parties, receipt of all requisite approvals, including the conditional approval of the Canadian Securities Exchange (the "CSE"), and other conditions customary for transactions of this nature. The Transaction is a Fundamental Change under the Policies of the CSE, requiring the CSE to review and approve the Transaction and the Company to obtain shareholder approval for the Transaction.

Prior to the closing of the Transaction, the Company intends to consolidate its outstanding Shares on the basis of 2 pre-consolidation Shares for every one post-consolidation Share (the "Consolidation").

In addition to the Assignment, the Company will complete a non-brokered private placement consisting of the issuance of up to 13,333,333 post-Consolidation Shares at a price of $0.30 per post-Consolidation Share for gross aggregate proceeds of up to $4,000,000 (the "Financing"). The Company intends to use the proceeds from the Financing for general working capital purposes as well as to help fund the closing of the Transaction. Finders' fees in cash and securities may be payable in connection with the Financing in accordance with the policies of the CSE and applicable securities laws.

**Investor Relations and Communication Services**

As of the Report Date, the Company entered into an agreement with Adelaide Capital Markets Inc. ("Adelaide"), pursuant to which Adelaide has agreed to provide investor relations and communications services to the Company in exchange for an aggregate amount of $60,000, payable in monthly instalments of $10,000 until March 19, 2023. Pursuant to the agreement between Adelaide and the Company, the Company granted stock options to Adelaide to purchase up to 150,000 common shares of the Company at an exercise price of $0.25 per share. Of these Options, 37,500 shall vest on December 19, 2022, 37,500 shall vest on March 19, 2023, 37,500 shall vest on June 19, 2023 and 37,500 shall vest on September 19, 2023.

**DeFi Technology**

During the year ended September 30, 2021, the Company entered into an agreement to purchase the technology known as Flurbo, for decentralized finance ("DeFi") applications (“Flurbo”) from Nifty Technologies Inc. (“Nifty”), an arm’s length party. Pursuant to the terms of the agreement, the Company issued 785,714 commons shares with a fair value of $4,400,000. In the event that after twelve (12) months from closing, Flurbo achieves a positive EBITDA within twenty-four (24) months from closing of the transaction, Cover will issue an additional number of shares equal to $3,500,000 at the time of such achievement (the "Performance Shares"). Each Performance Share will have a deemed value equal to the closing price of the Company's common shares listed on the exchange the trading day prior to the issuance date thereof.

A finders’ fees was paid in connection with the acquisition of Flurbo to arm’s length finder consisted of an aggregate of 16,125 common shares with a fair value of $90,300.

At the time of the acquisition, the Company viewed the acquisition of this blockchain technology as a complement to its current business of developing a technology to process magnesium from tailings in an environmentally and sustainable manner. As of the date of this report, the Company is no longer pursuing the development of this technology.

**Magnesium Agreements**

During the year ended September 30, 2020, the Company and its subsidiary, MOOI, entered into an agreement with Asbestos Corp. Ltd. (“ACL”) whereby, the Company would have access to recover and process up to 60 million tonnes of Tailings located in Québec 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. The Company provided ACL with the completed technical report of Normandie Tailings; therefore, the agreement was extended to March 1, 2022. The agreement lapsed during the year ended September 30, 2022.

During the year ended September 30, 2020, the Company terminated an agreement from 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. 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. The Company did not acquire any tailings during the years ended September 30, 2022 and 2021.

On January 3, 2019, the Company, through its subsidiary, MOOI, 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. Due to confidentiality concerns, these specific acquisition payments have been redacted. During the Collaboration, the President of Tech Magnesium will provide services to MOOI to further de-risk the Mg 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 has received notice of the termination, effective November 12, 2022, of its technology acquisition agreement which was entered into in January 2019 with Tech Magnesium. As of September 30, 2022, the Company owed $118,650 to Tech Magnesium.

## PROPOSED TRANSACTIONS

In the normal course of business, management actively targets 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. As of the Report Date the Company has no proposed transactions other than what has been outlined in the MD&A.

## SUMMARY OF ANNUAL AND QUARTERY RESULTS

The following table sets out selected historical financial information of Cover. Such information is derived from the audited consolidated financial statements of the Company. The Company's annual consolidated financial statements are prepared in accordance with IFRS and expressed in Canadian dollars.

| | September 30, 2022 $ | September 30, 2021 $ | September 30, 2020 $ |
|---|---|---|---|
| Total revenue | - | - | - |
| Loss and comprehensive loss for the year | (2,361,523) | (8,621,698) | (473,346) |
| Net loss per share, basic and fully diluted | (0.44) | (4.02) | (1.20) |
| Total assets | 314,429 | 2,121,883 | 73,781 |
| Total liabilities | 1,163,227 | 1,138,450 | 1,777,864 |
| Shareholders' Equity (Deficiency) | (848,798) | 983,433 | (1,704,083) |

The following table sets out selected quarterly financial information derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight recently completed quarters, which have been prepared in accordance with IFRS.

| Period | Total revenue $ | Loss and comprehensive loss for the period $ | Net loss per share, basic and fully diluted $ |
|---|---|---|---|
| September 30, 2022 | - | (528,870) | (0.10) |
| June 30, 2022 | - | (260,384) | (0.05) |
| March 31, 2022 | - | (673,696) | (0.14) |
| December 31, 2021 | - | (898,573) | (0.22) |
| September 30, 2021 | - | (6,708,504) | (1.98) |
| June 30, 2021 | - | (434,121) | (0.13) |
| March 31, 2021 | - | (1,343,490) | (0.89) |
| December 31, 2020 | - | (135,583) | (0.35) |

The Company's performance for the year ended September 30, 2022 and 2021 was as follows:

| | Year ended September 30, 2022 $ | Year ended September 30, 2021 $ | Change $ |
|---|---|---|---|
| Revenue | - | - | - |
| Loss for the year | (2,360,025) | (8,622,985) | 6,262,960 |
| Loss and comprehensive loss | (2,361,523) | (8,621,698) | 6,260,175 |

Key changes in the primary components of the loss and comprehensive loss for the year ended September 30, 2022 compared to the year ended September 30, 2021 were as follows:

1. General and Administration of $1,970,267 decreased by $370,866 due to the following fluctuations:
   - Management fees are related to the executive officers of Cover and MOOI. The decrease of $39,000 was due to a change in executive officers during the quarter ending September 30, 2021.
   - Professional and consulting fees decreased by $377,802. During the year ending September 30, 2021, the Company engaged additional consultants to support the increase in business operations. During the year ended September 30, 2022, the Company engaged external consultants for the oversight of regulatory compliance.
   - Investor communication decreased by $52,132 due a decreased in promotional activities.
   - Office and administration decreased by $9,999 due to cost cutting measures.
   - Transfer agent and filing fees increased $18,294 due to the acquisition of Flurbo and general corporate compliance increase.
   - Research are development activities in Québec that cannot be capitalized and are expensed. Research expense increased by $44,000 due to the Company continuing the next phase to demonstrate the feasibility of producing magnesium metal during the year ended September 30, 2022, compared to minimal research activity during the year ended September 30, 2021.
   - Sales tax provisions of $45,773 relates to the write off of historical input tax credits. The Company plans to continue pursuing these input tax credits in future tax filings.

2. A non-cash stock-based compensation charge of $158,667 (September 30, 2021 - $1,676,936) was incurred to reflect the fair value of stock options during the period.

3. Due to the uncertainty surrounding the collection of the short-term loan, the Company recorded a secured loan receivable provision of $200,000 in connection with the PlasCred Transaction.

The Company's performance for the three months ended September 30, 2022 and 2021 was as follows:

| | Three months ended September 30, 2022<br>$ | Three months ended September 30, 2021<br>$ | Change<br>$ |
|---|---|---|---|
| Revenue | - | - | - |
| Loss for the year | (527,703) | (6,707,455) | 6,179,752 |
| Loss and comprehensive loss | (528,870) | (6,708,504) | 6,179,634 |

Key changes in the primary components of the loss and comprehensive loss for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 were as follows:

General and Administration of $347,236 decreased by $104,601 due to the following fluctuations:

- Management fees are related to the executive officers of Cover and MOOI. The increased of $35,000 was due to an executive officer of MOOI providing a discount on the management fees from past services during the year ended September 30, 2021.
- Professional and consulting fees increased by $38,847. During the period ending September 30, 2021, the Company engaged additional consultants to support the increase in business operations. During the period ended September 30, 2022, the Company engaged external consultants for the oversight of regulatory compliance.
- Investor communication decreased by $272,129 due to the Company decreasing promotional activities.
- Office and administration increased by $2,046.
- Transfer agent and filing fees increased by $2,304. The change in fees resulted from the change in general corporate compliance requirements.
- Sales tax provisions of $45,773 relates to the write off of historical input tax credits. The Company plans to continue pursuing these input tax credits in future tax filings.

A non-cash stock-based compensation charge of $19,097 (September 30, 2021 - $1,676,936) was incurred to reflect the fair value of stock options during the period.

Interest expense decreased by $1,454 due to the repayment of $100,000 Convertible Debenture during the year ended September 30, 2022 and the repayment of certain notes payable during the year ended September 30, 2021.

Due to the uncertainty surrounding the collection of the short-term loan, the Company recorded a secured loan receivable provision of $200,000 in connection with the Plascred Transaction during the quarter ended September 30, 2022.

During the quarter ended September 30, 2021, the Company terminated negotiations with COVEX and $75,000 was written-off to operations.

During the quarter ended September 30, 2021, the Company recorded a loss on debt settlement of $7,000.

During the quarter ended September 30, 2021, the Company issued 801,839 common shares with a value of $4,490,300 in connection with the acquisition of the Flurbo technology.

*Cash flows during the year ended September 30, 2022 and September 30, 2021*

| | September 30, 2022 $ | September 30, 2021 $ | Change $ |
|---|---|---|---|
| Cash used in operating activities | (1,127,059) | (3,134,365) | 2,007,306 |
| Cash provided by financing activities | 223,728 | 4,475,068 | (4,251,340) |
| Cash used in investing activities | (200,000) | (25,000) | (175,000) |

Cash used in operating activities between 2022 and 2021 decreased primarily as a result of the Company prepaying for certain management and consulting fee services during the year ended September 30, 2021.

Cash provided by financing activities decreased primarily due to the Company completing a private placement of $370,625 during the year ended September 30, 2022 compared to $4,505,808 during the year ended September 30, 2021 and the repayment of $89,304 notes payable and $57,593 (2021 - $100,000) convertible debentures during the year ended September 30, 2022.

Cash used in investing activities increased due to the Company advancing a short-term loan of $200,000 ("Secured Loan") to PlasCred, in connection with the PlasCred Loan Assignment as outlined above. The Secured Loan bears interest of 10% per annum, compounded monthly, and matures on the earlier of June 2, 2023 or 90 days after the Assignment is terminated.

**DISCUSSION OF OPERATIONS**

**Research expenses:**

| | Year ended | | Three months ended | |
|---|---|---|---|---|
| | September 30, 2022 $ | September 30, 2021 $ | September 30, 2022 $ | September 30, 2021 $ |
| Technical consulting | 50,000 | 6,000 | - | - |
| | 50,000 | 6,000 | - | - |

The Company has been incurring research expense in relation to laboratory testing and thermodynamic modelling work with the goal of proving the economic viability of producing Mg metal from high purity MgO via aluminothermic reduction. In addition, the Company has continued its development efforts to further optimize and demonstrate its ability to produce high purity MgO and amorphous silica. As part of this work, the Company engages technical consultants. During the year ended September 30, 2022, the Company continued the next phase to demonstrate the feasibility of producing Mg metal. During the year ended September 30, 2021, the Company cut back on the research expenses due to the travel bans and social distancing measures put in place resulting from the Covid-19 pandemic.

**LIQUIDITY**

| | September 30, 2022 | September 30, 2021 |
|---|---|---|
| Working capital (deficiency) | $ (848,798) | $ 983,433 |
| Deficit | $ (21,768,080) | $ (19,408,055) |

The change in the working capital of $1,832,231 was primarily due to:

- General and administrative costs of $1,970,267 and interest expense of $31,091.
- The repayment of $50,000 plus interest totalling $57,593 of the convertible debenture.
- The repayment of $86,000 plus interest totalling $100,843 of the notes payable.
- The closing a non-brokered private placement and issuing 1,453,431 common shares at a price of $0.255 per share for gross proceeds of $370,625.
- The advancing the Secured Loan of $200,000 to PlasCred, in connection with the PlasCred Loan Assignment as outlined above.

Recent developments in the capital markets have restricted access to debt and equity financing for many companies. As the Company has no significant income, cash balances will continue to decline as the Company utilizes these funds to conduct its operations, unless replenished by capital fundraising or debt.

## CAPITAL RESOURCES

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in granted and pending patents, and other assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

## RELATED PARTY DISCLOSURES

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

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

| | **September 30, 2022** | **September 30, 2021** |
|---|---|---|
| | $ | $ |
| Dorian Banks, Executive Director and CEO and interim CFO | 60,000 | 7,500 |
| Tony Louie, former Executive Director and CEO | - | 135,000 |
| Drew Brass, non-executive Director for consulting fees | 36,000 | 36,000 |
| Share-based compensation | 158,667 | 2,306 |
| | 254,667 | 180,816 |

<u>Due to related parties</u>

| | **September 30, 2022** | **September 30, 2021** |
|---|---|---|
| | $ | $ |
| Tony Louie, former Executive Director and CEO | - | 34,806 |
| Company related to Tony Louie, former Executive Director and CEO | - | 10,000 |
| Drew Brass, non-executive Director | 72,000 | 36,000 |
| | 72,000 | 80,806 |

The current year balance owing to former executive director and CEO has been included in accounts payable. Included in accounts payable and accrued liabilities as at September 30, 2022 is $44,806 (September 30, 2021 - $4,725) owing to former executive director and CEO and a company controlled by the former CEO.

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, 2020, the Company entered into a loan agreement with a director of the Company whereby the director agreed to lend $16,000. The loan was unsecured, due on January 29, 2021 and bears interest at 8% per annum. During the year ended September 30, 2022, the Company issued Nil common shares (September 30, 2021 - 6,772 common shares) in settlement of the loan agreement amounting to $Nil (September 30, 2021 - $19,910).

## OUTSTANDING SHARE DATA

### (a) Authorized

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

The table below presents the Company's common share data:

| | Number as at the Report Date | Number as at September 30, 2022 |
|---|---|---|
| Common Shares, issued and outstanding | 5,521,309 | 5,521,309 |
| Stock options convertible into common shares | 554,286 | 404,286 |
| Warrants | 2,665,418 | 2,665,418 |

## 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 currently has no source of revenues, though it raises capital by obtaining equity financing, selling assets and/or incurring debt. 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.

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.

There were no changes in the Company's approach to capital management during the period and the Company is not subject to any externally imposed capital requirements.

**FINANCIAL INSTRUMENTS**

Fair values

The company's financial instruments consist of cash, accounts payable, due to related parties, notes payable, advance from Investissement Québec 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 September 30, 2022, 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 advance from Investissement Québec is exposed to changes in prime rate. As at September 30, 2022, a 1% increase/decrease in prime rate would increase/decrease the net loss by $5,730 (September 30, 2021 - $5,534).

*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 exposed to minimal 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.

## RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

### Competition

Magnesium Metal is a competitive market and the ability to secure offtake agreements with magnesium metal clients and customers is critical. The key to success is to ensure that a stable, low-cost ultrapure magnesium metal (and Mg-related byproducts and compounds) is produced at a price less than its competitors while the sale of products from its other related operations assists in revenue flow. The Company's other assets are its technology, process and innovative modular plant expansion design.

### New Business

The Company currently does not have any contractual customers. To mitigate this risk, the Company is actively in discussion with several large companies who have shown great interest in purchasing the Company's magnesium-based products. However, there is a risk that the Company may not be able to find sufficient customers at the early stages.

### Market

The profitability of the Company's operations is significantly affected by changes in the market prices of the products. The level of interest rates, the rate of inflation, and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

### Project Execution Risk

The business is based on a novel, low-cost modular method for producing magnesium metal and magnesium oxide. Although the majority of the unit operations are commercially proven, several key processing steps need to undergo a technical and economic review and possible testing prior to engineering and construction. To mitigate this risk, this capital and operating cost review will be carried out by an independent engineering firm prior to detailed engineering design and construction of the facility.

Once the detailed engineering design is complete, there are no guarantee that the processing facility will be built on time and on budget. Any delays in receiving the appropriate environmental and construction permits, construction delays, as well as ramp up to full capacity may materially impact the Company's financial performance and cash flow. This risk, however, is being mitigated through the design and construction of a modular facility. This approach limits the financial exposure and helps to ensure adequate cash flow prior to expanding production through additional modular units.

**Key Personnel**

The success of the Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

This risk is mitigated through the engagement of technology experts, consultants in the field, etc. who can intervene in such an instance. Once the final design, equipment procurement and construction of the pilot -plant and other operations is complete, this risk is further mitigated.

The facilities' location in an industrial community gives it the ability to engage qualified personnel to operate the facility, create local jobs and renovate an industrial wasteland to an environmentally friendly business hub is deemed to be a very low risk.

**Product Quality**

The unique Magnesium process is designed to produce 99.9% wt. magnesium metal ingots. If the processing steps result in inconsistent product quality, then the Company may not be able to fulfill its contractual agreements to its customers which could adversely impact its financial performance, if the Company's other products sales are not high enough to compensate.

In addition to producing Magnesium ingots, the process is also designed to produce significant quantities of secondary Mg-related byproducts, co-products and compounds for sale to customers as well as its Mg-based panels for the construction industry and Mg-Air Fuel Cell development as commercial viability is determined. The Company is determined to create a solid, stable, Canadian source of Mg and its other products to enable both Canada and the USA to rely less on other foreign imports.

**Consumable and Raw Material costs**

The process is based on processing on grade, already-mined, serpentinite tailings to produce magnesium metal and other related Mg byproducts. The Company has secured a long-term option agreement for the raw material supply of 50M tonnes at a very low ($1.00/tonne as it is used) price. The Company has an option for an additional 60M tonnes in Thetford Mines Québec. These two option contracts ensures a long-term raw material supply and as such this risk has been mitigated.

**Property Damage**

The facility will be insured against loss of property as well as other insurances to protect against certain risks. The Company, however, cannot insure against operator error, improper maintenance, and general equipment failure. As such these events may increase the overall operational costs of the facility and thus impact the profitability of the Company.

**Environmental and Safety Compliance**

The processing facility will be designed and constructed to meet all required environmental, health and safety standards. Although best practices will be used to design, construct and operate the facility, there is always a risk that operator error or equipment failure will result in environmental and/or safety non-compliance.

**Intellectual Property**

The Company has significant know-how which will be protected through the filing of patents as well as the issuance of non-disclosure agreements for specific know-how and business confidential information. Although every effort will be made to ensure that the Company's IP and know-how are protected, there is a risk that the competition and/or employees will not respect their legal obligations and the Company may be forced to take legal action.

**Legal Risk**

In the normal course of the Company's business, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to the personal injuries, property damage, property tax, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

## CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Certain pronouncements were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretation Committee ("IFRIC") that are not yet effective. Many are not applicable or do not have significant impact to the Company and have been excluded.

On October 1, 2021, the Company amended its significant accounting policy to state that upon settlement of convertible debentures, the Company reclassifies the carrying value of equity portion from loan reserve to deficit in order to provide more relevant information on the Company's financial position. This change was applied retrospectively; therefore, the opening balances of each affected component of financial position for the earliest period presented and other comparative amounts disclosed for each prior period have been presented as if this method has always been applied.

Retrospective application of this change in accounting policy results in the following impact on the October 1, 2020 opening statement of financial position:

| | **As at October 1, 2020** | | |
|---|---|---|---|
| | **Reported at October 1, 2020** | **Impact of changes** | **Restated at October 1, 2020** |
| Reserves | 2,918,987 | (2,664,963) | 254,024 |
| Deficit | (13,686,270) | 2,664,963 | 11,021,307 |

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A. Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional personnel in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased personnel only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

# COVER TECHNOLOGIES INC.

## MANAGEMENT DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED SEPTEMBER 30, 2021

This Management Discussion and Analysis ("MD&A") of Cover Technologies Inc. ("Cover" or the "Company") should be read in conjunction with the Company's the audited consolidated financial statements for the years ended September 30, 2021 and 2020, together with the notes thereto ("Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All financial information in this MD&A have been prepared in accordance with IFRS. All dollar amounts included therein and in this MD&A are in Canadian dollars, the reporting and functional currency of the Company, except where noted. The MD&A contains information up to and including January 28, 2022 (the "Report Date").

## FORWARD-LOOKING STATEMENT

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential", "projects", "grow", "take advantage", "estimate", "well positioned" or similar words suggesting future outcomes. In particular, this MD&A may contain forward-looking statements relating to future opportunities, business strategies, mineral exploration, development and production plans and competitive advantages.

The forward-looking statements regarding the Company are based on certain key expectations and assumptions of the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services and the ability to obtain financing on acceptable terms, the actual results of exploration and development projects being equivalent to or better than estimated results in technical reports or prior activities, and future costs and expenses being based on historical costs and expenses, adjusted for inflation, all of which are subject to change based on market conditions and potential timing delays. Although management of the Company consider these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect and such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements, including among other things: inability of the Company to continue meeting the listing requirements of stock exchanges and other regulatory requirements, general economic and market factors, including business competition, changes in government regulations or in tax laws; general political and social uncertainties; commodity prices; the actual results of exploration, development or operational activities; changes in project parameters as plans continue to be refined; accidents and other risks inherent in the mining industry; lack of insurance; delay or failure to receive board or regulatory approvals; changes in legislation, including environmental legislation, affecting the Company; timing and availability of external financing on acceptable terms; conclusions of, or estimates contained in, feasibility studies, pre-feasibility studies or other economic evaluations; and lack of qualified, skilled labour or loss of key individuals; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, along with the Company's annual information form, if any, all of which are filed and available for review on SEDAR at www.sedar.com. Readers are cautioned that the foregoing list is not exhaustive.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A

and the Company does not undertake and is not obligated to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

## OVERVIEW

Cover was incorporated on June 18, 2007 in British Columbia, Canada and is currently active in BC and Québec. Activities in Québec are carried out through Cover's wholly-owned subsidiary, Mag One Operations Inc. ("MOOI"). The Company's shares are currently traded on the Canadian Securities Exchange ("CSE") under the symbol "COVE" and are also listed on the Börse Frankfurt stock exchange ("Frankfurt") with the ticker symbol "304" and on the OTCBB symbol, "MGPRF". Cover is a technology research & development company with a focus on emerging technologies and solutions. In addition to the current research and development on its magnesium processing technology, Cover is in pursuit of identifying opportunities in emerging technologies. Cover has expanded its lines of business to include a decentralized finance blockchain technology software application designed to facilitate tracking, trading, transacting and borrowing against digital assets in a secured and transparent manner, which complements its magnesium technology by vertically integrating the various levels of the resource sector from initial production to processing, and then up the supply chain, logistics, and finance. Using its game-changing technology, Cover aims to be the most environmentally friendly & sustainable producer of magnesium (Mg) metal, ultrapure Mg compounds, by-products and vertically integrated coproducts. Cover is in pursuit of identifying opportunities in emerging technologies.

## OVERALL PERFORMANCE

Subsequent to the year ended September 30, 2021, the Company consolidated the issued share capital on the basis of 7 old common shares for one (1) new common share (the "Consolidation"). Outstanding stock options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these MD&A have been retroactively restated to reflect the share consolidation.

During the year ended September 30, 2021, the Company completed the consolidation of its issued and outstanding common shares (each, a "Share") on the basis of one (1) post-consolidation Share for every twenty (20) pre-consolidation Shares (the "Consolidation"). Outstanding stock options were adjusted by the Consolidation ratio. All common shares and per common share amounts in these MD&A have been retroactively restated to reflect the Consolidation.

During the year ended September 30, 2021, the Company:

- appointed Mr. Dorian Banks as Chief Executive Officer, interim Chief Financial Officer and a Director of Cover. Mr. Banks is a lifelong international entrepreneur with focuses on technology, blockchain and agri-tech. Notably, he has built companies from the ground up in wireless technologies, mobile phone gaming and APPs, large scale plantations, UAV technology, 3D printing and crypto-currency mining. He has served as a senior executive and/or board member of over a dozen publicly traded companies over the past two decades, arranging financings from some of the largest global banks. Concurrent with the appointment of Mr. Banks, Mr. Tony Louie has resigned as the Company's Chief Executive Officer, Chief Financial Officer and Director. Cover wishes to thank Mr. Louie for his services and guiding the Company to this phase of the Company's development.

- appointed Mr. Steven Dryall as Chief Technology Officer ("CTO") of the Company. Mr. Dryall, who was recognized by the Royal Canadian Mint as a contributor to the evolution of currency, has an established legacy in areas of fintech to include blockchain, cryptocurrency, and digitized commodities. Over two decades, Mr. Dryall has held founding or executive roles in firms to include Confluent Technologies, Nikola Tesla Unite, and Incipient Industries. Mr. Dryall was a named contributor to The WealthTECH Book (Wiley, 2018), and from 2012 to 2014 was the editor of Coineer Magazine (predecessor to NewsBTC Canada). Additionally, Mr. Dryall has been a speaker and panelist at numerous blockchain, fintech, and entrepreneurship events worldwide.

Subsequent to the year ended September 30, 2021, the Company consolidated the issued share capital on the basis of 7 old common shares for one (1) new common share (the "Consolidation"). Outstanding stock options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these consolidated financial statements have been retroactively restated to reflect the share consolidation.

**Global Pandemic**

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19), which include the implementation of travel bans, self-imposed quarantine periods and social distancing. COVID-19 has caused material disruption to businesses globally resulting in an economic slowdown. These measures may adversely affect and harm the Company by potentially limiting access to our technologies and preventing the Company from meeting its obligations. Additionally, these measures could affect the ability to complete due diligence on potential transactions by limiting in person meetings and restricting travel. The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. It is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

**DeFi Technology**

During the year ended September 30,2021, the Company entered into an agreement to purchase the technology known as Flurbo, for decentralized finance ("DeFi") applications ("Flurbo") from Nifty Technologies Inc. ("Nifty"), an arm's length party. Pursuant to the terms of the agreement, the Company issued 785,714 commons shares with a fair value of $$4,400,000. In the event that after twelve (12) months from closing, Flurbo achieves a positive EBITDA within twenty-four (24) months from closing of the transaction, Cover will issue an additional number of shares equal to $3,500,000 at the time of such achievement (the "Performance Shares"). Each Performance Share will have a deemed value equal to the closing price of the Company's common shares listed on the exchange the trading day prior to the issuance date thereof.

A finders' fees was paid in connection with the acquisition of Flurbo to arm's length finder consisted of an aggregate of 16,125 common shares with a fair value of $90,300.

Cover views the acquisition of this blockchain technology as a complement to its current business of developing a technology to process magnesium from tailings in an environmentally and sustainable manner. The acquisition of Flurbo will provide the Company with the technology to vertically integrate the various levels of the resource sector from initial production to processing, and then up the supply chain, logistics, and finance. Cover's acquisition of Flurbo is an opportunity to aggregate all participants and transactions at all levels in the resources industry by providing one trusted and transparent digital solution. Flurbo will provide resource producers the ability to capture mineral production statistics to help streamline logistics and financing, and facilitate provenance tracking. The Flurbo solution may be used by a wide variety of participants including producers, purchasers, financial institutions, financiers, streamers, logistics companies, and assayers.

## Magnesium Agreements

In 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, Québec, Canada” prepared by Systémes 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 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. As at the Report Date, DST exercised its option to re-purchase the Technical Report.

In connection with the SPA, in 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 Québec up to March 1, 2020. The new 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. 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 from 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. 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.

The Company, through its subsidiary, MOOI, 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. Due to confidentiality concerns, these specific acquisition payments have been redacted. During the Collaboration, the President of Tech Magnesium will provide services to MOOI to further de-risk the Mg 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 has yet to exercise the Option.

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. The Company recognized a gain on contract cancellation of $50,474.

**Disinfectant and Cleaning Solution Agreements**

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 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. Year two of the agreement provides a guaranteed royalty to Vera of $120,000 or 8% of gross sales – whichever is the greater of the two. Years three to five require a minimum growth of 10% year over year in royalty payments. The royalty payments will be paid within 30 days at the end of each quarter. As at September 30, 2020, the Company recognized an impairment of 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 that the Company has secured for Canada, United States, Italy, Spain, Portugal and Austria. 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 GORR / commission will be in line with industry standards.

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.

**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 two (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 requirements, the grants have been reflected as a demand liability incurring interest at 4% per annum. During the year ended September 30, 2021, the Company accrued $19,552 (2020 - $19,606) 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 year ended September 30, 2021, the Company incurred a total of $Nil (2020 - $90,237) of eligible expenditures related to the project. A total of $Nil (2020 - $32,400) 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 ($12,246 claimed). 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 year ended September 30, 2021, the Company incurred a total of Nil (2020 - $31,482) of eligible expenditures related to this project. A total of $Nil (2020 - $12,246) has been recognized into profit or loss as an offset to research expense, of which $Nil (2020 - $1,225) was recorded in other receivables. During the year ended September 30, 2021, the Company provided notification to the Minister of not proceeding; therefore the Minister released $1,225, representing the 10% holdback.

**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 year ended September 30, 2021, the Company repaid $100,000 plus interest totalling $116,569 of the Convertible Debenture. During the year ended September 30, 2021, the Company accrued $7,632 (2020 – $11,030) of interest related to the Convertible Debentures.

**Notes Payable**

During the year ended September 30, 2021, the Company received unsecured loan proceeds of $26,000 (September 30, 2020 - $215,000) from arms-length parties. During the year ended September 30, 2021 the Company issued 71,429 commons shares in settlement of notes payable amounting to $210,000 and reduced the interest owing by $7,993 to arms-length parties.

| Principal<br>$ | Interest Rate<br>% | Due Date | Principal and interest owing as at September 30, 2021<br>$ | Principal and interest owing as at September 30, 2020<br>$ |
|---|---|---|---|---|
| 1,000 | 8 | On demand | 1,000 | - |
| 5,000 | 8 | November 18, 2020 | 5,000 | 5,347 |
| 50,000 | 8 | November 22, 2020 | 50,000 | 53,430 |
| 30,000 | 8 | January 30, 2021 | 33,304 | 30,905 |
| 20,000 | 5 | February 18, 2021 | - | 20,591 |
| 10,000 | 5 | February 18, 2021 | - | 10,308 |
| 50,000 | 5 | September 7, 2021 | - | 50,151 |
| 75,000 | 5 | September 14, 2021 | - | 50,110 |
| 240,000 | | | 89,304 | 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. During the year ended September 30, 2021 the Company issued 80,952 commons shares in settlement of notes payable amounting to $238,000. As at September 30, 2021, the Company had arms-length loans outstanding of $57,941 (September 30, 2020 - $296,014). These loans are unsecured, non-interest bearing and due on demand.

## Technology

Québec Pilot Plant Study

The Company, through its subsidiary, MOOI, is in the process of implementing two flagship projects which we believe will position the Company and the Danville Québec region as an emerging player in the global Mg metal, high purity magnesium oxide (HP MgO) and high purity amorphous silica (HP Silica) marketplace. The first project involves the development of a modular 30,000 tonnes per annum (tpa) HP MgO & 33,000 tpa HP Silica Production facility using Serpentinite Mine Tailings as the feed source. The second project will transform the HP MgO into primary Mg metal and a high value saleable by-product using 5,000 tpa aluminothermic reduction modules.

The Company's pathway to commercialization involves building a modular 30,000 tpa high purity magnesium oxide (MgO) and amorphous silica production facility followed by 5,000 tpa Mg metal production modules. Subsequent modules will be financed from operating revenues until the Company is producing 1 million tpa of Mg metal.

To get to this stage the Company needs to complete the MgO/Silica pilot plant efforts to garner offtake agreements and begin engineering of this facility. As outlined above, Government support for this work was grant from the Canadian Government's Clean Growth Program. In parallel the Company will advance the Tech Magnesium metal production process.

The Company has already received significant support from both Provincial (Québec) and Federal governments due to its sustainable approach to Mg production, namely low CO2 footprint, zero waste and rapid commercialization via its modular expansion business strategy. The government recognizes the importance of long term, environmentally sustainable projects that will generate significant jobs and sustainable growth. The Company's modular expansion technology is expected to result in essentially zero waste being produced as it produces Mg metal, Mg products and by-products from above ground, already-mined serpentinite tailings.

In Southern Québec, there are significant amounts of tailings piles as a result of over one hundred years of asbestos mining operations. The Company has, however, secured access to 110 million tonnes of tailings (50M at Jeffrey Mines and 60M at the former Thetford Mines locations).

In 2017, the Company commissioned an NI 43-101 "Summary of Current and Scientific Technical information" report entitled "Magnesium Bearing Waste Dumps Recycling Project". The Jeffrey Mine extracted more than 100M tonnes of chrysotile fibre from 1886 to 2012. Historical data further indicate that 188M tonnes of tailings were produced from the Jeffrey Mine and about 25% of that quantity has been made available under contract for the Company's project. The available tailings, as a result of this historical production, are ready for production in their present state and are not toxic. Using the available data, it is not possible to calculate a Mineral Resource nor a Mineral Reserve for this project. The two independent authors, namely Jacques Marchand, a Québec Ingénieur Géologue Conseil and Qualified Person per NI 43-101 and Christian Derosier a Professional Geologist, MSc, DSc and Qualified Person per NI 43-101, are however able to disclose a potential quantity and grade, expressed as ranges, of a target for further exploration. Specifically, the northern part of the Company's Jeffrey tailings averages 38.5% +/-0.3% MgO (23.2%+/-0.3% Mg) and is considered representative of the 81,000 m3 sampled in 2015. The volume of tailings that are therefore available to the Company range from 0.08 to 18M cubic meters of chrysotile with a grade range of 26 to 41% MgO. Considering the compositional homogeneity of the tailings that were generated from the mine production rejects along with the historical tailings testing that was carried out by the Centre de Recherche Minerale (CRM), the independent authors believe that the average compositional grades might be representative of the 3M m3 of the shallower part of the tailings but caution that this is not a mineral resource estimate. The authors confirm that the potential quantity and grade discussed above is conceptual as there has been insufficient exploration to define a mineral resource and that it is uncertain if further exploration will result in the target being delineated as a mineral resource. The basis for the determination of the potential volume is based on surveying done in 2015 and before. A resource/reserve calculation might be useful but in the authors' opinion will not add material value to the project.

The historical NI 43-101 Technical Report prepared by Systémes Geostat International Inc. on October 15, 2007 called: Resources Estimation of the Nickel Content in Asbestos Mines Tailings, Thetford Mines, Québec, Canada estimated 162.7M of Measured and Inferred tailings containing 37% MgO and 246.3M tonnes of inferred resources containing 38.6% MgO. Given that a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves, The Company cannot treat the historical estimate as current mineral resources or mineral reserves. For this reason, Blue Lagoon Resources (BLR) engaged JPL GeoServices, a Val-d'Or-based, independent geological consulting firm to author a National Instrument 43-101 (NI 43-101) Technical Report (the "Report") on the Normandie Tailings Project (the "Project") that was mandated to include a Mineral Resource Estimate ("MRE") for the Normandie tailings site, situated on the Property. As of the Report Date, the Company and its subsidiary, MOOI, sold back the 2007 Technical Report to DST.

JPL GeoServices issued an NI 43-101 Technical report issued on February 7, 2020 in the name of BLR and the Company on a portion of the Normandie tailings with the result being in line with what the Company had anticipated. Specifically, these tailings have a measured and indicated Mineral Resource Estimate (MRE) of 26.6M tonnes and a grade of 37.1% MgO. The Company could ultimately use its novel modular high purity MgO technology to build 10 plants, each producing 30,000 tonnes per year (TPY) of MgO and 33,000 TPY of amorphous silica for 30 years without having to seek another stockpile. The intended plant site is ideally located in a mining friendly jurisdiction that is close to road, rails, skilled labour and markets and boasts one of the lowest electricity costs in North America.

Research And Development

The Company has already demonstrated that its MgO manufacturing processes has the potential to produce greater than 98 weight percent pure MgO, as well as a saleable byproduct. It was also shown that the silicon contained within the serpentinite tailings that the Company is using, can be transformed into high-value amorphous silica ($SiO_2$), which has potential commercial applications in the construction industry as a replacement for silica fume in concrete and in the rubber tire industry as a replacement for carbon black. Not only does the high-purity MgO have a significant commercial market, it will also serve as a feedstock for the Company's innovative aluminothermic reduction process to produce magnesium metal. Furthermore, the iron residue from the magnesium recovery process contains nickel, which has potential value for existing nickel recovery operations. Therefore, the Company's chlorine-free approach to transform serpentinite tailings into high purity MgO and $SiO_2$ is targeted to be essentially a near 'zero discharge' operation.

In November 2018, the Company's subsidiary, MOOI, entered into a new contract with the University of Sherbrooke (UdS) for $12,500 to continue to advance and optimize the Company's novel hydrometallurgical process for producing high purity MgO, high-value amorphous silica and extract value from the iron-nickel residue.

Also, during this period, MOOI entered into a new contract with the Centre d'Innovation Minière de la MRC des Sources (CIMMS) for $102,300 to further optimize the pilot plant operating conditions to achieve maximum purity, minimize operating costs and better understand the parameters around Mg salt evaporation.

As previously mentioned, the purpose of the pilot plant, designed to process 100 kg/hr of serpentinite tailings, is two-fold: (1) to gather engineering data in order to design, build and operate a commercial 30,000 metric tonne per year MgO production facility in Southeastern Québec; and, (2) to generate MgO and amorphous silica for qualification purposes by third parties, including potential customers, for establishing offtake agreements.

In March 2019, the Company announced that the National Research Council of Canada (NRC), under its Industrial Research Assistance Program (IRAP) will support, on a cost-sharing basis MOOI project entitled "Feasibility – Magnesium Production using Aluminothermic Reduction Process" (the "Project"). Specifically, the NRC contract is supporting work done by Thermfact (Arthur Pelton, a thermodynamic expert), Kingston Process Metallurgy (KPM) and Glencore XPS (both metallurgical testing labs) in which NRC would cover 50% of eligible costs up to an amount of $98,400 (received). The goal of the project is to demonstrate the feasibility or producing Mg metal via aluminothermic reduction (Tech Magnesium process). The project completed at the end of January 2020 and consists of thermodynamic modelling, bench-scale experiments, process optimization and techno-economic analysis. Magnesium yields, along with by-product quality will be monitored at various processing conditions. With positive results stemming from the Project, the Company began work towards the pilot-scale demonstration phase in February 2020. The final phase of development will be the design, construction and start-up of the Company's first 5,000 tpa primary Mg metal module. Additional modules will then be brought online to coincide with market demand. As part of this effort, MOOI has entered into contracts with Thermfact on an hourly basis, while contracts with KPM and Glencore XPS are for a fixed fee. As an aside, the Company chose to move the work to Glencore XPS after it was deemed that the KPM furnace was too small to adequately demonstrate the Mg metal production process.

The Company, through its wholly owned subsidiary, MOOI, has commenced its next phase to demonstrate the feasibility of producing magnesium metal using Tech Magnesium's novel Aluminothermic Reduction Process. The test work will be divided into three (3) technical stages with the overarching goals of obtaining quality Mg metal product at high yields and final aluminum products that have value in use or in recycle.

<u>Blockchain-based Technology and Platform</u>

The Company has commenced development of ElectrumX, a blockchain-based platform for tracking and transacting commodity minerals with features to include a spot market and integrations with third-party DeFi solutions. Cover expects that ElectrumX will launch in approximately Q2 2022, and will complement its existing activities in the minerals space. The ElectrumX platform features will include mineral data recording and indexing, spot market for minerals and DeFi integrations.

*Mineral Data Recording and Indexing*

Stakeholders throughout the mineral supply chain (e.g., miners, processors, refiners, etc.) will have the ability to seamlessly enter provenance data, recorded on an immutable distributed ledger (blockchain) to enhance visibility into the origins of a given unit/allotment of minerals, as well as the sourcing practices used to obtain it. This data will be accessible on the ElectrumX spot market and can be used as criteria for placing trade orders (e.g., a market order for magnesium produced specifically in a given region, or by an artisanal miner whose sourcing practices have been verified as sustainable).

*Spot Market for Minerals:*

Users of the ElectrumX spot market will have the ability to trade various minerals represented through digitized cryptographic instruments with near-instant delivery. The ElectrumX spot market will offer several advantages compared to incumbent spot markets for mineral commodities to include lower fees, faster transaction speeds, and greater visibility into the minerals being transacted with the ability to automatically filter transactions or searches based on verified provenance data.

*DeFi Integrations*

Various DeFi solutions allow for standalone tools or technologies to be added on a modular basis to enhance the functionality of the base solution (e.g., a DeFi lending protocol can integrate a third-party tool to ensure loan collateral is free of encumbrances). These ancillary features are commonly referred to as “Legos”, an analogy to the popular interlocking plastic brick toy collection. For DeFi solutions which handle or facilitate transactions of minerals, it will be possible to integrate data feeds from ElectrumX to allow mineral traders and investors to benefit from in-depth insights collected and held by ElectrumX.

*Nifty Division*

Cover is launching a dedicated division titled Nifty for nonfungible tokens (“NFTs”) as well as related technologies in the DeFi category. The business activities of the Company’s Nifty division could add value to its existing magnesium operations as well as its metals spot market ElectrumX. Using the intellectual property that comprises the Flurbo Technology acquired by Cover from Nifty, the Company intends to create solutions under its NFT division for issuing and transacting NFTs for various purposes to include data-oriented representation of commodity ownership. Cover also intends to explore NFT opportunities outside of commodity minerals such as magnesium as part of the activities of its NFT division.

<u>Disinfectant and Cleaning Solutions</u>

During the year ended September 30, 2020, the Company partnered with Vera to distribute the Vera Products into Canadian, US and various European union markets. The Vera Products are safe, multi-purpose highly potent plant-based disinfectants, sanitizers, concentrates and other solution formulations with a unique paramagnetic efficacy that both cleans and starves bacteria from multiplying on surfaces. The partnership with Vera was terminated on October 1, 2020.

During the year ended September 30, 2020, the Company was negotiating the final terms of a lease agreement whereby they would pay $5,000.00 per month in lease payments for a bottling and manufacturing facility. During the year ended September 30, 2021, the Company terminated the letter of intent to negotiate the lease agreement.

The Company has entered into an agreement with COVEX Solutions Inc. (“COVEX”) whereby Cover and COVEX would negotiate a 50/50 joint venture agreement. COVEX has developed, and is continuing to develop, a number of science backed, trade-secret formulations that are ready for commercialization and in accordance with Health Canada’s monograph for hard surface disinfectants. Pursuant the agreement, Cover will pay $1,200,000 ($75,000 paid) to earn 50% equity ownership of COVEX. During the year ended September 30, 2021, the Company terminated negotiations with COVEX and all costs were written-off to operations.

## PROPOSED TRANSACTIONS

In the normal course of business, management actively targets 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. As of the Report Date the Company has no proposed transactions other than what has been outlined in the md&aMD&A.

## SUMMARY OF ANNUAL AND QUARTERY RESULTS

The following table sets out selected historical financial information of Cover. Such information is derived from the audited consolidated financial statements of the Company. The Company's annual consolidated financial statements are prepared in accordance with IFRS and expressed in Canadian dollars.

| | September 30, 2021 $ | September 30, 2020 $ | September 30, 2019 $ |
|---|---|---|---|
| Total revenue | - | - | - |
| Loss and comprehensive loss for the year | (8,621,698) | (473,346) | (1,284,015) |
| Net loss per share, basic and fully diluted | (4.02) | (1.20) | (3.85) |
| Total assets | 2,121,883 | 73,781 | 137,763 |
| Total liabilities | 1,138,450 | 1,777,864 | 1,368,500 |
| Shareholders' Equity (Deficiency) | 983,433 | (1,704,083) | (1,230,737) |

The following table sets out selected quarterly financial information derived from the Company's unaudited condensed consolidated interim financial statements, for each of the eight recently completed quarters, which have been prepared in accordance with IFRS.

| Period | Total revenue $ | Loss and comprehensive loss for the period $ | Net loss per share, basic and fully diluted $ |
|---|---|---|---|
| September 30, 2021 | - | (6,708,504) | (1.98) |
| June 30, 2021 | - | (434,121) | (0.13) |
| March 31, 2021 | - | (1,343,490) | (0.87) |
| December 31, 2020 | - | (135,583) | (0.35) |
| September 30, 2020 | - | (162,491) | (0.35) |
| June 30, 2020 | - | (101,834) | (0.28) |
| March ,31 2020 | - | (132,019) | (0.35) |
| December 31, 2019 | - | (77,002) | (0.21) |

## FOURTH QUARTER

The Company's performance for the three months ended September 30, 2021 and September 30, 2020 was as follows:

| | Three months ended September 30, 2021 $ | Three months ended September 30, 2020 $ | Change $ |
|---|---|---|---|
| Cash used in operating activities | (1,241,909) | (330,125) | (911,784) |
| Cash used in investment activities | (25,000) | (25,000) | - |
| Cash provided by financing activities | 60,829 | 350,164 | (289,335) |

Key changes in the primary components of the loss and comprehensive loss for the three months ended September 30, 2021 compared to the three months ended September 30, 2020 were as follows:

1. General and Administration increased by $331,197 due to the following fluctuations:
    - Management fees are related to the executive officers of Cover and MOOI. The decrease of $84,200 was due to a change in executive officers during the quarter.
    - Professional and consulting fees increased by $78,106 resulted from the hiring of external consultants for the oversight of regulatory compliance.
    - Investor communication increased by $288,132 due to the Company increasing promotional activities during the quarter.
    - Office and administration, transfer agent and filing fees, and travel increased by $5,883, $11,938 and 515 respectively due to increase of activities.
    - Research are development activities in Québec that cannot be capitalized and are expensed. There was no research and development activity during the quarter ended September 30, 2021 that was expensed. During the quarter ended September 30, 2020, the Company was in receipt of government grant funds that saw a recovery of $30,823.

2. A non-cash stock-based compensation charge of $1,676,936 (2020 - $Nil) was incurred to reflect the fair value of stock options during the period.

3. Interest expense decreased by $7,180 due the repayment due the repayment of $100,000 Convertible Debenture and the repayment of certain notes payable during the year ended September 30, 2021.

4. During the fourth quarter ended September 30, 2020, the Company recognized an impairment of the intangible asset of $25,000 pursuant to the Vera License Agreement.

5. During the fourth quarter ended September 30, 2021, the Company terminated negotiations with COVEX and $75,000 was written-off to operations.

6. During the fourth quarter ended September 30, 2021, the Company recorded a loss on debt settlement of $7,000.

7. During the fourth quarter ended September 30, 2021, the Company issued 801,839 common shares with a value of $4,490,300 in connection with the acquisition of the Flurbo technology.

*Cash flows during the three months ended September 30, 2021 and September 30, 2020.*

Cash used in operating activities between 2021 and 2020 increased as a result of increased activities due to the completion of a private placement for net proceeds of $4,505,808.

Cash used in investing activities were consistent between 2021 and 2020 periods.

Cash providing by financing activities changed during the 2021 period due the Company receiving proceeds from the exercise of warrants during the three months ended September 30, 2021 compared to proceeds from notes payable during the three months ended September 30, 2020.

## DISCUSSION OF OPERATIONS

The Company's performance for the year ended September 30, 2021 and September 30, 2020 was as follows:

| | September 30, 2021<br>$ | September 30, 2020<br>$ | Change<br>$ |
|---|---|---|---|
| Revenue | - | - | - |
| Loss from operating expenses | (8,622,985) | (473,381) | 8,149,604 |
| Loss and comprehensive loss | (8,621,698) | (473,346) | 8,148,352 |
| Cash used in operating activities | (3,134,365) | (260,381) | (2,873,984) |
| Cash used in investing activities | (25,000) | (25,000) | - |
| Cash provided by financing activities | 4,475,068 | 255,000 | 4,220,068 |

Key changes in the primary components of the loss and comprehensive loss for the year ended September 30, 2021 compared to the year ended September 30, 2020 were as follows:

1. General and Administration increased by $1,792,159 due to the increase in business operations resulting from the completion of the private placement in February 2021.
   - Management fees are related to the executive officers of Cover and MOOI. The decreased of $43,000 was due to the hiring of external consultants as executive officers, the change in executive officers and a credit received by a Company controlled by the President of MOOI for consulting fees.
   - Investor communication increased by $999,754 due to the Company increasing promotional activities and receiving a credit during the year ending September 30, 2020.
   - Professional and consulting fees increased by $903,436 due to the engagement of additional consultants to support the increase in business operations.
   - Research are development activities in Québec that cannot be capitalized and expensed which decreased by $118,457 due to decreased activities resulting from the COVID-19 pandemic travel restrictions and social distancing measures implemented.

2. A non-cash stock-based compensation charge of $1,676,936 (2020 - $Nil) was incurred to reflect the fair value of stock options during the year.

3. Interest expense decreased by $4,128 due the repayment due the repayment of $100,000 Convertible Debenture and the repayment of certain notes payable during the year ended September 30, 2021.

4. The Company recognized an impairment of the intangible asset of $25,000 pursuant to the Vera License Agreement.

5. The Company terminated negotiations with COVEX and $75,000 was written-off to operations.

6. The Company recorded a loss on debt settlement of $7,000.

7. The Company issued 801,839 common shares with a value of $4,490,300 in connection with the acquisition of the Flurbo technology.

*Cash flows during the year ended September 30, 2021 and September 30, 2020 increased due to the following fluctuations:*

- 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.

- On February 26, 2021, the Company completed a private placement for net proceeds of $4,505,808.

- The Company issue 6,429 common shares for gross proceeds of $33,750 for warrants exercised

- The Company issued 1,811 common shares for gross proceeds of $9,510 for finders' warrants exercised. Accordingly, $10,745 was transferred from reserves to share capital.

**Research expenses:**

| | Three months ended | | Year Ended | |
|---|---|---|---|---|
| | September 30, 2021 $ | September 30, 2020 $ | September 30, 2021 $ | September 30, 2020 $ |
| Technical retainership | - | 3,600 | - | 101,602 |
| Technical consulting | - | - | 6,000 | 3,763 |
| Pilot plant testing | - | - | - | - |
| Analytical services | - | - | - | 63,738 |
| Government assistance | - | (12,247) | - | (44,646) |
| Other | - | - | - | - |
| | - | (8,647) | - | 124,457 |

The Company has been incurring research expense in relation to laboratory testing and thermodynamic modelling work with the goal of proving the economic viability of producing Mg metal from high purity MgO via aluminothermic reduction. In addition, the Company has continued its development efforts to further optimize and demonstrate its ability to produce high purity MgO and amorphous silica. As part of this work, the Company engages technical consultants. During the year ended September 30, 2021 and 2020, the Company cut back on the research expenses due to the travel bans and social distancing measures put in place resulting from the Covid-19 pandemic. The Company, however, has been able to retain key technical personnel to provide continuity to the various activities.

**LIQUIDITY**

The Company started the 2021 fiscal year with a working deficiency of $1,754,083, as at September 30, 2021, the Company had a working capital of $983,433. The change in the working capital of $2,737,516 was primarily due to the closing of the private placement for gross proceeds of $4,800,000, gross proceeds form the exercise of warrants of $43,260 and general and administrative costs of $2,341,133.

Recent developments in the capital markets have restricted access to debt and equity financing for many companies. As the Company has no significant income, cash balances will continue to decline as the Company utilizes these funds to conduct its operations, unless replenished by capital fundraising or debt.

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| Working capital (deficiency) | $ 983,433 | $ (1,754,083) |
| Deficit | $ (22,073,018) | $ (13,686,270) |

## CAPITAL RESOURCES

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in granted and pending patents, and other assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

## RELATED PARTY DISCLOSURES

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

Compensation paid to key management and directors

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

| | **September 30, 2021** | **September 30, 2020** |
|---|---|---|
| | $ | $ |
| Dorian Banks, Executive Director, CEO and interim CFO | 7,500 | - |
| Tony Louie, former Executive Director and CEO | 135,000 | 70,000 |
| Drew Brass, Non-executive Director for consulting fees | 36,000 | 18,000 |
| Company controlled by Gillian Holcroft, President of MOOI for consulting fees and research expenses | - | 164,000 |
| A company controlled by a Rob Burylo, former Director for consulting fees | - | 5,000 |
| A company controlled by Arnab Kumar De, former CFO for professional fees | - | 7,500 |
| Share-based compensation | 2,316 | - |
| | 180,816 | 264,500 |

<u>Due to related parties</u>

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| | $ | $ |
| Tony Louie, Executive Director and CEO | 34,806 | 70,000 |
| Company related to Tony Louie, Executive Director and CEO | 10,000 | 6,000 |
| Drew Brass, non-executive Director | 36,000 | 18,000 |
| Frank Vlastelic, non-executive Directors | - | 18,840 |
| Company controlled by, Gillian Holcroft, President of MOOI | - | 76,000 |
| | 80,806 | 188,840 |

Included in accounts payable and accrued liabilities as at September 30, 2021 is $4,725 (September 30, 2020 - $4,725) owing to a company controlled by Arnab Kumar De, the former CFO.

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, 2020, Nelson Skalbania, former director and former chairman, and a family member assigned the collective amounts outstanding of $293,294 to an arms-length party. 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, 2020.

During the year ended September 30, 2020, the Company entered into a loan agreement with Frank Vlastelic, 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. During the year ended September 30, 2021, the Company issued 47,404 common shares in settlement of the loan agreement amounting to $19,910. As of June 30, 2021, the Company had a balance payable including principal and interest of $Nil (September 30, 2020 - $18,840).

During the year ended September 30, 2021, the Company repaid $118,000 to the Director and CEO, and Director as follows:

a) issued 238,095 common shares of the Company to Tony Louie, Director and CEO of the Company amounting to $100,000.

b) issued 42,857 common shares of the Company to Drew Brass, Director of the Company amounting to $18,000.

## OUTSTANDING SHARE DATA

### (a) Authorized

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

### (b) Common Shares - issued and outstanding

Changes in issued share capital and equity reserves for the period ended September 30, 2021 were as follows:

1. A total of 201,669 common shares were issued at $2.94 to settle $585,910 debt owing.

2. The Company completed a non-brokered private placement of 2,587,601 units (the "Units") at a price of $1.855 per Unit for gross proceeds of $4,800,000. Each Unit consists 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 $5.25 until February 26, 2023, subject to an acceleration provision whereby if the Shares trade at a price of $5.00 or greater per Share for a period of 10 consecutive trading days after four months and one day from the closing of the private placement, 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. Finder's fees were paid in connection with the private placement to arm's length finders that consisted of cash commission in the total amount of $294,042. In addition, an aggregate of 75,456 Shares and 86,057 broker warrants (the "Broker Warrants") have been issued to finders. The terms of the Broker Warrants are identical to the terms of the Warrants. The fair value of the Broker Warrants was determined to be $456,760 calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of warrants – 2 years; expected volatility – 152.33%; expected dividend yield – 0%; and risk-free rate – 0.30%.

3. The Company issue 6,429 common shares for gross proceeds of $33,750 for warrants exercised

4. The Company issued 1,811 common shares for gross proceeds of $9,510 for finders' warrants exercised. Accordingly, $10,745 was transferred from reserves to share capital.

5. the Company issued a total of 801,839 common shares at a price of $0.80 for consideration of $4,490,300 to Nifty and an arm's length finder for the acquisition of Flurbo.

The table below presents the Company's common share data:

| | Number as at the Report Date | Number as at September 30, 2021 |
|---|---|---|
| Common Shares, issued and outstanding | 4,067,878 | 4,067,878 |
| Stock options convertible into common shares | 404,286 | 404,286 |
| Warrants | 2,665,418 | 2,665,418 |

## CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a
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 currently has no source of revenues, though it raises capital by obtaining equity financing, selling assets and/or incurring debt. 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.

## FINANCIAL INSTRUMENTS

Fair values

The company's 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 September 30, 2021, 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.

## RISK AND UNCERTAINTIES

Risk is inherent in all business activities and cannot be entirely eliminated. Our goal is to enable the Company's business processes and opportunities by ensuring that the risks arising from our business activities, the markets and political environments in which we operate is mitigated. The risks and uncertainties described in this section are considered by management to be the most important in the context of the Company's business. The risks and uncertainties described are not inclusive of all the risks and uncertainties the Company may be subject to and other risks may apply.

### Global Pandemic

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19), which include the implementation of travel bans, self imposed quarantine periods and social distancing. COVID-19 has caused material disruption to businesses globally resulting in an economic slowdown. These measures may adversely affect and harm the Company by potentially limiting access to our technologies and preventing the Company from meeting its obligations. Additionally, these measures could affect the ability to complete due diligence on potential transactions by limiting in person meetings and restricting travel. The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. It is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.

### Competition

Magnesium Metal is a competitive market and the ability to secure offtake agreements with magnesium metal clients and customers is critical. The key to success is to ensure that a stable, low-cost ultrapure magnesium metal (and Mg-related byproducts and compounds) is produced at a price less than its competitors while the sale of products from its other related operations assists in revenue flow. The Company's other assets are its technology, process and innovative modular plant expansion design.

### New Business

The Company currently does not have any contractual customers. To mitigate this risk, the Company is actively in discussion with several large companies who have shown great interest in purchasing the Company's magnesium-based products. However, there is a risk that the Company may not be able to find sufficient customers at the early stages.

### Market

The profitability of the Company's operations is significantly affected by changes in the market prices of the products. The level of interest rates, the rate of inflation, and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

**Project Execution Risk**

The business is based on a novel, low-cost modular method for producing magnesium metal and magnesium oxide. Although the majority of the unit operations are commercially proven, several key processing steps need to undergo a technical and economic review and possible testing prior to engineering and construction. To mitigate this risk, this capital and operating cost review will be carried out by an independent engineering firm prior to detailed engineering design and construction of the facility.

Once the detailed engineering design is complete, there are no guarantee that the processing facility will be built on time and on budget. Any delays in receiving the appropriate environmental and construction permits, construction delays, as well as ramp up to full capacity may materially impact the Company's financial performance and cash flow. This risk, however, is being mitigated through the design and construction of a modular facility. This approach limits the financial exposure and helps to ensure adequate cash flow prior to expanding production through additional modular units.

**Key Personnel**

The success of the Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

This risk is mitigated through the engagement of technology experts, consultants in the field, etc. who can intervene in such an instance. Once the final design, equipment procurement and construction of the pilot -plant and other operations is complete, this risk is further mitigated.

The facilities' location in an industrial community gives it the ability to engage qualified personnel to operate the facility, create local jobs and renovate an industrial wasteland to an environmentally friendly business hub is deemed to be a very low risk.

**Product Quality**

The unique Magnesium process is designed to produce 99.9% wt. magnesium metal ingots. If the processing steps result in inconsistent product quality, then the Company may not be able to fulfill its contractual agreements to its customers which could adversely impact its financial performance, if the Company's other products sales are not high enough to compensate.

In addition to producing Magnesium ingots, the process is also designed to produce significant quantities of secondary Mg-related byproducts, co-products and compounds for sale to customers as well as its Mg-based panels for the construction industry and Mg-Air Fuel Cell development as commercial viability is determined. The Company is determined to create a solid, stable, Canadian source of Mg and its other products to enable both Canada and the USA to rely less on other foreign imports.

**Consumable and Raw Material costs**

The process is based on processing on grade, already-mined, serpentinite tailings to produce magnesium metal and other related Mg byproducts. The Company has secured a long-term option agreement for the raw material supply of 50M tonnes at a very low ($1.00/tonne as it is used) price. The Company has an option for an additional 60M tonnes in Thetford Mines Québec. These two option contracts ensures a long-term raw material supply and as such this risk has been mitigated.

**Property Damage**

The facility will be insured against loss of property as well as other insurances to protect against certain risks. The Company, however, cannot insure against operator error, improper maintenance, and general equipment failure. As such these events may increase the overall operational costs of the facility and thus impact the profitability of the Company.

**Environmental and Safety Compliance**

The processing facility will be designed and constructed to meet all required environmental, health and safety standards. Although best practices will be used to design, construct and operate the facility, there is always a risk that operator error or equipment failure will result in environmental and/or safety non-compliance.

**Intellectual Property**

The Company has significant know-how which will be protected through the filing of patents as well as the issuance of non-disclosure agreements for specific know-how and business confidential information. Although every effort will be made to ensure that the Company's IP and know-how are protected, there is a risk that the competition and/or employees will not respect their legal obligations and the Company may be forced to take legal action.

**Legal Risk**

In the normal course of the Company's business, the Company may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, related to the personal injuries, property damage, property tax, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

## CHANGES IN ACOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for the accounting periods commencing on or after January 2, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis. Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. Management will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional personnel in order to provide greater segregation of duties. Since there is insufficient work at this time to warrant the additional costs, management has chosen to disclose the potential risk in its filings and proceed with increased personnel only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by management of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

## APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

## SCHEDULE D

## AUDITED FINANCIAL STATEMENTS OF PLASCRED

[*See Attached*]

# PlasCred Inc.

**Financial Statements**

For the period from incorporation on January 28, 2022 to December 31, 2022

(Expressed in Canadian dollars)

# Independent Auditor's Report

To the Shareholders of PlasCred Inc.:

## Opinion

We have audited the financial statements of PlasCred Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statements of loss and other comprehensive loss, changes in shareholders' deficit and cash flows for the period from incorporation on January 28, 2022 to December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the period from incorporation on January 28, 2022 to December 31, 2022 in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) in the financial statements, which indicates that the Company incurred a net loss and other comprehensive loss and utilized cash in operations during the period from incorporation on January 28, 2022 to December 31, 2022 and, as of that date, the Company had an excess of current liabilities over current assets and an accumulated deficit. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Rahim Rajan.

Calgary, Alberta

MNP LLP

July 28, 2023

Chartered Professional Accountants

# PlasCred Inc.

Statement of Financial Position
As at December 31, 2022
(Expressed in Canadian Dollars)

| | December 31, 2022 $ |
|---|---:|
| **Assets** | |
| | |
| **Current assets** | |
| Cash | 118,757 |
| Goods and services tax (“GST”) receivable | 28,406 |
| Share subscriptions receivable *(Note 7)* | 10,000 |
| | **157,163** |
| **Non-current assets** | |
| Construction in progress and computer equipment *(Note 4)* | 333,640 |
| **Total assets** | **490,803** |
| | |
| **Liabilities** | |
| | |
| **Current liabilities** | |
| Accounts payable and accrued liabilities *(Note 5)* | 278,209 |
| Short-term loan *(Note 6)* | 832,137 |
| | **1,110,346** |
| | |
| **Shareholders’ deficit** | |
| Share capital *(Note 7)* | 10,000 |
| Accumulated deficit | (629,543) |
| | **(619,543)** |
| | |
| **Total liabilities and shareholders’ deficit** | **490,803** |

Going concern – *Note 2(b)*
Subsequent events – *Note 14*

Approved by the Director:

*“Signed”* Troy Lupul
Director

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

# PlasCred Inc.

Statement of Loss and Other Comprehensive Loss
For the period from incorporation on January 28, 2022 to December 31, 2022
(Expressed in Canadian Dollars)

| | From January 28, 2022 to December 31, 2022 $ |
|---|---|
| **Expenses:** | |
| Consulting fees | 216,250 |
| General and administration | 17,143 |
| Interest on short-term loan *(Note 6)* | 19,437 |
| Professional fees | 126,530 |
| Research and development | 50,000 |
| Salaries and wages | 108,764 |
| Travel and business development | 91,419 |
| **Net loss and other comprehensive loss for the period** | **(629,543)** |

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

# PlasCred Inc.

Statement of Changes in Shareholders' Deficit
For the period from incorporation on January 28, 2022 to December 31, 2022
(Expressed in Canadian Dollars)

| | Share capital $ | Accumulated deficit $ | Total $ |
|---|---|---|---|
| Issue of shares *(Note 7)* | 10,000 | - | 10,000 |
| Net loss and other comprehensive loss for the period | - | (629,543) | (629,543) |
| **Balance, December 31, 2022** | **10,000** | **(629,543)** | **(619,543)** |

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

# PlasCred Inc.

Statements of Cash Flows
For the period from incorporation on January 28, 2022 to December 31, 2022
(Expressed in Canadian Dollars)

| | From January 28, 2022 to December 31, 2022 $ |
|---|---|
| **Operating activities** | |
| Net loss for the period | (629,543) |
| Adjustments for: | |
| Interest on short-term loan *(Note 6)* | 19,437 |
| | |
| Changes in non-cash working capital *(Note 9)* | 211,494 |
| Net cash used in operating activities | (398,612) |
| | |
| **Investing activities** | |
| Additions to construction in progress and computer equipment | (321,940) |
| Changes in non-cash working capital *(Note 9)* | 38,309 |
| Net cash used in investing activities | (283,631) |
| | |
| **Financing activities** | |
| Proceeds from short-term loan *(Note 6)* | 801,000 |
| Net cash from financing activities | 801,000 |
| | |
| Change in cash | 118,757 |
| Cash, beginning of the period | - |
| **Cash, end of the period** | **118,757** |

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

**1. Description of business**

PlasCred Inc. (the "Company") was incorporated on January 28, 2022 under the Canadian Business Corporations Act and is registered as an extra-Provincial Corporation in Alberta on March 1, 2022.

The Company's registered office is Unit #2 9815 48th Street SE, Calgary, Alberta, T2C 2R1.

During the period from incorporation on January 28, 2022 to December 31, 2022, the Company's business operations consisted of identifying an investment firm, to finance its plans to list the Company's shares for trading on the Canadian Stock Exchange ("CSE"), and commence construction of facilities to recycle plastic waste materials using a process for which a patent was applied subsequent to December 31, 2022.

Subsequent to December 31, 2022, the Company obtained further financing and completed constructing a pilot plant to recycle mixed plastics in May 2023 and achieved successful testing. Fine-tuning of the pilot plant functions and testing of different catalysts in the plant are presently under way as of the date of these financial statements.

**2. Basis of presentation**

**a) Statement of compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Director on July 28, 2023.

**b) Going concern**

These financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

During the period from incorporation on January 28, 2022 to December 31, 2022, the Company incurred a net loss and other comprehensive loss of $629,543, and utilized cash of $398,612 in operations, and as at that date, the Company's current liabilities exceeded its current assets by $953,183 and had an accumulated deficit of $629,543.

In order to continue as a going concern, the Company must obtain financing and / or complete its planned listing on the CSE that will enable the Company to have access to funds to be able to construct its plastics recycling facilities, and be able to generate sufficient income and cash flows to repay its obligations and finance working capital requirements. The Company's director and management continue to work towards completion of these activities. There is no assurance the Company will be able to complete them or obtain adequate financing in the future.

As a result of the aforementioned factors, there is a material uncertainty that may cast in significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

These financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classification used.

**c) Basis of measurement**

These financial statements have been prepared on the historical cost basis.

**d) Functional and presentation currency**

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

**e) Recent accounting pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that there were none that would have a significant impact on the Company.

**f) Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

*Critical judgments in applying accounting policies:*

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these financial statements:

(i) Going concern

Assessment as to whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

*Key sources of estimation uncertainty:*

There were no areas of significant estimates included in the financial statements.

## 3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

**a) Financial Instruments**

***Recognition and derecognition***

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

***Classification and initial measurement of financial assets***

Financial assets are classified into the following categories: amortized cost; fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI").

The classification is determined by both the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

On initial recognition, all financial assets are measured at fair value adjusted for directly attributable transaction costs except for financial assets classified as FVTPL, in which case the transaction costs are expensed as incurred.

***Subsequent measurement of financial assets – recognition and derecognition***

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company's cash fall into this category of financial asset.

Financial assets at FVTPL

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Company has no financial asset in this category.

Financial assets at FVOCI

A financial asset is measured at FVOCI if the financial asset is held within a business model of both collecting contractual cash flows and selling the financial assets or through an irrevocable election for equity instruments that are not held for trading.

Any gains or losses recognized in other comprehensive income ("OCI") will be recycled upon derecognition of the asset.

The Company has no financial assets in this category.

***Classification and initial measurement of financial liabilities***

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at FVTPL.

***Subsequent measurement of financial liabilities***

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

The Company's accounts payable and accrued liabilities and short-term loan are measured at amortized cost.

The Company has not designated any financial liabilities at FVTPL.

***Impairment of financial assets***

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to 12 months of expected credit losses. For accounts receivable, the Company applies the simplified approach to providing for expected credit losses, which allows for the use of a lifetime expected credit loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and is related to an event occurring after the impairment was recognized.

**b) Construction in progress and computer equipment**

Items of property, plant and equipment are measured at cost, net of accumulated depreciation and any impairment losses.

Cost includes expenditures that are directly attributable to the asset acquisition.

The cost of self-constructed assets includes the cost of materials, direct labor, other costs directly attributable to make the asset available for its intended use, as well as relevant borrowing costs on qualifying assets as further described below. During their construction, property, plant and equipment are classified as construction in progress and are not available for use and are not subject to depreciation. When the asset is available for use, it is transferred from CIP to the relevant category of property, plant and equipment and depreciation commences.

Where particular parts of an asset are significant, discrete and have distinct useful lives, the Company may allocate the associated costs between the various components, which are then separately depreciated over the estimated useful lives of each respective component.

The Company's construction in progress is for the recycling plant, which will take a substantial period of time to get ready for its intended use. Therefore, in accordance with IAS 23, Borrowing costs, it is a qualifying asset and the borrowing costs directly attributable to the construction in progress are being capitalized. Capitalisation of borrowing cost would cease when the asset is substantially complete or if construction is interrupted for an extended period.

Computer equipment are items of property, plant and equipment that are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to write off the cost of assets over their useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

The estimated useful lives of computer equipment is 3 years and will be depreciated on a straight-line basis.

**c) Research and development**

From time to time, the Company may incur expenditure on research prior to undertaking any major construction project or modifications thereof. Expenditures on such research activities are recognized as an expense in the period in which they were incurred.

Once it has been determined that the proposed plant, product or process on which research activities were performed, is technically and commercially feasible, the Company would commence the construction of tangible assets itself, and at that stage, the guidance under International Accounting Standards 16, *Property, Plant and Equipment* relating to capitalization of the item of property, plant and equipment (see accounting policy on capitalization in (b) above) are followed.

**d) Impairment of non-financial assets**

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, property, plant and equipment are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or group of assets. The recoverable amount of an asset or CGU is the greater of its fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal or in the case of a lack of comparable transactions, based upon discounted after tax cash flows. VIU is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. Cash flows are discounted using after tax discount rate. An impairment loss is recognized in profit or loss if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

**e) Income taxes**

Tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and the Company intends to settle tax liabilities and assets on a net basis or to realize the tax assets and liabilities simultaneously.

Deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(Expressed in Canadian Dollars)

**4. Construction in progress and computer equipment**

| | Construction in progress $ | Computer equipment $ | Total $ |
|---|---|---|---|
| **Cost** | | | - |
| Additions | 320,216 | 1,724 | 321,940 |
| Borrowing costs capitalized | 11,700 | - | 11,700 |
| Balance, December 31, 2022 | **331,916** | **1,724** | **333,640** |
| | | | |
| **Accumulated depreciation** | | | |
| Charge for the period | - | - | - |
| Balance, December 31, 2022 | - | - | - |
| | | | |
| **Net book value** | | | |
| Balance, December 31, 2022 | **331,916** | **1,724** | **333,640** |

Items of property, plant and equipment classified as construction in progress are not available for use and are not subjected to depreciation.

During the period ended December 31, 2022, interest on short-term loan totaling $11,700 was capitalized as borrowing costs relating to the construction in progress. The allocation was determined based on estimating the proportion of cash used between construction work in progress, and general and administrative expenses.

No impairment indicators were identified as at December 31, 2022.

**5. Accounts payable and accrued liabilities**

| | December 31, 2022 $ |
|---|---|
| Accounts payable | 228,209 |
| Accrued liabilities | 50,000 |
| | **278,209** |

**6. Short-term loan**

During the period ended December 31, 2022, the Company received a short-term loan of $300,000 from a publicly listed company with which it had plans to amalgamate. This loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security was then assigned to a private company, incorporated in British Columbia (the "Private Company"), and the loan was increased to $801,000 (the "First Loan").

On November 14, 2022, the First Loan was assigned to Cover Technologies Inc., a company incorporated in British Columbia and listed on Canadian Securities Exchange ("CSE") (ticker: COVE), Frankfurt Stock Exchange (ticker: 304A) and the OTC Bulletin Board (ticker: MGPRF") ("Cover"), in connection with the assignment by the Private Company to Cover of a Share Exchange Agreement (SEA) dated August 2, 2022.

(Expressed in Canadian Dollars)

The First Loan carries interest at the rate of 10% per annum, calculated and compounded monthly and is secured by a general assignment of assets. An amendment to the maturity date of the First Loan is current being discussed amount Cover and the Company.

See Subsequent Events in *Note 14*.

| | **December 31, 2022 $** |
|---|---|
| Advances on short term loan | 801,000 |
| Accrued interest * | 31,137 |
| | **832,137** |

* Interest expense totaling $11,700 was capitalized as borrowing costs (*Note 4*) and the remaining amount totaling $19,437 was recorded in profit or loss.

## 7. Share capital

*Authorized:*

Unlimited number of voting common shares.

*Issued and outstanding:*

| | **December 31, 2022 $** |
|---|---|
| 10,000,000 common shares of $0.001 each | **10,000** |

During the period ended December 31, 2022, the Company issued 10,000,000 common shares at $0.001 each for $10,000. The share subscriptions receivable of $10,000 relates to issuance of these common shares.

See Subsequent Events in *Note 14*.

(Expressed in Canadian Dollars)

## 8. Income tax expense

Income tax recovery differs from the amount that would be computed by applying Canadian statutory income tax rate of 23% to income before taxes. The reasons for the differences are as follows:

| | December 31, 2022 $ |
|---|---|
| Net loss for the period before income tax | (629,543) |
| Canadian statutory tax rate | 23.00% |
| Computed income tax expense | (144,795) |
| Non-deductible expenses | 2,454 |
| Deferred tax not recognized | 142,341 |
| **Income tax expense** | - |

The Company has not recognized a deferred tax asset in respect of the following deductible temporary differences:

| | December 31, 2022 $ |
|---|---|
| Non-capital loss | **(618,874)** |

The company has unused non-capital losses of $618,874 to offset future taxable income. The non-capital losses expire as follows:

| | |
|---|---|
| 2042 | $618,874 |

## 9. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

| | December 31, 2022 $ |
|---|---|
| **Sources (uses) of cash:** | |
| GST receivable | (28,406) |
| Accounts payable and accrued liabilities | 278,209 |
| | **249,803** |
| Related to operating activities | 211,494 |
| Related to investing activities | 38,309 |
| | **249,803** |

## 10. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximize stakeholder returns sustainably.

In the management of capital, the Company defines capital as the aggregate of its total equity (share capital less accumulated deficit) and include short-term borrowings.

The Company is not subject to externally imposed capital requirements.

## 11. Financial instruments and risk management

### a) Fair values

At December 31, 2022, the Company's financial instruments consist of cash, share subscription receivable, accounts payable and accrued liabilities and short-term loan.

The fair values of cash, share subscription receivable, accounts payable and accrued liabilities and short-term loan approximate their carrying values due to the relatively short-term maturity of these financial instruments.

### b) Risk management

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

The Company employs risk management strategies and polices to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

#### (i) 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 its obligations and arises principally from the Company's cash balance.

The Company's maximum exposure to credit risk associated with financial assets is equivalent to the carrying amounts of these financial assets i.e. the cash balance and share subscription receivable as at December 31, 2022.

The Company holds its cash with reputable a Canadian bank; thus, the credit risk exposure is low to none. The Company has no exposure to share subscription receivable.

#### (ii) 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.

(Expressed in Canadian Dollars)

The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at December 31, 2022, the Company's financial liabilities include accounts payable and accrued liabilities and short-term loan totaling $1,110,346 which are payable within a year. The Company has cash of $118,757 as at December 31, 2022. The Company expects to be able to obtain funding to settle its liabilities as and when they fall due.

**(iii) Market risk**

Market risk is the risk that changes in market prices – e.g., 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.

- Interest rate risk:

  Interest rate risk is part of market risk and is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The short-term loan *(Note 6)* carries fixed rate of interest therefore there is no interest rate risk on this loan but the Company is exposed to market rate risk if the market interest rate changes.

- Foreign currency risk:

  The Company does not have financial assets or liabilities denominated in a foreign currency.

## 12. Related party transactions

*Key management compensation:*

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include the sole director, who is also the President and Chief Executive Officer of the Company and other executive officers (Chief Technology Officer and Chief Financial Officer).

| | **December 31, 2022 $** |
|---|---|
| Salaries, wages and consulting fees to director and other executives | 186,375 |

## 13. Share Exchange Agreement

On August 2, 2022, the Company, its shareholders and the Private Company entered into a share exchange agreement (the "Share Exchange Agreement"), whereby the Private Company agreed to acquire all of the issued and outstanding common shares of the Company from the shareholders in exchange for the issuance by the Private Company of 35,000,000 common shares (the "Original Transaction"). As a result of this Original Transaction, the Company would become a wholly owned subsidiary of the Private Company.

Concurrently with the closing of the Share Exchange Agreement, the Private Company agreed to issue 5,000,000 performance share purchase warrants to certain employees and consultant. The performance share purchase warrants will be exercisable into one common share at an exercise price of $0.25 per common share of the Private Company for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

On October 4, 2022, the Company, the Private Company and Cover entered into an assignment agreement pursuant to which all rights and obligations of the Private Company under the Share Exchange Agreement were assigned to Cover. Additionally, Cover agreed by way of a novation and assumption agreement to take the assignment of the First Loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security (*Note 6*).

In consideration for the assignment, Cover will issue to the Private Company 12,000,000 post-consolidation units at a deemed price of $0.10 per unit. Each unit consists of one post-consolidation common share and one post-consolidation share purchase warrant, which will be exercisable for a period of two years at an exercise price of $0.25 per post consolidation share.

On November 14, 2022, the Company, its shareholders and Cover entered into an amended and restated share exchange agreement (the "A&R Share Exchange Agreement"), whereby it was agreed that Cover would acquire all the issued and outstanding shares capital of the Company in exchange for 35,000,000 fully paid post-consolidation shares at the closing date (the "New Transaction") at a deemed price of $0.10 per share.

In connection with the New Transaction, Cover will consolidate its issued and outstanding shares on a 2 for 1 basis.

Concurrently with the closing of the A&R Share Exchange Agreement, Cover will complete a private placement of up to $1,600,000 at a price of $0.30 per common share and will issue 5,000,000 performance share purchase warrants to certain employees and consultants. The performance share purchase warrants will be exercisable into one common share of at an exercise price of $0.25 per post-consolidation common share of Cover for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

It is a condition of closing of the New Transaction that Cover will change its name to "PlasCred Circular Innovations Inc." or such other name as agreed at that time between the parties.

See Subsequent Events in *Note 14*.

## 14. Subsequent events

On January 1, 2023, the Company repurchased 1,830,000 voting common shares for $1,830.

In March 2023, a second loan agreement was executed for an additional loan of up to $1,000,000 from Cover the ("Second Loan"); this loan was received in full (cash of $1,000,000) in March 2023. This Second Loan carries interest at the rate of 10% per annum, calculated and compounded monthly, is secured through granting, assigning, transferring, mortgages, charges and security interests in all of the undertaking, property and assets of the Company to and in favor of Cover. The Second Loan was maturing on July 29, 2023, which was extended to August 31, 2023 through an Amendment Agreement dated July 26, 2023.

On March 1, 2023, Cover, the Company and the shareholders of the Company entered into a second amended and restated share exchange agreement (the "Second A&R Share Exchange Agreement), which was on substantially the same terms as the A&R Share Exchange Agreement with respect to the issuance of 35,000,000 post-Consolidation shares and 5,000,000 performance warrants to certain employees and consultants.

On May 24, 2023, the parties entered into an amendment agreement which amended the Second A&R Share Exchange Agreement (the "Amended Agreement"). The Amended Agreement amended, among other things, the escrow conditions provided for in the Second A&R Share Exchange Agreement as well as the requirements with respect to net cash on hand on closing. The closing of the New Transaction is to occur on a date mutually agreed to by the parties.

See also *Note 1*.

## SCHEDULE E

## UNAUDITED FINANCIAL STATEMENTS OF PLASCRED

[*See Attached*]

# PlasCred Inc.

**Condensed Interim Financial Statements**
For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)
(unaudited)

# PlasCred Inc.

Condensed Statements of Financial Position
As at March 31, 2023 and December 31, 2022
(Expressed in Canadian Dollars)

| | March 31, 2023 $ (unaudited) | December 31, 2022 $ (audited) |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 526,045 | 118,757 |
| Goods and services tax (“GST”) receivable | 46,347 | 28,406 |
| Share subscriptions receivable *(Note 6)* | 8,170 | 10,000 |
| | **580,562** | **157,163** |
| **Non-current assets** | | |
| Construction in progress and computer equipment *(Note 3)* | 494,408 | 333,640 |
| **Total assets** | **1,074,970** | **490,803** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities *(Note 4)* | 123,735 | 278,209 |
| Short-term loans *(Note 5)* | 1,855,769 | 832,137 |
| | **1,979,504** | **1,110,346** |
| **Shareholders’ deficit** | | |
| Share capital *(Note 6)* | 8,170 | 10,000 |
| Accumulated deficit | (912,704) | (629,543) |
| | **(904,534)** | **(619,543)** |
| **Total liabilities and shareholders’ deficit** | **1,074,970** | **490,803** |

Going concern – *Note 2(b)*
Subsequent events – *Note 12*

Approved by the Director:

*“Signed”* Troy Lupul
Director

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

# PlasCred Inc.

Condensed Statements of Loss and Other Comprehensive Loss
For the three months ended March 31, 2023 and the period from incorporation on January 28, 2022 to March 31, 2022
(Expressed in Canadian Dollars)
(unaudited)

| | March 31, 2023 $ | March 31, 2022 $ |
|---|---|---|
| **Expenses:** | | |
| Consulting fees | 78,325 | - |
| General and administration | 6,195 | 181 |
| Interest on short-term loan *(Note 5)* | 17,432 | - |
| Professional fees | 55,069 | - |
| Research and development | 30,000 | - |
| Salaries and wages | 63,525 | - |
| Travel and business development | 32,615 | 1,246 |
| **Net loss and other comprehensive loss for the period** | **(283,161)** | (1,427) |

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

# PlasCred Inc.

Condensed Statements of Changes in Shareholders' Deficit
For the three months ended March 31, 2023 and the period from incorporation on January 28, 2022 to March 31, 2022
(Expressed in Canadian Dollars)
(unaudited)

| | Share capital $ | Accumulated deficit $ | Total $ |
|---|---|---|---|
| Issue of shares *(Note 6)* | 10,000 | - | 10,000 |
| Net loss and other comprehensive loss for the period | - | (1,427) | (1,427) |
| Balance, March 31, 2022 | 10,000 | (1,427) | 8,573 |
| | | | |
| Balance, December 31, 2022 | 10,000 | (629,543) | (619,543) |
| Shares repurchased *(Note 6)* | (1,830) | - | (1,830) |
| Net loss and other comprehensive loss for the period | - | (283,161) | (283,161) |
| **Balance, March 31, 2023** | **8,170** | **(912,704)** | **(904,534)** |

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

# PlasCred Inc.

Condensed Statements of Cash Flows
For the 3 months ended March 31, 2023 and the period from incorporation on January 28, 2022 to March 31, 2022
(Expressed in Canadian Dollars)
(unaudited)

| | March 31, 2023 $ | March 31, 2022 $ |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | (283,161) | (1,427) |
| Adjustments for: | | |
| Interest on short-term loans *(Note 5)* | 17,432 | - |
| Changes in non-cash working capital *(Note 7)* | 37,254 | - |
| Net cash used in operating activities | (228,475) | (1,457) |
| **Investing activities** | | |
| Additions to construction in progress and computer equipment *(Note 3)* | (154,568) | - |
| Changes in non-cash working capital *(Note 7)* | (209,669) | - |
| Net cash used in investing activities | (364,237) | - |
| **Financing activities** | | |
| Proceeds from short-term loan *(Note 5)* | 1,000,000 | - |
| Shareholder loans | - | 1,457 |
| Net cash from financing activities | 1,000,000 | 1,457 |
| Change in cash | 407,288 | - |
| Cash, beginning of the period | 118,757 | - |
| **Cash, end of the period** | **526,045** | - |

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

## 1. Reporting entity

PlasCred Inc. (the "Company") was incorporated on January 28, 2022 under the Canadian Business Corporations Act and is registered as an extra-Provincial Corporation in Alberta on March 1, 2022.

The Company's registered office is Unit #2 9815 48th Street SE, Calgary, Alberta, T2C 2R1.

During the period from incorporation on January 28, 2022 to March 31, 2023, the Company's business operations consisted of identifying an investment firm, to finance its plans to list the Company's shares for trading on the Canadian Stock Exchange ("CSE"), and commence construction of facilities to recycle plastic waste materials using a process for which a patent has been applied. During the three months ended March 31, 2023, the Company obtained further financing, completed constructing a pilot plant to recycle mixed plastics and requires funding to complete constructing the main facilities. The pilot plant was completed in May 2023 and achieved successful testing. Fine-tuning of the pilot plant functions and testing of different catalysts in the plant are presently under way as of the date of these unaudited condensed interim financial statements.

## 2. Basis of presentation

### a) Basis of accounting

These unaudited condensed interim financial statements ("interim financial statements") as at and for the three months ended March 31, 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting,* and should be read in conjunction with the Company's last annual financial statements as at and for the period from incorporation on January 28, 2022 to December 31, 2022 ("last annual financial statements"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Company's financial position and performance since the last annual financial statements.

These interim financial statements were authorized for issuance by the Director on July 28, 2023.

### b) Going concern

These interim financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

During the three months ended March 31, 2023, the Company incurred a net loss and other comprehensive loss of $283,161 (2022 – $1,427) and utilized cash of $228,475 (2022 - $1,457) in operations, and as at that date, the Company's current liabilities exceeded its current assets by $1,398,942 (December 2022 - $953,183) and had an accumulated deficit of $912,704 (December 2022 - $629,543).

In order to continue as a going concern, the Company must obtain financing and / or complete its planned listing on the CSE that will enable the Company to have access to funds to be able to construct its plastics recycling facilities, and be able to generate sufficient income and cash flows to repay its obligations and finance working capital requirements. The Company's director and management continue to work towards completion of these activities. There is no assurance the Company will be able to complete them or obtain adequate financing in the future.

(Expressed in Canadian Dollars)

As a result of the aforementioned factors, there is a material uncertainty that may cast significant doubt as to the ability of the Company to meet its obligations as they come due and continue as a going concern.

These interim financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these interim financial statements, adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classification used.

**c) Use of judgments and estimates**

In preparing these interim financial statements, management made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

There are no areas of significant estimates included in the interim financial statements.

**d) Significant accounting policies**

The accounting policies applied in these interim financial statements are the same as those applied in the Company's financial statements as at and for the period from incorporation on January 28, 2022 to December 31, 2022.

## 3. Construction in progress and computer equipment

| | Construction in progress $ | Computer equipment $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| Balance, December 31, 2022 | 331,916 | 1,724 | 333,640 |
| Additions | 151,922 | 2,646 | 154,568 |
| Borrowing costs capitalized *(Note 5)* | 6,200 | - | 6,200 |
| Balance, March 31, 2023 | **490,037** | **4,371** | **494,408** |
| **Accumulated depreciation** | | | |
| Balance, December 31, 2022 | - | - | - |
| Charge for the period | - | - | - |
| Balance, March 31, 2023 | **-** | **-** | **-** |
| **Net book value** | | | |
| Balance, December 31, 2022 | 331,916 | 1,724 | 333,640 |
| Balance, March 31, 2023 | **490,037** | **4,371** | **494,408** |

Items of property, plant and equipment classified as construction in progress are not available for use and are not subjected to depreciation.

(Expressed in Canadian Dollars)

During the period ended March 31, 2023, interest on short-term loan totaling $6,200 *(Note 5)* was capitalized as borrowing costs relating to the construction in progress. The allocation was determined based on estimating the proportion of cash used between construction work in progress, and general and administrative expenses.

No impairment indicators were identified as at March 31, 2023.

## 4. Accounts payable and accrued liabilities

| | March 31, 2023 $ | December 31, 2022 $ |
|---|---|---|
| Accounts payable | 43,735 | 228,209 |
| Accrued liabilities | 80,000 | 50,000 |
| | **123,735** | 278,209 |

## 5. Short-term loan

During the period ended December 31, 2022, the Company received a short-term loan of $300,000 from a publicly listed company with which it had plans to amalgamate. This loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security was then assigned to a private company, incorporated in British Columbia (the “Private Company”), and the loan was increased to $801,000 (the “First Loan”).

On November 14, 2022, the First Loan was assigned to Cover Technologies Inc., a company incorporated in British Columbia and listed on Canadian Securities Exchange (“CSE”) (ticker: COVE), Frankfurt Stock Exchange (ticker: 304A) and the OTC Bulletin Board (ticker: MGPRF”) (“Cover”), in connection with the assignment by the Private Company to Cover of a Share Exchange Agreement (SEA) dated August 2, 2022.

The First Loan carries interest at the rate of 10% per annum, calculated and compounded monthly and is secured by a general assignment of assets. An amendment to the maturity date of the First Loan is current being discussed amount Cover and the Company.

In March 2023, a second loan agreement was executed for an additional loan of up to $1,000,000 from Cover the (“Second Loan”); this loan was received in full (cash of $1,000,000) in March 2023. This Second Loan carries interest at the rate of 10% per annum, calculated and compounded monthly, is secured through granting, assigning, transferring, mortgages, charges and security interests in all of the undertaking, property and assets of the Company to and in favor of Cover. The Second Loan was maturing on July 29, 2023, which was extended to August 31, 2023 through an Amendment Agreement dated July 26, 2023).

(Expressed in Canadian Dollars)

| | March 31, 2023 $ | December 31, 2022 $ |
|---|---|---|
| Advances on short term loan | 1,801,000 | 801,000 |
| Accrued interest * | 54,769 | 31,137 |
| | **1,855,769** | 832,137 |

* Interest expense totaling $6,200 (period ended March 31, 2022: $Nil) was capitalized as borrowing costs (*Note 3*) and the remaining amount totaling $17,432 (period ended March 31, 2022: $Nil) was recorded in profit or loss. During the period from incorporation on January 28, 2022 to December 31, 2022, interest expense totaling: $11,700 was capitalized and $19,437 recorded in profit or loss.

## 6. Share capital

*Authorized:*

Unlimited number of voting common shares.

*Issued and outstanding:*

| | Number # | Amount $ |
|---|---|---|
| Balance, December 31, 2022 | 10,000,000 | 10,000 |
| Shares repurchased | (1,830,000) | (1,830) |
| Balance, March 31, 2023 | **8,170,000** | **8,170** |

During the three months ended March 31, 2023, the Company repurchased 1,830,000 voting common shares for $1,830. This amount was set off against share subscription receivable reducing the balance of share subscription receivable to $8,170 as at March 31, 2023 (December 31, 2022 - $10,000).

## 7. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

| | March 31, 2023 $ | March 31, 2022 $ |
|---|---|---|
| **Sources (uses) of cash:** | | |
| GST receivable | (17,941) | - |
| Accounts payable and accrued liabilities | (154,474) | (1,427) |
| | **(172,415)** | **-** |
| | | |
| Related to operating activities | 37,254 | (1,427) |
| Related to investing activities | (209,669) | - |
| | **(172,415)** | (1,427) |

**8. Capital management**

The Company's objective when managing capital is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximize stakeholder returns sustainably.

In the management of capital, the Company defines capital as the aggregate of its total equity (share capital less accumulated deficit) and include short-term borrowings.

The Company is not subject to externally imposed capital requirements. There has been no changes in the Company's capital management objectives and policies from prior period.

**9. Financial instruments and risk management**

**a) Fair values**

At March 31, 2023, the Company's financial instruments consist of cash, share subscription receivable, accounts payable and accrued liabilities and short-term loan.

The fair values of cash, share subscription receivable, accounts payable and accrued liabilities and short-term loan approximate their carrying values due to the relatively short-term maturity of these financial instruments.

**b) Risk management**

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Company employs risk management strategies and polices to ensure that any exposures to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

**(i) 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 its obligations and arises principally from the Company's cash balance.

The Company's maximum exposure to credit risk associated with financial assets is equivalent to the carrying amounts of these financial assets i.e. the cash balance and share subscription receivable as at March 31, 2023.

The Company holds its cash with reputable a Canadian bank; thus, the credit risk exposure is low to none. The Company has no exposure to share subscription receivable.

(Expressed in Canadian Dollars)

**(ii) 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 objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at March 31, 2023, the Company's financial liabilities include accounts payable and accrued liabilities and short-term loan totaling $1,979,504 which are payable within a year. The Company has cash of $526,045 as at March 31, 2023. The Company expects to be able to obtain funding to settle its liabilities as and when they fall due.

**(iii) Market risk**

Market risk is the risk that changes in market prices – e.g., 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.

- Interest rate risk:

  Interest rate risk is part of market risk and is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The short-term loan *(Note 5)* carries fixed rate of interest therefore there is no interest rate risk on this loan but the Company is exposed to market rate risk if the market interest rate changes.

- Foreign currency risk:

  The Company does not have financial assets or liabilities denominated in a foreign currency.

**10. Related party transactions**

*Key management compensation:*

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include the sole director, who is also the President and Chief Executive Officer of the Company and other executive officers (Chief Technology Officer and Chief Financial Officer).

| | March 31, 2023 $ | March 31, 2022 $ |
|---|---|---|
| Salaries, wages and consulting fees to director and other executives | 108,325 | - |

**11. Share Exchange Agreement**

On August 2, 2022, the Company, its shareholders and the Private Company entered into a share exchange agreement (the "Share Exchange Agreement"), whereby the Private Company agreed to acquire all of the issued and outstanding common shares of the Company from the shareholders in exchange for the issuance by the Private Company of 35,000,000 common shares (the "Original Transaction"). As a result of this Original Transaction, the Company would become a wholly owned subsidiary of the Private Company.

Concurrently with the closing of the Share Exchange Agreement, the Private Company agreed to issue 5,000,000 performance share purchase warrants to certain employees and consultant. The performance share purchase warrants will be exercisable into one common share at an exercise price of $0.25 per common share of the Private Company for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

On October 4, 2022, the Company, the Private Company and Cover entered into an assignment agreement pursuant to which all rights and obligations of the Private Company under the Share Exchange Agreement were assigned to Cover. Additionally, Cover agreed by way of a novation and assumption agreement to take the assignment of the First Loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security (*Note 6*).

In consideration for the assignment, Cover will issue to the Private Company 12,000,000 post-consolidation units at a deemed price of $0.10 per unit. Each unit consists of one post-consolidation common share and one post-consolidation share purchase warrant, which will be exercisable for a period of two years at an exercise price of $0.25 per post consolidation share.

On November 14, 2022, the Company, its shareholders and Cover entered into an amended and restated share exchange agreement (the "A&R Share Exchange Agreement"), whereby it was agreed that Cover would acquire all the issued and outstanding shares capital of the Company in exchange for 35,000,000 fully paid post-consolidation shares at the closing date (the "New Transaction") at a deemed price of $0.10 per share.

In connection with the New Transaction, Cover will consolidate its issued and outstanding shares on a 2 for 1 basis.

Concurrently with the closing of the A&R Share Exchange Agreement, Cover will complete a private placement of up to $1,600,000 at a price of $0.30 per common share and will issue 5,000,000 performance share purchase warrants to certain employees and consultants. The performance share purchase warrants will be exercisable into one common share of at an exercise price of $0.25 per post-consolidation common share of Cover for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

It is a condition of closing of the New Transaction that Cover will change its name to "PlasCred Circular Innovations Inc." or such other name as agreed at that time between the parties.

On March 1, 2023, Cover, the Company and the shareholders of the Company entered into a second amended and restated share exchange agreement (the "Second A&R Share Exchange Agreement), which was on substantially the same terms as the A&R Share Exchange Agreement with respect to the issuance of 35,000,000 post-Consolidation shares and 5,000,000 performance warrants to certain employees and consultants. Additionally, Cover agreed to advance the Second Loan to the Company (*Note 6*).

## 12. Subsequent event

On May 24, 2023, the parties entered into an amendment agreement which amended the Second A&R Share Exchange Agreement (the "Amended Agreement"). The Amended Agreement amended, among other things, the escrow conditions provided for in the Second A&R Share Exchange Agreement as well as the requirements with respect to net cash on hand on closing. The closing of the New Transaction is to occur on a date mutually agreed to by the parties.

The maturity of the Second Loan was extended to August 31, 2023, through an Amendment Agreement dated July 26, 2023 *(Note 5)*.

# SCHEDULE F

# MD&A OF PLASCRED

[*See Attached*]

This Management's Discussion and Analysis ("MDA") has been prepared by management and reviewed and approved by the board of directors (the "Board of Directors") of PlasCred Inc. ("PlasCred" or the "Company") on July 28, 2023. This MD&A should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2023, which has been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* and the audited financial statements, and notes thereto for the period from incorporation on January 28, 2022 to December 31, 2022 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in this MD&A are in Canadian dollars. The MD&A contains certain Forward-Looking Statements and the reader should read the cautionary statement related to Forward-Looking Statements found at the end of this report.

## Overview

PlasCred was incorporated on January 28, 2022 under the Canadian Business Corporations Act and is registered as an extra-Provincial Corporation in Alberta on March 1, 2022.

The Company's registered office is 525 – 8 Ave S.W. 46 Floor, Calgary, Alberta, T2P 1G1.

The Company executed a second amended and restated share exchange agreement (as amended by an amendment agreement) (the "Second A&R Share Exchange Agreement") and two loan agreements with a publicly listed company, as described below under the "Proposed Transaction." The Second A&R Share Exchange Agreement also includes an equity and debt financing by the publicly listed company which is designed to provide sufficient investment to fund operations for the next 12 months. Additional short-term debt financing of $1,000,000 (the "Second Loan"), as described below under the "Proposed Transaction", was obtained during the period to fund completion of a pilot plant to recycle mixed plastics using a proprietary methodology for which patents have been applied (the "PlasCred Process").

The Company has incurred and capitalized approximately $646,000 ($500,000 up to March 31, 2023) in engineering and fabrication costs of its pilot plant (Primus) up to the date of this MD&A. Primus has successfully achieved production of hydrocarbon liquid of commercial specifications utilizing the PlasCred Process for which a patent has been applied. Research is under way towards the design and fabrication of the Company's full-scale plant (Maximus), which will require further financing in 2023 and 2024 to achieve commerciality in 18-24 months at a projected cost of approximately $120,000,000. Production from the full-scale facility will be approximately 2,000 barrels of hydrocarbon liquid per day, that, when mixed with heavy, sour crude oil, produces a marketable, lighter crude oil that can be easily shipped by pipeline to distant markets (the "Condensate"). The PlasCred Process will also produce a by-product known as carbon black, which has uses in rubber tires and paints compounds, as well as a small number of significant aromatics, including hydrogen, propane and butane, which can be redirected into the heating equipment used during the PlasCred Process or isolated and sold. The pilot facility will continue to produce saleable products to complement the full-scale facility and will also be used for testing new processing ideas.

Negotiations are progressing to secure a lease for the full-scale facility. The Company has located a site in Fort Saskatchewan, Alberta near customers, which is serviced by all necessary utilities and located near rail lines for transportation of raw materials and the Company's products. The pilot facility is located in a 1,000 square foot leases space in an industrial section of Calgary, Alberta. The lease for the pilot facility is a verbal, month-to-month arrangement.

## Proposed Transaction

During the period ended December 31, 2022, the Company received a short-term loan of $300,000 from a publicly listed company with which it had plans to amalgamate. This loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security was then assigned to a private company, incorporated in British Columbia (the "Private Company"), and the loan was increased to $801,000 (the "First Loan").

On August 2, 2022, the Company, its shareholders and the Private Company entered into a share exchange agreement (the "Share Exchange Agreement"), whereby the Private Company agreed to acquire all of the issued and outstanding common shares of the Company from the shareholders in exchange for the issuance by the Private Company of 35,000,000 common shares (the "Original Transaction"). As a result of this Original Transaction, the Company would become a wholly owned subsidiary of the Private Company.

Concurrently with the closing of the Share Exchange Agreement, the Private Company agreed to issue 5,000,000 performance share purchase warrants to the CEO. The performance share purchase warrants, when earned, will be exercisable into one common share at an exercise price of $0.25 per common share of the Private Company for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

On October 4, 2022, the Company, the Private Company and Cover Technologies Inc., a company incorporated in British Columbia and listed on Canadian Securities Exchange ("CSE") (ticker: COVE), Frankfurt Stock Exchange (ticker: 304A) and the OTC Bulletin Board (ticker: MGPRF") ("Cover") entered into an assignment agreement pursuant to which all rights and obligations of the Private Company under the Share Exchange Agreement were assigned to Cover. Additionally, Cover agreed by way of a novation and assumption agreement to take the assignment of the First Loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security.

In consideration for the assignment, Cover will issue to the Private Company 12,000,000 post-consolidation units at a deemed price of $0.10 per unit. Each unit consists of one post-consolidation common share and one post-consolidation share purchase warrant, which will be exercisable for a period of two years at an exercise price of $0.25 per post consolidation share.

On November 14, 2022, the Company, its shareholders and Cover entered into an amended and restated share exchange agreement (the "A&R Share Exchange Agreement"), whereby it was agreed that Cover would acquire all the issued and outstanding shares capital of the Company in exchange for 35,000,000 fully paid post-consolidation shares at the closing date (the "New Transaction") at a fair value of $0.30 per share.

In connection with the New Transaction, Cover will consolidate its issued and outstanding shares on a 2 for 1 basis.

Concurrently with the closing of the A&R Share Exchange Agreement, Cover will complete a private placement of up to $1,600,000 at a price of $0.30 per common share and will also issue 5,000,000 performance share purchase warrants to Troy Lupul, the Company's President and Chief Executive Officer. The performance share purchase warrants will be exercisable into one common share of at an exercise price of $0.25 per post-consolidation common share of Cover for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

It is a condition of closing of the New Transaction that Cover will change its name to "PlasCred Circular Innovations Inc." or such other name as agreed at that time between the parties.

On March 1, 2023, Cover, the Company and the shareholders of the Company entered into a second amended and restated share exchange agreement (the "Second A&R Share Exchange Agreement), which was on substantially the same terms as the A&R Share Exchange Agreement with respect to the issuance of 35,000,000 post-Consolidation shares and 5,000,000 performance warrants to certain employees and consultants. Additionally, Cover agreed to advance the Second Loan to the Company; this loan was received in full (cash of $1,000,000) in March 2023. This Second Loan carries interest at the rate of 10% per annum, calculated and compounded monthly, is secured through granting, assigning, transferring, mortgages, charges and security interests in all of the undertaking, property and assets of the Company to and in favor of Cover. The Second Loan was maturing on July 29, 2023, which was extended to August 31, 2023 through an Amendment Agreement dated July 26, 2023.

On May 24, 2023, the parties entered into an amendment agreement which amended the Second A&R Share Exchange Agreement (the "Amended Agreement"). The Amended Agreement amended, among other things, the escrow conditions provided for in the Second A&R Share Exchange Agreement as well as the requirements with respect to net cash on hand on closing. The closing of the New Transaction is to occur on a date mutually agreed to by the parties.

**Highlights for the first quarter ended March 31, 2023**

- The Company received additional short-term debt financing of $1,000,000 under a new loan agreement; and
- The Company incurred $158,122 in construction in progress relating to the pilot plant, which is located in a 1,000 square foot leased space in an industrial section of Calgary, Alberta.

**Results of Operations**

***Results of operations for three months ended March 31, 2023***

The following table provides selected information for the Company's first quarter ended March 31, 2023.

| | **Three months ended March 31, 2023** | **From January 28, 2022 (incorporation date) to March 31, 2022** |
|---|---|---|
| Net loss and comprehensive loss | (283,161) | (1,427) |
| Basic and diluted loss per common share | (0.03) | (0.00) |

**Net loss**

The following are the major expenditures incurred that are contributing to the net loss of $283,161 for the three months ended March 31, 2023: salaries and consulting fees ($141,325) paid to the officers of the Company for administrative tasks / day-to-day running of the Company, research and development ($30,000), professional fees ($55,067), the majority of which related to the discussions and drafting of various agreements surrounding the Proposed Transaction, business development expenditures ($32,615) and interest on short-term loans ($17,432).

Whereas the founding shareholder(s) provided the "technical know-how" to the Company at no cost, certain professional fees and other costs were incurred in preliminary works relating to the preparation of patent application, the cost of which was approximately $13,000; this cost is included in professional fees noted above. Patent protection across Canada and United States was applied for during February 2023, the cost of which was approximately $600, which was expensed during the three months ended March 31, 2023. While patent approval is desirable, design and fabrication of the full-scale plant and resulting commercial production will proceed with or without the patent. The Company cannot predict when its patent applications will be approved or if a patent will be granted at all.

Tangible asset costs of the pilot plant, including materials and engineering, are capitalized. As stated above, the founding shareholders provided the knowledge gained from their prior experience in the design and operation of facilities similar to the pilot facility as well as research conducted on the pyrolysis process prior to incorporation of the Company. Research-related costs during the three (3) months ended March 31, 2023 of $30,000 are expensed in profit or loss in line with the requirements of paragraph 54 of IAS 38 *Intangible Assets* not to recognize intangible asset arising from research phase of an internal project.

Completion of the pilot plant was achieved in May 2023 and initial testing successfully produced the Condensate as well as the carbon black and aromatics. Further testing and refinement utilizing a variety of catalysts is currently under way.

In the comparative quarter ended March 31, 2022, the Company had just commenced operations and therefore had limited expenses ($1,427). No officers were paid any salaries or consulting fees.

**Quarterly results**

The following summarized the Company's key quarterly financial results:

| For the three months ended | March 31 2023 | December 31 2022 | September 30 2022 | June 30 2022 | March 31 2022 |
|---|---|---|---|---|---|
| Net loss and comprehensive loss | (283,161) | (254,651) | (266,196) | (107,269) | (1,427) |
| Basic and diluted loss per common share | (0.03) | (0.03) | (0.03) | (0.01) | (0.00) |

**Liquidity and Capital Resources**

The Company's cash position at March 31, 2023 was $526,045. The Company's working capital deficit at that date was $1,397,112. Working capital deficit is calculated as current liabilities less current assets.

The Company believes it will be able to raise working capital to fund minimum operations over the next twelve months through the above RTO and associated financing as discussed earlier.

There can be no assurance that any additional financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs.

**Transactions with Related Parties**

*Key management compensation:*

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include the sole director, who is also the President and Chief Executive Officer of the Company and other executive officers (Chief Technology Officer and Chief Financial Officer).

| | **March 31, 2023** **$** | March 31, 2022 $ |
|---|---|---|
| | | |
| Salaries, wages and consulting fees to director and other executives | **108,325** | - |

### Disclosure of Outstanding Share Data

As at March 31, 2023 and as at the date of this MD&A, the Company had 8,170,000 common shares outstanding. There are currently no share purchase warrants or stock options issued and outstanding.

### Off-Balance Sheet Arrangements

The Company does not have any off balance sheet arrangements.

### Financial Instruments

At March 31, 2023, the Company's financial instruments consist of cash, share subscription receivable, accounts payable and accrued liabilities and short-term loan.

The fair values of cash, accounts payable and accrued liabilities and short-term loan approximate their carrying values due to the relatively short-term maturity of these financial instruments.

### Risk Management

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at March 31, 2023:

(a) 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 its obligations and arises principally from the Company's cash balance.

The Company's maximum exposure to credit risk associated with financial assets is equivalent to the carrying amounts of these financial assets i.e. the cash balance and share subscription receivable as at March 31, 2023.

The Company holds its cash with reputable a Canadian bank; thus, the credit risk exposure is low to none. The Company has no exposure to share subscription receivable.

(b) 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 objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at March 31, 2023, the Company's financial liabilities include accounts payable and accrued liabilities and short-term loan totaling $1,979,504 which are payable within a year. The Company has cash of $526,045 as at March 31, 2023. The Company expects to be able to obtain funding to settle its liabilities as and when they fall due.

(c) Market risk

Market risk is the risk that changes in market prices – e.g., 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.

- Interest rate risk:

  Interest rate risk is part of market risk and is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The short-term loan carries fixed rate of interest therefore there is no interest rate risk on this loan but the Company is exposed to market rate risk if the market interest rate changes.

- Foreign currency risk:

  The Company does not have financial assets or liabilities denominated in a foreign currency.

(d) Price risk

Price risk is the risk that market prices, such as commodity prices, will affect the Company's net earnings or value of its financial instruments. The Company is not exposed to significant price risk.

(e) Competition risk

The Company is in a competitive plastic recycling market and the ability to secure waste plastic supply and condensate offtake agreements with clients and customers is critical.

(f) Intellectual Property

The Company has significant intellectual property and know-how which will be protected through the filing of patents as well as the issuance of non-disclosure agreements for specific know-how and business confidential information. Although every effort will be made to ensure that the Company's IP and know-how are protected, there is a risk that the competition and/or employees will not respect their legal obligations and the Company may be forced to take legal action.

(g) Environmental and Safety Compliance

The processing facility will be designed and constructed to meet all required environmental, health and safety standards. Although best practices will be used to design, construct and operate the facility, there is always a risk that operator error or equipment failure will result in environmental and/or safety noncompliance.

(h) Key Personnel

The success of the Company is dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. This risk is mitigated through the engagement of technology experts, consultants in the field, etc. who can intervene in such an instance. Once the final design, equipment procurement and construction of the pilot plant and other operations is complete, this risk is further mitigated. The facilities' planned location in an industrial community gives it the ability to engage qualified personnel to operate the facility, create local jobs and renovate an industrial wasteland to an environmentally friendly business hub is deemed to be a very low risk.

(i) Project Execution Risk

Once the detailed engineering design is complete, there are no guarantees that the processing facility will be built on time and on budget. Any delays in receiving the appropriate environmental and construction permits, construction delays, as well as ramp up to full capacity may materially impact the Company's financial performance and cash flow.

*Forward-looking Statements*

*This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts that address future operations, acquisitions, financings, activities and events or developments that the Company expects are forward-looking statements. Specifically, this MD&A contains in its discussion on "Liquidity and Capital Resources" forward-looking statements about the Company's success in obtaining adequate financing to fund necessary working capital to achieve its business objectives and the Company' strategy to attract new business opportunities.*

*These forward-looking statements and information are based on current expectations but are subject to uncertainty and changes in circumstances that may cause actual results to differ materially from those expressed or implied by such forward-looking statements and information. Inherent in forward-looking statements and information are risks and uncertainties beyond the Company's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements and information contained in this MD&A. Such statements and information are based on a number of assumptions and factors which may prove to be incorrect, including, but not limited to, assumptions about the availability of financing for the Company on reasonable terms or at all, market competition on new business opportunities and changes in general economic conditions or conditions in the financial markets.*

*The Company undertakes no obligation to publicly revise forward-looking information to reflect subsequent events or circumstances except as required by securities laws. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this MD&A.*

This Management's Discussion and Analysis ("MDA") has been prepared by management and reviewed and approved by the board of directors (the "Board of Directors") of PlasCred Inc. ("PlasCred" or the "Company") on July 28, 2023. This MD&A should be read in conjunction with the audited financial statements and related notes thereto for the period from incorporation on January 28, 2022 to December 31, 2022 which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the MD&A are quoted in Canadian dollars. The MD&A contains certain Forward-Looking Statements and the reader should read the cautionary statement related to Forward-Looking Statements found at the end of this report.

## Overview

PlasCred was incorporated on January 28, 2022 under the Canadian Business Corporations Act and is registered as an extra-Provincial Corporation in Alberta on March 1, 2022.

The Company's registered office is 525 – 8 Ave S.W. 46 Floor, Calgary, Alberta, T2P 1G1.

During the period ended December 31, 2022, the Company received a short-term loan of $300,000 from a publicly listed company with which it had plans to amalgamate. This loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security was then assigned to a private company, incorporated in British Columbia (the "Private Company"), and the loan was increased to $801,000 (the "First Loan").

On November 14, 2022, the First Loan was assigned to Cover Technologies Inc., a company incorporated in British Columbia and listed on Canadian Securities Exchange ("CSE") (ticker: COVE), Frankfurt Stock Exchange (ticker: 304A) and the OTC Bulletin Board (ticker: MGPRF") ("Cover"), in connection with the assignment by the Private Company to Cover of a Share Exchange Agreement (SEA) dated August 2, 2022.

The First Loan carries interest at the rate of 10% per annum, calculated and compounded monthly and is secured by a general assignment of assets. An amendment to the maturity date of the First Loan is current being discussed amount Cover and the Company.

## Proposed Transaction

On August 2, 2022, the Company, its shareholders and the Private Company entered into a share exchange agreement (the "Share Exchange Agreement"), whereby the Private Company agreed to acquire all of the issued and outstanding common shares of the Company from the shareholders in exchange for the issuance by the Private Company of 35,000,000 common shares (the "Original Transaction"). As a result of this Original Transaction, the Company would become a wholly owned subsidiary of the Private Company.

Concurrently with the closing of the Share Exchange Agreement, the Private Company agreed to issue 5,000,000 performance share purchase warrants to certain employees and consultant. The performance share purchase warrants will be exercisable into one common share at an exercise price of $0.25 per common share of the Private Company for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

On October 4, 2022, the Company, the Private Company and Cover entered into an assignment agreement pursuant to which all rights and obligations of the Private Company under the Share Exchange Agreement were assigned to Cover. Additionally, Cover agreed by way of a novation and assumption agreement to take the assignment of the First Loan, together with all its rights, entitlements, covenants, agreements, liabilities, duties and security.

In consideration for the assignment, Cover will issue to the Private Company 12,000,000 post-consolidation units at a deemed price of $0.10 per unit. Each unit consists of one post-consolidation common share and one post-consolidation share purchase warrant, which will be exercisable for a period of two years at an exercise price of $0.25 per post consolidation share.

On November 14, 2022, the Company, its shareholders and Cover entered into an amended and restated share exchange agreement (the "A&R Share Exchange Agreement"), whereby it was agreed that Cover would acquire all the issued and outstanding shares capital of the Company in exchange for 35,000,000 fully paid post-consolidation shares at the closing date (the "New Transaction") at a deemed price of $0.10 per share.

In connection with the New Transaction, Cover will consolidate its issued and outstanding shares on a 2 for 1 basis.

Concurrently with the closing of the A&R Share Exchange Agreement, Cover will complete a private placement of up to $1,600,000 at a price of $0.30 per common share and will also issue 5,000,000 performance share purchase warrants to the Company's President and Chief Executive Officer. The performance share purchase warrants will be exercisable into one common share of at an exercise price of $0.25 per post-consolidation common share of Cover for a period of 60 months from the date of issuance and on the terms and conditions agreed to by the parties.

It is a condition of closing of the New Transaction that Cover will change its name to "PlasCred Circular Innovations Inc." or such other name as agreed at that time between the parties.

<u>Subsequent events:</u>

In March 2023, a second loan agreement was executed for an additional loan of up to $1,000,000 from Cover the ("Second Loan"); this loan was received in full (cash of $1,000,000) in March 2023. This Second Loan carries interest at the rate of 10% per annum, calculated and compounded monthly, is secured through granting, assigning, transferring, mortgages, charges and security interests in all of the undertaking, property and assets of the Company to and in favor of Cover. The Second Loan was maturing on July 29, 2023, which was extended to August 31, 2023 through an Amendment Agreement dated July 26, 2023.

On March 1, 2023, Cover, the Company and the shareholders of the Company entered into a second amended and restated share exchange agreement (the "Second A&R Share Exchange Agreement), which was on substantially the same terms as the A&R Share Exchange Agreement with respect to the issuance of 35,000,000 post-Consolidation shares and 5,000,000 performance warrants to certain employees and consultants. Additionally, Cover agreed to advance the Second Loan to the Company.

On May 24, 2023, the parties entered into an amendment agreement which amended the Second A&R Share Exchange Agreement (the "Amended Agreement"). The Amended Agreement amended, among other things, the escrow conditions provided for in the Second A&R Share Exchange Agreement as well as the requirements with respect to net cash on hand on closing. The closing of the New Transaction is to occur on a date mutually agreed to by the parties.

The Company has incurred and capitalized approximately $646,000 ($330,000 up to December 31, 2022) in engineering and fabrication costs of its pilot plant (Primus) up to the date of the MD&A. During May 2023, the Company achieved successful production of commercial specification hydrocarbon liquids utilizing the PlasCred Process for which a patent was applied subsequent to December 31, 2022. Research is under way towards the design and fabrication of the Company's full-scale plant (Maximus), which will require further financing in 2023 and 2024 to achieve commerciality in 18-24 months at a projected cost of approximately $120,000,000. Production from the full-scale facility will be approximately 2,000 barrels of hydrocarbon liquid per day, that, when mixed with heavy, sour crude oil, produces a marketable, lighter crude oil that can be easily shipped by pipeline to distant markets (the "Condensate"). The PlasCred Process will also produce a by-product known as carbon black, which has uses in rubber tires and paints compounds, as well as a small number of significant aromatics, including hydrogen, propane and butane, which can be redirected into the heating equipment used during the PlasCred Process or isolated and sold. The pilot facility will continue to produce saleable products to complement the full-scale facility and will also be used for testing new processing ideas.

Negotiations are progressing to secure a lease for the full-scale facility. The Company has located a site in Fort Saskatchewan, Alberta near customers, which is serviced by all necessary utilities and located near rail lines for transportation of raw materials and the Company's products. The pilot facility is located in a 1,000 square foot leases space in an industrial section of Calgary, Alberta. The lease for the pilot facility is a verbal, month-to-month arrangement.

## Selected Annual Information

| **Annual Balance Sheet Data as at December 31** | **2022** | **2021** | **2020** |
|---|---|---|---|
| Total Assets | 490,803 | - | - |
| Total Liabilities | 1,110,346 | - | - |
| Total Current Assets | 157,163 | - | - |
| Total Current Liabilities | 1,110,346 | - | - |
| Shareholders' Equity (Deficit) | (619,543) | - | - |

**Summary of Quarterly Operating Results**
The following table provides selected quarterly information for the Company's four completed quarters from incorporation on January 28, 2022 to December 31, 2022.

| **For the three months ended** | **December 31 2022** | **September 30 2022** | **June 30 2022** | **March 31 2022** |
|---|---|---|---|---|
| Net loss and comprehensive loss | (254,651) | (266,196) | (107,269) | (1,427) |
| Basic and diluted loss per common share | (0.03) | (0.03) | (0.01) | (0.00) |

The financial statements for the above periods have been prepared by management using accounting principles consistent with IFRS.

### Results of Operations

***Results of operations for period from incorporation on January 28, 2022 to December 31, 2022***

### Net loss

The following are the major expenditures incurred that are contributing to the net loss of $629,543 for the period from incorporation on January 28, 2022 to December 31, 2022: salaries and consulting fees ($325,014) paid to the officers of the Company for administrative tasks / day-to-day running of the Company, research and development ($50,000), professional fees ($126,530), the majority of which related to the company start-up, discussions and drafting of various agreements surrounding the Proposed Transaction, travel and business development expenditures ($91,419) and interest on short-term loans ($19,437).

Tangible asset costs of the pilot plant, including materials and engineering, are capitalized. The founding shareholders provided the knowledge gained from their prior experience in the design and operation of facilities similar to the pilot facility as well as research conducted on the pyrolysis process prior to incorporation of the Company. Research-related costs during the period from incorporation on January 28, 2022 to December 31, 2022 of $50,000 are expensed in profit or loss in line with the requirements of paragraph 54 of IAS 38 *Intangible Assets* not to recognize intangible asset arising from research phase of an internal project.

**Liquidity and Capital Resources**

The Company's cash position at December 31, 2022 was $118,757. The Company's working capital deficit at that date was ($953,183).

The Company believes it will be able to raise working capital to fund minimum operations over the next twelve months through the above RTO and associated financing as discussed above.

There can be no assurance that any additional financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs.

**Transactions with Related Parties**

*Key management compensation:*

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include the sole director who is also the Chief Executive Officer of the Company, the Chief Technical Officer, and the Chief Financial Officer.

| | December 31, 2022 |
|---|---|
| | $ |
| Salaries, wages and consulting fees to CEO, CTO and CFO | 186,375 |

During the period from incorporation January 28, 2022 to December 31, 2022, the Company incurred $15,500 of professional fees with a company controlled by the CFO for accounting and managerial services performed.

**Disclosure of Outstanding Share Data**

As at December 31, 2022, the Company had 10,000,000 common shares outstanding.

On January 1, 2023, the Company repurchased 1,830,000 voting common shares for $1,830.

As at the date of this MD&A, the Company has 8,170,000 common shares outstanding. There are currently no share purchase warrants or stock options issued and outstanding.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Financial Instruments**

Financial instruments recognized on the balance sheet consist of cash.

**Risk Factors**

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at December 31, 2022:

(a) Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash. The Company limits its exposure to credit risk by placing its cash with high quality financial institutions.

(b) 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 objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at December 31, 2022, the Company's financial liabilities include accounts payable and accrued liabilities and short-term loan totaling $1,110,346 which are payable within a year. The Company has cash of $118,757 as at December 31, 2022. The Company expects to be able to obtain funding to settle its liabilities as and when they fall due.

(c) Market risk

Market risk is the risk that changes in market prices – e.g., 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.

- Interest rate risk:

  Interest rate risk is part of market risk and is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The short-term loan carries fixed rate of interest therefore there is no interest rate risk on this loan but the Company is exposed to market rate risk if the market interest rate changes.

- Foreign currency risk:

  The Company does not have financial assets or liabilities denominated in a foreign currency.

(d) Price risk

Price risk is the risk that market prices, such as commodity prices, will affect the Company's net earnings or value of its financial instruments. The Company is not exposed to significant price risk.

(e) Competition risk

The Company is in a competitive plastic recycling market and the ability to secure waste plastic supply and condensate offtake agreements with clients and customers is critical.

(f) Intellectual Property

The Company has significant intellectual property and know-how which will be protected through the filing of patents as well as the issuance of non-disclosure agreements for specific know-how and business confidential information. Although every effort will be made to ensure that the Company's IP and know-how are protected, there is a risk that the competition and/or employees will not respect their legal obligations and the Company may be forced to take legal action.

(g) Environmental and Safety Compliance

The processing facility will be designed and constructed to meet all required environmental, health and safety standards. Although best practices will be used to design, construct and operate the facility, there is always a risk that operator error or equipment failure will result in environmental and/or safety noncompliance.

(h) Key Personnel

The success of the Company is dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company. This risk is mitigated through the engagement of technology experts, consultants in the field, etc. who can intervene in such an instance. Once the final design, equipment procurement and construction of the pilot -plant and other operations is complete, this risk is further mitigated. The facilities' planned location in an industrial community gives it the ability to engage qualified personnel to operate the facility, create local jobs and renovate an industrial wasteland to an environmentally friendly business hub is deemed to be a very low risk.

(i) Project Execution Risk

Once the detailed engineering design is complete, there are no guarantees that the processing facility will be built on time and on budget. Any delays in receiving the appropriate environmental and construction permits, construction delays, as well as ramp up to full capacity may materially impact the Company's financial performance and cash flow.

*Forward-looking Statements*

*This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts that address future operations, acquisitions, financings, activities and events or developments that the Company expects are forward-looking statements. Specifically, this MD&A contains in its discussion on "Liquidity and Capital Resources" forward-looking statements about the Company's success in obtaining adequate financing to fund necessary working capital to achieve its business objectives and the Company' strategy to attract new business opportunities.*

*These forward-looking statements and information are based on current expectations but are subject to uncertainty and changes in circumstances that may cause actual results to differ materially from those expressed or implied by such forward-looking statements and information. Inherent in forward-looking statements and information are risks and uncertainties beyond the Company's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements and information contained in this MD&A. Such statements and information are based on a number of assumptions and factors which may prove to be incorrect, including, but not limited to, assumptions about the availability of financing for the Company on reasonable terms or at all, market competition on new business opportunities and changes in general economic conditions or conditions in the financial markets.*

*The Company undertakes no obligation to publicly revise forward-looking information to reflect subsequent events or circumstances except as required by securities laws. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this MD&A.*

**SCHEDULE G**

**PRO FORMA FINANCIAL STATEMENTS OF PLASCRED CIRCULAR INNOVATIONS INC.**

[*See Attached*]

**COVER TECHNOLOGIES INC.**

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENT

(Unaudited – Prepared by Management)

**MARCH 31, 2023**

Expressed in Canadian dollars

# COVER TECHNOLOGIES INC.

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

(Expressed in Canadian Dollars)

| | PlasCred Inc. (PCI) | Cover Technologies Inc (CTI). | Note 3 | Pro forma Adjustments | Pro Forma Consolidated |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash | $526,045 | $424,963 | f | $1,500,000 | $2,451,008 |
| Accounts receivable | 54,517 | 99,425 | | - | 153,942 |
| Prepaid expenses | | 2,056 | | - | 2,056 |
| Other receivables | | 1,856,287 | c | (1,856,287) | - |
| | 580,562 | 2,382,731 | | (356,287) | 2,607,006 |
| **Non-current assets** | | | | | |
| Construction in progress and computer equipment | 494,408 | - | | - | 494,408 |
| Deferred acquisition cost | - | 8,281,161 | d | (8,281,161) | - |
| **Total assets** | $1,074,970 | $10,663,892 | | ($8,637,448) | $3,101,414 |
| | | | | | |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable and accrued liabilities | $123,735 | $367,897 | b | $200,000 | 691,632 |
| First short term debt of PCI | 1,855,769 | - | c | (1,855,769) | - |
| Due to related parties | - | 110,000 | | - | 110,000 |
| Notes payable | - | 1,294 | | - | 1,294 |
| Advance from Investissement Quebec | - | 582,745 | | | 582,745 |
| Convertible debenture funds received | | 1,500,000 | e | (1,500,000) | - |
| **Total liabilities** | 1,979,504 | 2,561,936 | | (3,155,769) | 1,385,671 |
| | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital | 8,170 | 18,620,088 | a | 10,500,000 | 13,508,170 |
| | | | a | (18,620,088) | |
| | | | e | 1,500,000 | |
| | | | f | 1,500,000 | |
| Warrants | - | 2,301,894 | a | (2,301,894) | - |
| | | | | | |
| Consideration payable | | 8,814,753 | d | (8,281,161 | - |
| | | | d | (533,592) | |
| | | | | | |
| Accumulated deficit | (912,704) | (21,634,779) | a | 21,634,779 | (913,222) |
| | | | b | 200,000 | - |
| | | | c | (518) | |
| Transaction costs | | | b | (10,879,205) | (10,879,205) |
| | | | | | |
| **Total shareholders' equity** | (904,534) | 8,101,956 | | (5,481,679) | 1,715,743 |
| | | | | | |
| **Total liabilities and shareholders' equity** | $1,074,970 | $10,663,892 | | ($8,637,448) | $3,101,414 |

The accompanying notes are an integral part of this pro forma consolidated statement of financial position

## 1. BASIS OF PRESENTATION

This unaudited pro forma consolidated financial statement has been prepared for illustrative purposes only, to show the effect of the transaction, and is not intended to reflect the financial position which would have actually resulted if the events reflected herein had been in effect at the dates indicated.

This pro forma consolidated financial statement has been prepared as though the transaction described in notes 2 and 3 had occurred on March 31, 2023. In preparing this pro forma consolidated financial statement, historical information was derived from the statements of financial position of PlasCred Inc. (“PCI”) and Cover Technologies Inc. (“CTI”) as at March 31, 2023.

In the opinion of management, the pro forma consolidated financial statement includes all adjustments necessary for a fair presentation of the transaction applied on a basis consistent with PCI’s accounting policies. Actual amounts recorded once the transaction and other adjusting items are completed will likely differ from those recorded in this unaudited pro forma consolidated financial statement. Further, this unaudited consolidated financial statement is not necessarily indicative of the financial position that may be obtained in the future. These differences may be material.

The unaudited pro forma consolidated financial statements should be read in conjunction with the unaudited interim financial statements of the Company as at March 31, 2023 and the audited financial statements of PCI as at December 31, 2022, which are contained within the Company’s listing application.

## 2. DESCRIPTION OF TRANSACTION

This unaudited pro forma consolidated financial statement has been compiled for the purposes of inclusion in the Company’s (“CTI”) listing application to the Canadian Securities Exchange (“CSE”) dated ___________.

On March 1, 2023 the Company and PlasCred Inc. (“PCI”) executed an Amended and Restated Share Exchange Agreement (“SEA”) whereby CTI will issued 35,000,000 post-consolidation common shares to shareholders of PCI on a pro-rata basis at a fair value price of $0.30 per share in exchange for all of PCI’s outstanding shares (the “Transaction”) . In substance, the Transaction involves PCI shareholders obtaining control of the Company and accordingly the Transaction will be considered a reverse takeover transaction (“RTO”) with PCI acquiring the Company.

The Company also plans to complete a private placement for gross proceeds of up to $3,000,000 at an anticipated price of $0.30 per share, at or prior to closing of the SEA. This transaction is subject to shareholder and regulatory approval as well as the conditional listing of the shares on the CSE. Prior to the closing of the transaction, CTI intends to consolidate its outstanding shares on the basis of two pre-consolidation shares for every one post-consolidation share. It is expected that at the conclusion of the transaction, Cover Technologies Inc. will change its name to “PlasCred Circular Innovations Inc.” or such other name as agreed at that time between the two parties.

Prior to March 31, 2023, PCI borrowed on a short-term basis $200,000 from TCI and $601,000 from a private company. CTI was then assigned the position of creditor of the private company portion under an Assignment Agreement with the private company, and in exchange will issue 12,000,000 post-consolidation Units at a price of $0.10 per Unit, with each Unit consisting of one post-consolidation common share and one post-consolidation share purchase warrant exercisable for a period of two years at an exercise price of $0.25 per post-consolidation share.

On March 1, 2023 PCI signed a second Loan Agreement with CTI for an additional $1,000,000 on a short-term basis. This amount was advanced shortly after execution of the SEA.

In July, 2023 the Company also issued convertible debentures in the amount of $1,500,000, which are intended to convert to common shares at closing of the transaction.

## 3 UNAUDITED PRO FORMA ADJUSTMENTS

The unaudited pro forma consolidated financial statement reflects the following adjustments as if the transaction had occurred March 31, 2023:

a. CTI issues 35,000,000 million shares at a fair value of $0.30 per share ($10,500,000) pro rata to PCI shareholders to acquire all of outstanding shares of PCI . This is balanced by the costs of the transaction and elimination of pre-acquisition CTI balances of share capital, reserves and deficit.
b. Accrue transaction costs.
c. Eliminate intercompany debt and interest on consolidation.
d. Adjust intercompany interest calculation.
e. Conversion of convertible debentures at closing.
f. CTI completes private placement at an estimated market price of $0.30 per share for estimated proceeds of up to $3,000,000, one-half through convertible debentures, one-half through issue of shares.

Summary

As consideration for 100% of the outstanding common shares of PCI. the Company will issue 35,000,000 common shares in exchange for all outstanding common shares of PCI. As a result of the share exchange, the former shareholders of PCI will acquire control of the Company and the Transaction will be treated as an RTO. The Transaction will be accounted for as an acquisition of the net assets and the Company's status as a Reporting Issuer by PCI via a share-based payment.

The excess of the estimated fair value of the equity instruments that PCI is to issue to acquire the Company, plus the transaction costs (both the "Consideration") and the estimated fair value of the Company's net assets, will be recorded as a charge to the accumulated deficit as a cost of obtaining the Company's status as a Reporting Issuer.

For the purposes of the pro-forma consolidated statement of financial position, management has estimated the fair value of the equity instruments to be issued in regard to the Company. The fair value of the 35,000,000 common shares amounted to $10,500,000, based on a fair value of $0.30. Reference is made to IFRS 13

(Expressed in Canadian Dollars)

## 3 UNAUDITED PRO FORMA ADJUSTMENTS (Continued)

The allocation of the Consideration for the purposes of the pro-forma consolidated statement of financial position is as follows:

**Net assets acquired:**

| | |
|---|---|
| Cash | $424,963 |
| Receivables | 99,425 |
| Prepaid expenses | 2,056 |
| Loans receivable | 1,856,287 |
| Accounts payable and accrued liabilities | (367,897) |
| Due to related parties | (110,000) |
| Notes payable | (1,294) |
| Convertible debentures | (1,500,000) |
| Due to Investissement Quebec | (582,745) |
| Costs of transaction | (200,000) |
| Net liabilities acquired | (379,205) |
| Consideration | 10,500,000 |
| Cost of the Company's status as a Reporting Issuer | $10,879,205 |

(Expressed in Canadian Dollars)

## 4 UNAUDITED PRO FORMA SHAREHOLDERS' EQUITY

As a result of the Transaction and the pro-forma assumptions and adjustments, the Shareholders' Equity of the combined entity as at March 2023 is comprised of the following:

| | Number of common shares | Amount | Number of Warrants | Amount |
|---|---|---|---|---|
| | | $ | | $ |
| Existing CTI shareholders after elimination of pre-RTO equity and deficit balances | 14,760,655 | 8,170 | | |
| Concurrent financing | 5,339,662 | 1,602,000 | | |
| Debt settlement | 396,249 | 120,856 | | |
| Common shares to be issued to upon conversion of convertible debentures | 5,000,000 | 1,500,00 | | |
| Common shares to be issued to PCI shareholders at deemed value on Reverse Takeover | 35,000,000 | 10,500,000 | | |
| Common Shares to be issued to Finder of Reverse Takeover transaction | 1,500,000 | 450,000 | | |
| **Pro forma balance at March 31, 2023** | **61,996,566** | **12682,526** | **12,000,000** | **4,374,753** |

**SCHEDULE H**

**AUDIT COMMITTEE CHARTER**

[*See Attached*]

**COVER TECHNOLOGIES INC. (FORMERLY MAG ONE PRODUCTS INC.)**
**(the "Company")**

# AUDIT COMMITTEE CHARTER

## 1. Purpose

1.1. The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Audit Committee's role is to:

(a) support the Board of Directors in meeting its responsibilities to shareholders;

(b) enhance the independence of the external auditor;

(c) facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;

(d) increase the credibility and objectivity of the Company's financial reports and public disclosure.

1.2. The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee's responsibilities as described herein.

1.3. The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

## 2. Membership

2.1 Each member of the Audit Committee must be a director of the Company.

2.2 The Audit Committee will consist of at least three members, the majority of whom are neither officers nor employees of the Company or any of its affiliates.

2.3 The members of the Audit Committee will be appointed annually by and will serve at the discretion of the Board of Directors.

## 3. Authority

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

(a) engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities; and

(b) communicate directly with management and any internal auditor, and with the external auditor without management involvement.

(c) Approve interim financial statements and interim MD&A on behalf of the Board of Directors.

## 4. Duties and Responsibilities

4.1 The duties and responsibilities of the Audit Committee include:

(a) recommending to the Board of Directors the external auditor to be nominated by the Board of Directors;

(b) recommending to the Board of Directors the compensation of the external auditor;

(c) reviewing the external auditor's audit plan, fee schedule and any related services proposals;

(d) overseeing the work of the external auditor;

(e) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board and will enquire if there are any sanctions imposed by the CPAB on the external auditor;

(f) ensuring that the external auditor meets the rotation requirements for partners and staff on the Company's audits;

(g) reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management;

(h) reviewing the external auditor's report, audit results and financial statements prior to approval by the Board of Directors;

(i) reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to Board approval and dissemination of financial statements to shareholders and the public;

(j) reviewing financial statements, MD&A and annual and interim earnings press releases prior to public disclosure of this information;

(k) ensuring adequate procedures are in place for review of all public disclosure of financial information by the Company, prior to is dissemination to the public;

(l) overseeing the adequacy of the Company's system of internal accounting controls and internal audit process obtaining from the external auditor summaries and recommendations for improvement of such internal accounting controls;

(m) ensuring the integrity of disclosure controls and internal controls over financial reporting;

(n) resolving disputes between management and the external auditor regarding financial reporting;

(o) establishing procedures for:

i. the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practices relating thereto; and

ii. the confidential, anonymous submission by employees of the Company or concerns regarding questionable accounting or auditing matters.

(p) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;

(q) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the

Company’s external auditor;

(r) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities.

4.2 The Audit Committee will report, at least annually, to the Board regarding the Committee’s examinations and recommendations.

**5. Meetings**

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Committee who are not officers or employees of the Company or of an affiliate of the Company.

5.2 The members of the Audit Committee must elect a chair from among their number and may determine their own procedures.

5.3 The Audit Committee may establish its own schedule that it will provide to the Board of Directors in advance.

5.4 The external auditor is entitled to receive reasonable notice of every meeting of the Audit Committee and to attend and be heard thereat.

5.5 A member of the Audit Committee or the external auditor may call a meeting of the Audit Committee.

5.6 The Audit Committee will meet separately with the President and separately with the Chief Financial Officer of the Company at least annually to review the financial affairs of the Company.

5.7 The Audit Committee will meet with the external auditor of the Company at least once each year, at such time(s) as it deems appropriate, to review the external auditor’s examination and report.

5.8 The chair of the Audit Committee must convene a meeting of the Audit Committee at the request of the external auditor, to consider any matter that the auditor believes should be brought to the attention of the Board of Directors or the shareholders.

**6. Reports**

6.1 The Audit Committee will record its recommendations to the Board in written form which will be incorporated as a part of the minutes of the Board of Directors’ meeting at which those recommendations are presented.

**7. Minutes**

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

**SCHEDULE I**

**STOCK OPTION PLAN**

[*See Attached*]

# COVER TECHNOLOGIES INC.

# 20% ROLLING STOCK OPTION PLAN

# ADOPTED ON JUNE 2, 2022

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## ARTICLE I.
## DEFINITIONS AND INTERPRETATION

1.01 DEFINITIONS

As used herein, unless anything in the subject matter or context is inconsistent therewith, the following terms shall have the meanings set forth below:

"**Administrator**" means the person as may be designated as Administrator by the Board from time to time;

"**Affiliate**" means a corporation that is affiliated with the Company because (i) one of them is the subsidiary of the other; or (ii) each of them is controlled by the same individual or corporation;

"**Applicable Laws**" means all legal requirements relating to the administration of stock option plans, if any, under applicable corporate laws, any applicable state or provincial securities laws, the rules and regulations promulgated thereunder, and the requirements of the Exchange, and the laws of any foreign jurisdiction applicable to Options granted to residents therein;

"**Award Date**" means the date on which the Board grants a particular Option;

"**Board**" means the board of directors of the Company;

"**Company**" means Cover Technologies Inc. or any "affiliate" thereof (as defined in the Securities Act);

"**Consultant**" means an individual or Consultant Company other than an Employee or a Director of the Company, that (i) provides ongoing consulting, technical, management or other services to the Company or to an Affiliate of the Company; (ii) provides the services under a written contract between the Company or the Affiliate and the individual or the Consultant Company; (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company;

"**Consultant Company**" means for an individual consultant, a company or partnership of which the individual is an employee, shareholder or partner;

"**Director**" means directors, senior officers and Management Company Employees of the Company;

"**Earlier Termination Date**" means the date determined in accordance with section 3.4 after which a particular Option cannot be exercised;

"**Employee**" means (i) an individual considered an employee of the Company or a subsidiary under the *Income Tax Act* (Canada) (i.e. for whom income tax and other deductions are made by the Company); (ii) an individual who works full-time for the Company or a subsidiary providing services normally provided by an employee but for whom income tax and other deductions are not made; (iii) an individual who works for the Company or a subsidiary on a continuing and regular basis for a minimum amount of time per week, but for whom income tax and other deductions are not made; and (iv) other persons who are providing, have provided, or have agreed to provide a service of value to the Company or a subsidiary;

"**Exchange**" means the CSE Exchange or successor stock exchange;

"**Exercise Notice**" means the notice respecting the exercise of an Option, in the form set out as Schedule "B" hereto in the case of a Non-U.S. Option Holder and Schedule "D" in the case of a US Optionee Holder, duly executed by the Option Holder;

"**Exercise Period**" means the period during which a particular Option may be exercised and is the period from and including the Award Date through to and including the Expiry Date;

“**Exercise Price**” means the price at which an Option may be exercised as determined in accordance with section 3.5;

“**Expiry Date**” means the date determined in accordance with section 3.3 after which a particular Option cannot be exercised;

“**Investor Relations Activities**” has the same meaning given to it under Policy 1.1 of the CSE Exchange Corporate Finance Manual and Policies;

“**Management Company Employee**” means an individual employed by a corporation providing management services to the Company which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person engaged in Investor Relations Activities;

“**Option**” means an option to acquire Shares awarded pursuant to the Plan;

“**Option Certificate**” means the certificate, substantially in the form set out as Schedule “A” where the Option is granted to a Non-U.S. Option Holder or substantially in the form set out as Schedule “C” where the Option is granted to a US Option Holder attached hereto, evidencing an Option;

“**Option Holder**” means a person who holds an unexercised and unexpired Option or, where applicable, the Personal Representative of such person;

“**Personal Representative**” means (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and (ii) in the case of an Option Holder who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder;

“**Plan**” means this amended and restated stock option plan;

“**Securities Act**” means the *Securities Act* (British Columbia); and

“**Share**” or “**Shares**” means, as the case may be, one or more common shares without par value in the capital of the Company.

1.02 CHOICE OF LAW

The Plan is established under, and the provisions of the Plan shall be interpreted and construed solely in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

1.03 HEADINGS

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

## ARTICLE II.
## PURPOSE AND PARTICIPATION

2.01 PURPOSE

The purpose of the Plan is to provide the Company with a share-related mechanism to attract, retain and motivate Directors, Employees and Consultants, to reward such of those persons by the grant of Options under the Plan by the Board from time to time for their contributions toward the long term goals of the Company and to enable and encourage such persons to acquire Shares as long term investments.

2.02 PARTICIPATION

The Board shall, from time to time, in its sole discretion determine those Directors, Employees and/or Consultants, if any, to whom Options are to be awarded. If the Board elects to award an Option to a Director or Consultant, the Board shall, in its sole discretion but subject to section 3.2, determine the number of Shares to be acquired on the exercise of such Option. If the Board elects to award an Option to an Employee, the number of Shares to be acquired on the exercise of such Option shall be determined by the Board in its sole discretion but subject to section 3.2, and in so doing the Board may take into account the following criteria:

(a) the Employee's remuneration as at the Award Date in relation to the total remuneration payable by the Company to all of its Employees as at the Award Date;

(b) the length of time that the Employee has provided services to the Company; and

(c) the nature and quality of work performed by the Employee.

In the case of Options awarded to Employees, Consultants or Management Company Employees, the Company will be deemed to have represented that the recipient is a bona fide Employee, Consultant or Management Company Employee.

2.03 NOTIFICATION OF AWARD

Following the approval by the Board of the awarding of an Option, the Option Holder shall be notified of the award and given an Option Certificate representing the Option so awarded.

2.04 COPY OF PLAN

Each Option Holder, concurrently with the notice of the award of the Option, shall be provided with a copy of the Plan. A copy of any amendment to the Plan shall be promptly provided to each Option Holder.

2.05 LIMITATION

The Plan does not give any Option Holder the right to continue to be employed or engaged by the Company.

## ARTICLE III.
## TERMS AND CONDITIONS OF OPTIONS

3.01 BOARD TO ALLOT SHARES

The Shares to be issued to Option Holders upon the exercise of Options shall be allotted and authorized for issuance by the Board prior to the exercise thereof.

3.02 NUMBER OF SHARES

The maximum number of Shares reserved for issuance under the Plan at any one time shall not exceed at any time 20% of the then-issued and outstanding Shares.

The total number of Options awarded to any one individual in any 12 month period shall not exceed 5% of the issued and outstanding Shares as at the Award Date (unless the Company becomes a Tier 1 issuer of the Toronto Stock Exchange or Toronto Stock Exchange – Venture (a "**Tier 1 Issuer**") and has obtained disinterested shareholder approval).

The total number of Options awarded as compensation to persons providing Investor Relations Activities cannot exceed 1% of the outstanding number of listed securities in any 12-month period.

3.03 TERM OF OPTION

Subject to section 3.4, the Expiry Date of an Option shall be the date so fixed by the Board at the time the particular Option is awarded, provided that such date shall not be later than:

(a) in the case of an Option granted prior to the Shares being listed on the Exchange, the fifth anniversary of the date on which the Shares are listed on the Exchange; or

(b) in the case of an Option granted after the Shares have been listed on the Exchange, the tenth anniversary of the Award Date of the Option.

3.04 TERMINATION OF OPTION

An Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period provided that, with respect to the exercise of part of an Option, the Board may at any time and from time to time fix a minimum or maximum number of Shares in respect of which an Option Holder may exercise part of any Option held by such Option Holder. Any Option or part thereof not exercised within the Exercise Period shall terminate and become void as of 5:00 p.m. (Vancouver time) on the first to occur of the Expiry Date or the Earlier Termination Date. The Earlier Termination Date shall be the date established, if applicable, in subsections (a) or (b) below.

(a) *Death*

In the event that the Option Holder should die while he or she is still (i) a Director, Consultant or Employee (other than a Consultant or an Employee performing Investor Relations Activities), the Expiry Date shall be 12 months from the date of death of the Option Holder; or (ii) a person performing Investor Relations Activities, the Expiry Date shall be 90 days from the date of death of the Option Holder.

*(b) Ceasing to be a Director, Employee or Consultant*

In the event that the Option Holder ceases to be a Director, Employee or Consultant other than by reason of death and ceases to be eligible through another capacity to hold an Option, the Expiry Date of the Option shall be the 30th day following the date the Option Holder ceases to be a Director, Employee or Consultant unless any of the following apply:

(i) the Option Holder ceases to meet the qualifications for directors prescribed by the corporate legislation to which the Company is then subject and the Option Holder is not eligible through another capacity to hold an Option;

(ii) the Option Holder ceases to be a director of the Company by reason of a special resolution to that effect having been passed by the members of the Company pursuant to the corporate legislation to which the Company is then subject and the Option Holder is not eligible through another capacity to hold an Option;

(iii) the Option Holder’s relationship with the Company or the Management Company is terminated for cause; or

(iv) an order of the British Columbia Securities Commission or other regulatory authority having jurisdiction is made prohibiting the Option Holder from holding an Option,

in which case the Earlier Termination Date shall be the date on which any of the above occurs.

3.05 EXERCISE PRICE

The Exercise Price shall be that price per Share, as determined by the Board in its sole discretion, and announced as of the Award Date, at which an Option Holder may purchase a Share upon the exercise of an Option, and if the Shares are then listed on the Exchange, shall not be have an exercise price lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the Option; and (b) the date of grant of the Options.

3.06 REDUCTION IN EXERCISE PRICE

Disinterested shareholder approval will be obtained for any reduction in the exercise price of an Option if the Option Holder is an insider of the Company at the time of the proposed amendment.

3.07 ASSIGNMENT OF OPTIONS

Options may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by section 4.1, exercise the Option within the Exercise Period.

3.08 ADJUSTMENTS

If prior to the complete exercise of any Option the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively the "Event"), an Option, to the extent that it has not been exercised, shall be adjusted by the Board in accordance with such Event in the manner the Board deems appropriate. No fractional Shares shall be issued upon the exercise of the Options and accordingly, if as a result of the Event an Option Holder would become entitled to a fractional share, such Option Holder shall have the right to purchase only the next lowest whole number of shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

3.09 VESTING

The following provisions regarding vesting shall apply to the Options:

(a) For so long as the Company is not classified as a Tier 1 Issuer or equivalent designation on the Exchange, all Options awarded pursuant to the Plan, except in exceptional circumstances as determined by the Board, must contain conditions relating to the vesting of the right to exercise an Option awarded to any Option Holder, which will provide that the right to purchase the Shares under the Option may not be exercised any earlier than six equal quarterly releases over a period of 18 months from the Award Date.

    In the event that the classification of the Company on the Exchange is upgraded to that of a Tier 1 Issuer or equivalent designation, or the Shares are no longer listed on the Exchange, the Board may, in its sole discretion at the time the Option is awarded, but will not be required to, impose conditions relating to the vesting of the right to exercise an Option awarded to any Option Holder. The Board may (but will not be required to) accelerate or remove the vesting provisions applying to previously granted Options.

(b) The Board may grant Options bearing vesting provisions less favourable than those specified in subsections 3.9(a). Notwithstanding the provisions of subsections 3.9(a) and subject to Exchange acceptance, the Board may grant Options bearing vesting provisions more favourable than those specified in subsections 3.9(a).

(c) Option Certificates will disclose vesting conditions which are as specified by the Board.

(d) The vesting schedule in subsection 3.9(a) shall be automatically and immediately accelerated such that all remaining Options will then be available for exercise upon the occurrence of a *take over bid* which is a *formal bid,* as those terms are defined under the Securities Act.

3.10 HOLD PERIODS

(a) If required by Applicable Laws, any Options will be subject to a hold period expiring on the date that is four months and a day after the Date of Grant, and the Option Agreements and the certificates representing any Shares issued prior to the expiry of such hold period will bear a legend in substantially the following form:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES REPRESENTED HEREBY MUST NOT TRADE THE SECURITIES BEFORE *[INSERT THE DATE THAT IS FOUR MONTHS AND ONE DAY AFTER THE DATE OF GRANT]*."

## ARTICLE IV.
## EXERCISE OF OPTION

4.01 EXERCISE OF OPTION

An Option may be exercised only by the Option Holder or the Personal Representative of any Option Holder. An Option Holder or the Personal Representative of any Option Holder may exercise an Option in whole or in part, subject to any applicable exercise restrictions, at any time or from time to time during the Exercise Period up to 5:00 p.m. (Vancouver time) on the Expiry Date by delivering to the Administrator an Exercise Notice, the applicable Option Certificate and a certified cheque or bank draft (or other payment method acceptable to the Company) payable to the Company in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Option.

4.02 EXERCISE RESTRICTIONS

The Board may, at the time an Option is awarded or upon renegotiation of the same, attach restrictions relating to the exercise of the Option in addition to the vesting provisions specified in section 3.9. Any such restrictions shall be recorded on the applicable Option Certificate.

4.03 ISSUE OF SHARE CERTIFICATES

As soon as practicable following the receipt of the Exercise Notice, the Administrator shall cause to be delivered to the Option Holder a certificate for the Shares so purchased bearing such legends denoting trading restrictions as may be required by applicable securities laws and/or the Exchange. It is the Option Holder's responsibility to comply with any such trading restrictions. If the number of Shares so purchased is less than the number of Shares subject to the Option Certificate surrendered, the Administrator shall forward a new Option Certificate to the Option Holder concurrently with delivery of the aforesaid share certificate for the balance of the Shares available under the Option.

4.04 CONDITION OF ISSUE

The issue of Shares by the Company pursuant to the exercise of an Option is subject to this Plan and compliance with the laws, rules and regulations of all regulatory bodies applicable to the issuance and distribution of such Shares and to the listing requirements of any stock exchange or exchanges on which the Shares may be listed. The Option Holder agrees to comply with all such laws, rules and regulations and agrees to furnish to the Company any information, report and/or undertakings required to comply with and to fully cooperate with the Company in complying with such laws, rules and regulations.

## ARTICLE V.
## ADMINISTRATION

5.01 ADMINISTRATION

The Plan shall be administered by the Administrator on the instructions of the Board or such committee of the Board authorized to act in respect of matters relating to the Plan. The Board or such committee may make, amend and repeal at any time and from time to time such regulations not inconsistent with the Plan as it may deem necessary or advisable for the proper administration and operation of the Plan and such regulations shall form part of the Plan. The Board may delegate to the Administrator or any other person such administrative duties and powers as it may see fit.

5.02 INTERPRETATION

The interpretation by the Board or its authorized committee of any of the provisions of the Plan and any determination by it pursuant thereto shall be final and conclusive and shall not be subject to any dispute by any Option Holder. No member of the Board or any person acting pursuant to authority delegated by the Board hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith and each member of the Board and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Company.

## ARTICLE VI.
## AMENDMENT AND TERMINATION

6.01 PROSPECTIVE AMENDMENT

Subject to applicable regulatory approval, the Board may from time to time amend the Plan and the terms and conditions of any Option thereafter to be awarded and, without limiting the generality of the foregoing, may make such amendment for the purpose of meeting any changes in any relevant law, rule or regulation applicable to the Plan, any Option or the Shares, or for any other purpose which may be permitted by all relevant laws, rules and regulations, provided always that any such amendment shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to such amendment.

6.02 RETROSPECTIVE AMENDMENT

Subject to applicable regulatory approval, the Board may from time to time retrospectively amend the Plan and may also, with the consent of the affected Option Holders, retrospectively amend the terms and conditions of any Options which have been previously awarded.

6.03 TERMINATION

The Board may terminate the Plan at any time provided that such termination shall not alter the terms or conditions of any Option or impair any right of any Option Holder pursuant to any Option awarded prior to the date of such termination and notwithstanding such termination the Company, such Options and such Option Holders shall continue to be governed by the provisions of the Plan.

6.04 AGREEMENT

The Company and every person to whom an Option is awarded hereunder shall be bound by and subject to the terms and conditions of the Plan.

## ARTICLE VII.
## APPROVALS REQUIRED FOR PLAN

7.01 APPROVALS REQUIRED FOR PLAN

The Plan is subject to shareholder and regulatory approvals if required.

7.02 SUBSTANTIVE AMENDMENTS TO PLAN

For as long as the Company is listed on the Exchange, any substantive amendments to the Plan shall be subject to the Company first obtaining the necessary approvals of:

(a) the shareholders of the Company; and

(b) the Exchange.

**Schedule A**

**WITHOUT PRIOR WRITTEN APPROVAL OF CANADIAN SECURITIES EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF CANADIAN SECURITIES EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL ●.**

**COVER TECHNOLOGIES INC.**

**STOCK OPTION PLAN**

**OPTION CERTIFICATE**

This Certificate is issued pursuant to the provisions of the Cover Technologies Inc. (the "**Corporation**") stock option plan (the "**Plan**") and evidences that ● is the holder (the "**Optionee**") of an option (the "**Option**") to purchase up to ● common shares (the "**Shares**") in the capital stock of the Corporation at a purchase price of CAD $● per Share (the "**Exercise Price**").

Subject to the provisions of the Plan:

(a) **the effective date of the grant of the Option is ●;**
(b) **the Option expires at 5:00 p.m. (PST) on ●; and**
(c) **the Options shall vest as follows:**

| Date | Percent of Stock Options Vested | Number of Stock Options Vested | Aggregate Number of Stock Options Vested |
|---|---|---|---|
| ● | ●% | ● | ● |

The vested portion or portions of the Option may be exercised at any time and from time to time from and including the date of the grant of the Option through to 5:00 p.m. (PST) on the expiration date of the Option Period by delivering to the Corporation, the form of Exercise Notice attached as Schedule "B" hereto, together with this Certificate and a certified cheque or bank draft payable to the Corporation in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which the Option is being exercised.

All Options and any Shares issued on the exercise of Options may be subject to resale restrictions and may be subject to and legended with a four month hold period commencing on the date the Options were granted pursuant to the rules of the Exchange and applicable securities laws. The Options hereby granted are subject to the approval of the Exchange.

This Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan, the terms and conditions of which the Optionee hereby expressly agrees with the Corporation to be bound by. This Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Corporation shall prevail.

All terms not otherwise defined in this Certificate shall have the meanings given to them under the Plan.

Dated this ● day of ●.

**COVER TECHNOLOGIES INC.**

Per:

______________________________
Authorized Signatory

**The signature above shall be deemed to constitute an original signature to this Stock Option Certificate**

**Schedule B**
**STOCK OPTION PLAN**

**EXERCISE NOTICE FOR NON-U.S. OPTIONEES**

**TO: COVER TECHNOLOGIES INC. (the "Corporation")**

1. The undersigned (the "**Optionee**"), being the holder of options to purchase ________________ common shares of the Corporation at the exercise price of ______ per share, hereby irrevocably gives notice, pursuant to the stock option plan of the Corporation (the "**Plan**"), of the exercise of the Option to acquire and hereby subscribes for ____________ of such common shares of the Corporation.

2. The Optionee tenders herewith a certified cheque or bank draft payable to the Corporation in an amount equal to the aggregate Exercise Price of the aforesaid common shares exercised and directs the Corporation to issue a share certificate or DRS statement evidencing said common shares in the name of the Optionee as follows:

_______________________________________

_______________________________________

_______________________________________

_______________________________________

3. By executing this Exercise Notice, the Optionee hereby confirms that the undersigned has read the Plan and agrees to be bound by the provisions of the Plan. All terms not otherwise defined in this Exercise Notice shall have the meanings given to them under the Plan or the attached Option Certificate.

4. The Optionee is resident in ____________________ [name of country/province].

5. The Optionee represents, warrants and certifies that the Optionee at the time of exercise of the Option is not in the United States, is not a "U.S. person" as defined in Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and is not exercising the Option on behalf of, or for the account or benefit of a U.S. person or a person in the United States and did not execute or deliver this exercise form in the United States.

6. The undersigned Optionee hereby represents, warrants, acknowledges and agrees that there may be material tax consequences to the Optionee of an acquisition or disposition of any of the Shares. The Corporation gives no opinion and makes no representation with respect to the tax consequences to the Optionee under Canadian, Provincial, local or foreign tax law of the undersigned's acquisition or disposition of such securities.

7. The undersigned Optionee hereby represents, warrants, acknowledges and agrees that the certificate(s) representing the Shares may be subject to and legended with a four month hold period commencing on the date the Options were granted pursuant to the rules of the Exchange and applicable securities laws.

DATED the ________ day of ____________________, __________.

_____________________________________
**Signature of Optionee**

## Schedule C

**WITHOUT PRIOR WRITTEN APPROVAL OF CANADIAN SECURITIES EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF CANADIAN SECURITIES EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL ●.**

**THE OPTION REPRESENTED BY THIS CERTIFICATE AND THE COMMON SHARES ISSUABLE UPON EXERCISE THEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY ACQUIRING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND IT HAS, IN THE CASE OF EACH OF (C) AND (D), PRIOR TO SUCH TRANSFER FURNISHED TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION TO SUCH EFFECT.**

### COVER TECHNOLOIGES INC.

### STOCK OPTION PLAN

### OPTION CERTIFICATE

This Certificate is issued pursuant to the provisions of the Cover Technologies Inc. (the "**Corporation**") stock option plan (the "**Plan**") and evidences that ● is the holder (the "**Optionee**") of an option (the "**Option**") to purchase up to ● common shares (the "**Shares**") in the capital stock of the Corporation at a purchase price of CAD$ ● per Share (the "**Exercise Price**").

Subject to the provisions of the Plan:

(d) **the effective date of the grant of the Option is ●;**
(e) **the Option expires at 5:00 p.m. (PST) on ●; and**
(f) **the Options shall vest as follows:**

| Date | Percent of Stock Options Vested | Number of Stock Options Vested | Aggregate Number of Stock Options Vested |
|---|---|---|---|
| ● | ●% | ● | ● |

The vested portion or portions of the Option may be exercised at any time and from time to time from and including the date of the grant of the Option through to 5:00 p.m. (PST) on the expiration date of the Option Period by delivering to the Corporation, the form of Exercise Notice attached as Appendix "I" hereto, together with this Certificate and a certified cheque or bank draft payable to the Corporation in an amount equal to the aggregate of the Exercise Price of the Shares in respect of which the Option is being exercised.

All Options and any Shares issued on the exercise of Options may be subject to resale restrictions and may be subject to and legended with a four month hold period commencing on the date the Options were granted pursuant to the rules of the Exchange and applicable securities laws. The Options hereby granted are subject to the approval of the Exchange.

This Certificate and the Option evidenced hereby is not assignable, transferable or negotiable and is subject to the detailed terms and conditions contained in the Plan, the terms and conditions of which the Optionee hereby expressly agrees with the Corporation to be bound by. This Certificate is issued for convenience only and in the case of any dispute with regard to any matter in respect hereof, the provisions of the Plan and the records of the Corporation shall prevail.

The Optionee acknowledges and agrees as follows:

(a) The Option and the Shares (collectively, the "**Securities**") have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the United

States, and the Option is being granted to the Optionee in reliance on an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws.

(b) The Securities will be "restricted securities", as defined in Rule 144 under the U.S. Securities Act, and the rules of the United States Securities and Exchange Commission provide in substance that the Optionee may dispose of the Securities only pursuant to an effective registration statement under the U.S. Securities Act or an exemption therefrom, and the Corporation has no obligation to register any of the Securities or to take action so as to permit sales pursuant to the U.S. Securities Act (including Rule 144 thereunder, if available).

(c) If the Optionee decides to offer, sell or otherwise transfer any of the Shares, the Optionee will not offer, sell or otherwise transfer the Option directly or indirectly, unless:

(i) the sale is to the Corporation;

(ii) the sale is made outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the U.S. Securities Act ("Regulation S") and in compliance with applicable local laws and regulations;

(iii) the sale is made pursuant to the exemption from the registration requirements under the U.S. Securities Act provided by Rule 144 thereunder, if available, and in accordance with any applicable state securities or "blue sky" laws; or

(iv) the Shares are sold in a transaction that does not require registration under the U.S. Securities Act or any applicable state laws and regulations governing the offer and sale of securities;

and, in the case of each of (iii) and (iv) it has prior to such sale furnished to the Corporation an opinion of counsel reasonably satisfactory to the Corporation stating that such transaction is exempt from registration under applicable securities laws.

(d) The Option may not be exercised by or for the account or benefit of a person in the United States or a U.S. person unless registered under the U.S. Securities Act and any applicable state securities laws, unless an exemption from such registration requirements is available.

(e) The certificate(s) representing the Shares will be endorsed with the following or a similar legend until such time as it is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION, THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT; (C) IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF CLAUSE (C) OR (D), THE SELLER FURNISHES TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE CORPORATION TO SUCH EFFECT. THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT "GOOD DELIVERY" OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE."

(f) provided, that if the Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S and such Shares were issued at a time when the Corporation is a "foreign issuer" as defined in Regulation S, the legend set forth above may be removed by providing an executed declaration to the registrar and transfer agent of the Corporation, in substantially the form set forth in Appendix "II" hereto (or in such other form as the Corporation may prescribe from time to time) and, if requested by the Corporation or the transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation and the transfer agent to the effect that such sale is being made in compliance with Rule 904 of Regulation S; and provided, further, that, if any Shares are being sold otherwise than in accordance with Regulation S and other than to the Corporation, the legend may be removed by delivery to the registrar and transfer agent and the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws.

(g) Rule 905 of Regulation S provides in substance that any “restricted securities” that are equity securities of a “domestic issuer” (including an issuer that no longer qualifies as a “foreign issuer”) will continue to be deemed to be restricted securities notwithstanding that they were acquired in a resale transaction pursuant to Rule 901 or 904 of Regulation S; that Rule 905 of Regulation S will apply in respect of Shares if the Corporation is not a “foreign issuer” at the time of exercise of the related Options; and that the Corporation is not obligated to remain a “foreign issuer”.

(h) “**Domestic issuer**”, “**foreign issuer**”, “**United States**” and “**U.S. person**” are as defined in Regulation S.

(i) If the Optionee is resident in the State of California on the effective date of the grant of the Option, then, in addition to the terms and conditions contained in the Plan and in this Certificate, the Optionee acknowledges that the Corporation, as a reporting issuer under the securities legislation in certain Provinces of Canada, is required to publicly file with the securities regulators in those jurisdictions continuous disclosure documents, including audited annual financial statements and unaudited quarterly financial statements (collectively, the “**Financial Statements**”). Such filings are available on the System for Electronic Document Analysis and Retrieval (SEDAR), and documents filed on SEDAR may be viewed under the Corporation’s profile at the following website address: www.sedar.com. Copies of Financial Statements will be made available to the undersigned by the Corporation upon the undersigned’s request. Copies of Financial Statements will be made available to the Optionee by the Corporation upon the Optionee’s request.

All terms not otherwise defined in this Certificate shall have the meanings given to them under the Plan.

Dated this ● day of ● .

**COVER TECHNOLOGIES INC.**

Per:

________________________________

Authorized Signatory

**The signature above shall be deemed to constitute an original signature to this Stock Option Certificate**

## Schedule "D"
## STOCK OPTION PLAN

## EXERCISE NOTICE FOR U.S. OPTIONEES

**TO: COVER TECHNOLOGIES INC. (the "Corporation")**

1. The undersigned (the "**Optionee**"), being the holder of options to purchase ________________ common shares of the Corporation at the exercise price of ______ per share, hereby irrevocably gives notice, pursuant to the stock option plan of the Corporation (the "**Plan**"), of the exercise of the Option to acquire and hereby subscribes for ____________ of such common shares of the Corporation.

2. The Optionee tenders herewith a certified cheque or bank draft payable to the Corporation in an amount equal to the aggregate Exercise Price of the aforesaid common shares exercised and directs the Corporation to issue a share certificate evidencing said common shares in the name of the Optionee as follows:

________________________________________

________________________________________

________________________________________

3. By executing this Exercise Notice, the Optionee hereby confirms that the undersigned has read the Plan and agrees to be bound by the provisions of the Plan. All terms not otherwise defined in this Exercise Notice shall have the meanings given to them under the Plan or the attached Option Certificate.

4. The Optionee is resident in

☐ the State of ________________________________________________, or

☐ the District of Columbia, or

☐ ___________________________________________, a Territory of the United States of America.

5. The Optionee represents, warrants and certifies as follows (please check the category that applies):

(a) ☐ the Optionee is a natural person who is either: (i) a director, officer or employee of the Corporation or of a majority-owned subsidiary of the Corporation (each, an "**Eligible Company Optionee**"), (ii) a consultant who is providing bona fide services to the Corporation or a majority-owned subsidiary of the Corporation that are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the Corporation's securities (an "**Eligible Consultant**"), or (iii) a former Eligible Company Optionee or Eligible Consultant; OR

(b) ☐ the Optionee has delivered to the Corporation and the Corporation's transfer agent an opinion of counsel (which will not be sufficient unless it is in form and substance satisfactory to the Corporation) or such other evidence satisfactory to the Corporation to the effect that with respect to the securities to be delivered upon exercise of the Option, the issuance of such securities has been registered under the U.S. Securities Act and applicable state securities laws or an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available;

6. The undersigned Optionee further represents, warrants, acknowledges and agrees that:

(a) funds representing the subscription price for the Shares which will be advanced by the undersigned to the Corporation upon exercise of the Options will not represent proceeds of crime for the purposes of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "**PATRIOT Act**"), and the undersigned acknowledges that the Corporation may in the future be required by law to disclose the undersigned's name and other information relating to this exercise form and the undersigned's subscription hereunder, on a confidential basis, pursuant to the PATRIOT Act. No portion of the subscription price to be provided by the undersigned (i) has been or will be derived from or related to any activity that is deemed criminal under the laws of the United States of America, or any other jurisdiction, or (ii) is being tendered on behalf of a person or entity who has not been identified to or by the undersigned, and it shall promptly notify the Corporation if the undersigned discovers that any of such representations ceases to be true and provide the Corporation with appropriate information in connection therewith;

(b) the financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles or International Financial Reporting Standards, which differ in some respects from United States generally accepted accounting principles, and thus may not be comparable to financial statements of United States companies;

(c) there may be material tax consequences to the Optionee of an acquisition or disposition of any of the Shares. The Corporation gives no opinion and makes no representation with respect to the tax consequences to the Optionee under United States, state, local or foreign tax law of the undersigned's acquisition or disposition of such securities. In particular, no determination has been made whether the Corporation will be a "passive foreign investment company" within the meaning of Section 1297 of the United States Internal Revenue Code of 1986, as amended; and

(d) if the undersigned has marked Box 5(a) above, the Corporation may rely on the registration exemption in Rule 701 under the U.S. Securities Act and a state registration exemption, but only if such exemptions are available; in the event such exemptions are determined by the Corporation to be unavailable, the undersigned may be required to provide additional evidence of an available exemption, including, without limitation, the legal opinion contemplated by Box 5(b).

7. If the undersigned has marked Box 5(a) above on the basis that the exercise of the Option is subject to the registration exemption in Rule 701 under the U.S. Securities Act and an available state registration exemption, the undersigned also acknowledges and agrees that:

(a) the Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, and the Shares will be issued as "restricted securities" (as such term is defined in Rule 144(a)(3) under the U.S. Securities Act) and may not be offered, sold, pledged, or otherwise transferred, directly or indirectly, without prior registration under the U.S. Securities Act and applicable state securities laws absent an exemption from such registration requirements; and

(b) the certificate(s) representing the Shares will be endorsed with a U.S. restrictive legend substantially in the form set forth in the Option Certificate until such time as it is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws.

8. The undersigned Optionee hereby represents, warrants, acknowledges and agrees that the certificate(s) representing the Shares may be subject to and legended with a four month hold period commencing on the date the Options were granted pursuant to the rules of the Exchange and applicable securities laws.

DATED the ________ day of ____________________, __________.

______________________________

**Signature of Optionee**

**SCHEDULE J**

**RSU PLAN**

[*See Attached*]

**RESTRICTED SHARE UNIT PLAN OF**

**COVER TECHNOLOGIES INC.**

**(effective as of June 2, 2022)**

**PART 1**
**GENERAL PROVISIONS**

**Establishment and Purpose**

1.1 The Company hereby establishes a Restricted Share Unit plan, in this document referred to as the "Plan".

1.2 The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by Eligible Persons who, in the judgment of the Board, will be responsible for its future growth and success. The Board also contemplates that through the Plan, the Company will be better able to compete for and retain the services of the individuals needed for the continued growth and success of the Company.

1.3 Restricted Share Units granted pursuant to this Plan will be used to compensate Eligible Persons who have forgone salary to assist the Company in cash management in exchange for the grant of Restricted Share Units and incentive stock options under the Company's stock option plan.

**Definitions**

1.4 In this Plan:

(a) "Applicable Withholding Tax" means any and all taxes and other source deductions or other amounts which the Company is required by Applicable Law to withhold from any amounts paid or credited to a Participant under the Plan, which the Company determines to withhold in order to fund remittance obligations;

(b) "Award" means an award of Restricted Share Units under this Plan represented by a Restricted Share Unit Notice;

(c) "Award Payout" means the applicable Share issuance in respect of a vested Restricted Share Unit pursuant and subject to the terms and conditions of this Plan and the applicable Award;

(d) "Board" means the board of directors of the Company;

(e) "Business Day" means a day upon which the Canadian Securities Exchange is open for trading;

(f) "Code" means the U.S. Internal Revenue Code of 1986, as amended;

(g) "Committee" means the Compensation Committee of the Board or other committee of the Board, consisting of not less than three directors, to whom the authority of the Board is delegated in accordance with Section 1.8 hereof;

(h) "Consultant" means an individual or Consultant Company other than an Employee or a Director of the Company, that (i) provides ongoing consulting, technical, management or other services to the Company or to an Affiliate of the Company; (ii) provides the services under a written contract between the Company or the Affiliate and the individual or the Consultant Company; (iii) spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company;

(i) "Company" means Cover Technologies Inc., and includes any successor Company thereto;

(j) "Director" means a member of the Board;

(k) "Eligible Person" means any person who is an Employee, Officer, Director or a Management Company Employee or a Consultant;

(l) "Employee" means an employee of the Company or of a Related Entity;

(m) "Expiry Date" means the earlier of (i) five (5) years from the date of vesting of a Restricted Share Unit, and (ii) ten (10) years from the Grant Date;

(n) “Grant Date” means the date of grant of any Restricted Share Unit;

(o) “Insider” means has the meaning ascribed to that term pursuant to the British Columbia Securities Act;

(p) “Management Company Employee” means an individual employed by a corporation providing management services to the Company which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person engaged in Investor Relations Activities;

(q) “Officer” means an individual who is an officer of the Company or of a Related Entity as an appointee of the Board or the board of directors of the Related Entity, as the case may be;

(r) “Outstanding Issue” means the number of Shares outstanding on a non-diluted basis;

(s) “Participant” means an Eligible Person who may be granted Restricted Share Units from time to time under this Plan;

(t) “Plan” means this Restricted Share Unit Plan, as amended from time to time;

(u) “Restricted Share Unit” means a right granted under this Plan to receive the Award Payout on the terms contained in this Plan as more particularly described in Section 4.1 hereof;

(v) “Related Entity” means a person that is controlled by the Company. For the purposes of this Plan, a person (first person) is considered to control another person (second person) if the first person, directly or indirectly, has the power to direct the management and policies of the second person by virtue of

(i) ownership of or direction over voting securities in the second person,

(ii) a written agreement or indenture,

(iii) being the general partner or controlling the general partner of the second person, or

(iv) being a trustee of the second person;

(w) “Required Approvals” has the meaning contained in Section 1.6 hereof;

(x) “Securities Act” means the *Securities Act* (British Columbia), as amended from time to time;

(y) “Share” means a common share in the capital of the Company as from time to time constituted;

(z) “Total Disability” means, with respect to a Participant, that, solely because of disease or injury, within the meaning of the long-term disability plan of the Company, the Participant, is deemed by a qualified physician selected by the Company to be unable to work at any occupation which the Participant, is reasonably qualified to perform;

(aa) “Trigger Date” means the date a Participant requests the issuance of Shares, pursuant to a Trigger Notice, issuable upon vesting of an Award and prior to the Expiry Date;

(bb) “Trigger Notice” means the notice respecting the issuance of Shares pursuant to vested Restricted Share Unit(s), substantially in the form attached to Restricted Share Unit Notice, duly executed by the Participant; and

**Interpretation**

1.5 For all purposes of this Plan, except as otherwise expressly provided or unless the context otherwise requires:

(a) any reference to a statute shall include and shall, unless otherwise set out herein, be deemed to be a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which has the effect of supplementing or superseding such statute or such regulations;

(b) the singular includes the plural and vice-versa, and a reference to any of the feminine, masculine or neuter includes the other two;

(c) any reference to “consent” or “discretion” of any person shall be construed as meaning that such person may withhold such consent arbitrarily or grant it, if at all, on such terms as the person sees fit, and may exercise all discretion fully and in unfettered manner; and

(d) any reference to "including" or "inclusive" shall be construed as not restricting the generality of any foregoing or other provision.

**Effective Date**

1.6 This Plan will be effective on June 2, 2022. The Board may, in its discretion, at any time, and from time to time, issue Restricted Share Units to Eligible Persons as it determines appropriate under this Plan. However, any such issued Restricted Share Units may not be paid out until receipt of the necessary approvals from shareholders of the Company and any applicable regulatory bodies (the "**Required Approvals**").

**Administration**

1.7 The Board is authorized to interpret this Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. The interpretation and construction of any provision of this Plan by the Board shall be final and conclusive. Administration of this Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

**Delegation to Committee**

1.8 All of the powers exercisable hereunder by the Board may, to the extent permitted by law and as determined by a resolution of the Board, be delegated to a Committee including, without limiting the generality of the foregoing, those referred to under §1.7 and all actions taken and decisions made by the Committee or by such officers in this regard will be final, conclusive and binding on all parties concerned, including, but not limited to, the Company, the Eligible Person, and their legal representatives.

**Incorporation of Terms of Plan**

1.9 Subject to specific variations approved by the Board all terms and conditions set out herein will be incorporated into and form part of each Restricted Share Unit granted under this Plan.

**Maximum Number of Shares**

1.10 The aggregate number of Shares that may be reserved for issuance, at any time, under this Plan and under any other share compensation arrangement adopted by the Company, including the Company's incentive stock option plan(s), shall not exceed up to a maximum of 20% of the issued and outstanding Shares at the time of grant pursuant to awards granted under the 2022 Plan;

1.11 Any Shares subject to a Restricted Share Unit which has been granted under the Plan and which is cancelled or terminated in accordance with the terms of the Plan without being paid out in Shares as provided for in this Plan shall again be available under the Plan.

## PART 2
## AWARDS UNDER THIS PLAN

**Eligibility**

2.1 Awards will be granted only to Eligible Persons. If any Eligible Person is (pursuant to the terms of his or her employment, engagement or otherwise) subject to a requirement that he or she not benefit personally from an Award, the Committee may (in its discretion, taking into account relevant corporate, securities and tax laws) grant any Award to which such Person would otherwise be entitled to the Person's employer or to any other entity designated by them that directly or indirectly imposes such requirement on the Person. The Committee shall have the power to determine other eligibility requirements with respect to Awards or types of Awards.

**Limitation on Issuance of Shares to Insiders**

2.2 Notwithstanding anything in this Plan, the Company shall not issue Shares under this Plan to any Eligible Person who is an Insider of the Company where such issuance would result in:

(a) the total number of Shares issuable at any time under this Plan to Insiders, or when combined with all other Shares issuable to Insiders under any other equity compensation arrangements then in place, exceeding 10% of the total number of issued and outstanding equity securities of the Company on a non-diluted basis; and

(b) the total number of Shares that may be issued to Insiders during any one year period under this Plan, or when combined with all other Shares issued to Insiders under any other equity compensation arrangements then in place, exceeding 10% of the total number of issued and outstanding equity securities of the Company on a non diluted basis.

## PART 3
## RESTRICTED SHARE UNITS

**Participants**

3.1 Restricted Share Units that may be granted hereunder to a particular Eligible Person in a calendar year will (subject to any applicable terms and conditions and the Board's discretion) represent a right to a bonus or similar payment to be received for services rendered by such Eligible Person to the Company or a Related Entity, as the case may be, in the Company's or the Related Entity's fiscal year ending in, or coincident with, such calendar year.

**Grant**

3.2 The Board may, in its discretion, at any time, and from time to time, grant Restricted Share Units to Eligible Persons as it determines is appropriate, subject to the limitations set out in this Plan, and shall be as set forth in a Restricted Share Unit Notice delivered to such Participant. In making such grants the Board may, in its sole discretion but subject to Section 3.3 hereof, in addition to Performance Conditions set out below, impose such conditions on the vesting of the Awards as it sees fit, including imposing a vesting period on grants of Restricted Share Units.

**Vesting**

3.3 Except as provided in this Plan, Restricted Share Units issued under this Plan will vest and become subject to a Trigger Notice, only upon the date determined by the Board, or if applicable the Committee, which shall be as set forth in a Restricted Share Unit Notice delivered to such Participant.

**Forfeiture and Cancellation Upon Expiry Date**

3.4 Restricted Share Units which do not vest and have not been issued on or before the Expiry Date of such Restricted Share Unit will be automatically deemed cancelled, without further act or formality and without compensation.

**Account**

3.5 Restricted Share Units issued pursuant to this Plan (including fractional Restricted Share Units, computed to three digits) will be credited to a notional account maintained for each Participant by the Company for the purposes of facilitating the determination of amounts that may become payable hereunder. A written confirmation of the balance in each Participant's account will be sent by the Company to the Participant upon request of the Participant.

**Adjustments and Reorganizations**

3.6 In the event of any dividend paid in shares, share subdivision, combination or exchange of shares, merger, consolidation, spin-off or other distribution of Company assets to shareholders, or any other change in the capital of the Company affecting Shares, the Board, in its sole and absolute discretion, will make, with respect to the number of Restricted Share Units outstanding under this Plan, any proportionate adjustments as it considers appropriate to reflect that change.

**Notice and Acknowledgement**

3.7 No certificates will be issued with respect to the Restricted Share Units issued under this Plan. Each Participant will, prior to being granted any Restricted Share Units, deliver to the Company a signed acknowledgement substantially in the form of Schedule "A" to this Plan.

## PART 4
## PAYMENTS UNDER THE RESTRICTED SHARE UNITS

**Payment of Restricted Share Units**

4.1 Subject to the terms of this Plan and, without limitation, Section 3.3 hereof, the Company will pay out vested Restricted Share Units issued under this Plan and credited to the account of a Participant by issuing (net of any Applicable Withholding Tax) to such Participant, on or before the 10th Business Day following the Trigger Date but no later than the Expiry Date of such vested Restricted Share Unit, an Award Payout of, subject to receipt of the Required Approvals, one Share for such whole vested Restricted Share Unit. Fractional Shares shall not be issued and where a Participant would be entitled to receive a fractional Share in respect of any fractional vested Restricted Share Unit, the Company shall pay to such Participant, in lieu of such fractional Share, cash equal to the Vesting Date Value as at the Trigger Date of such fractional Share. Each Share issued by the Company pursuant to this Plan shall be issued as fully paid and non-assessable.

**Award Payout**

4.2 Upon the vesting of Restricted Share Units, no Shares will be issued by the Company to the Participant, until the receipt by the Company, on or before 5:00 p.m. (PT) on the Expiry Date of a Trigger Notice.

**Effect of Termination of Employment or Engagement, Death or Disability**

4.3 If a Participant shall die while employed or retained by the Company, or while an Officer or Director, the Expiry Date of any vested or unvested Restricted Share Units held by the Participant at the date of death, which have not yet been subject to a Trigger Notice and subsequent Award Payout, shall be amended to the earlier of (i) one (1) year after the date of death, and (ii) the Expiry Date of such Award, except that in the event the expiration of the Award is earlier than one (1) year after the date of death, with Required Approvals, the Expiry Date shall be up to one (1) year after the date of death as determined by the Board. Notwithstanding the foregoing, the Board, in its discretion, may resolve that up to all of the Restricted Share Units held by a Participant at the date of death which have not yet vested shall vest immediately upon death.

4.4 If the employment or engagement of a Participant shall terminate with the Company due to Total Disability while the Participant is employed or retained by the Company, the Expiry Date of any vested or unvested Restricted Share Units held by the Participant at the date of his or her termination due to Total Disability, which have not yet been subject to a Trigger Notice and subsequent Award Payout, shall be amended to the earlier of (i) one (1) year after the date of his or her termination due to Total Disability, and (ii) the Expiry Date of such Award, except that in the event the expiration of the Award is earlier than one (1) year after the date of his or her termination due to Total Disability, with Required Approvals, the Expiry Date shall be up to one (1) year after the date of his or her termination due to Total Disability as determined by the Board. Notwithstanding the foregoing, the Board, in its discretion, may resolve that up to all of the Restricted Share Units held by a Participant at the date of his or her termination due to Total Disability which have not yet vested shall vest immediately upon death.

4.5 Subject to Section 4.16 hereof, if a Participant ceases to be an Eligible Person (other than as provided in Section 4.3 or 4.4), the Expiry Date of any vested or unvested Restricted Share Units held by the Participant at the date such Participant ceased to be an Eligible Person, which have not yet been subject to a Trigger Notice and subsequent Award Payout, shall be amended to the earlier of (i) one (1) year after the date such Participant ceased to be an Eligible Person, and (ii) the Expiry Date of such Award. Notwithstanding the foregoing, the Board, in its discretion, may resolve that up to all of the Restricted Share Units held by a Participant on the date the Participant ceased to be an Eligible Person which have not yet vested shall vest immediately upon such date.

4.6 If the employment of an Employee or Consultant is terminated for cause (as determined by the Board) no Restricted Share Units held by such Participant may be subject to a Trigger Notice following the date upon which termination occurred.

**Tax Matters and Applicable Withholding Tax**

4.7 The Company does not assume any responsibility for or in respect of the tax consequences of the grant to Participants of Restricted Share Units, or payments received by Participants pursuant to this Plan. The Company or relevant Related Entity, as applicable, is authorized to deduct any Applicable Withholding Tax, in such manner (including, without limitation, by selling Shares otherwise issuable to Participants, on such terms as the Company determines) as it determines so as to ensure that it will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, or the remittance of tax or other obligations. The Company or relevant Related Entity, as applicable, may require Participants, as a condition of receiving amounts to be paid to them under this Plan, to deliver undertakings to, or indemnities in favour of, the Company or Related Entity, as applicable, respecting the payment by such Participant's applicable income or other taxes.

4.8 To the extent required by law, the Company shall make adjustments to, and interpret, the Restricted Share Units as required by the U.S. Uniformed Services Employment and Reemployment Rights Act.

## PART 5
## MISCELLANEOUS

**Compliance with Applicable Laws**

5.1 The issuance by the Company of any Restricted Share Units and its obligation to make any payments hereunder is subject to compliance with all applicable laws. As a condition of participating in this Plan, each Participant agrees to comply with all such applicable laws and agrees to furnish to the Company all information and undertakings as may be required to permit compliance with such applicable laws. The Company will have no obligation under this Plan, or otherwise, to grant any Restricted Share Unit or make any payment under this Plan in violation of any applicable laws.

The Company intends that the Awards and payments provided for in this Plan either be exempt from Section 409A of the Code, or be provided in a manner that complies with Section 409A of the Code, and any ambiguity herein shall be interpreted so as to be consistent with the intent of this Section 5.1. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the any person by Section 409A of the Code or damages for failing to comply with Section 409A. Notwithstanding anything contained herein to the contrary, all payments under this Plan to paid or provided at the time of a termination of employment or service will be paid at a termination of employment or service that constitutes a "separation from service" from the Company within the meaning of Section 409A of the Code and the regulations and guidance promulgated thereunder (determined after applying the presumptions set forth in Treas. Reg. Section 1.409A-1(h)(1)). Further, if at the time of a Participant's termination of employment with the Company, the Participant is a "specified employee" as defined in Section 409A of the Code as determined by the Company in accordance with Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A of the Code, then the Company will defer the payment hereunder until the date that is at least six (6) months following the Participant's termination of employment with the Company (or the earliest date permitted under Section 409A of the Code).

**Non-Transferability**

5.2 Restricted Share Units and all other rights, benefits or interests in this Plan are non-transferable and may not be pledged or assigned or encumbered in any way and are not subject to attachment or garnishment, except that if a Participant dies the legal representatives of the Participant will be entitled to receive the amount of any payment otherwise payable to the Participant hereunder in accordance with the provisions hereof.

**No Right to Service**

5.3 Neither participation in this Plan nor any action under this Plan will be construed to give any Eligible Person or Participant a right to be retained in the service or to continue in the employment of the Company or any Related Entity, or affect in any way the right of the Company or any Related Entity to terminate his or her employment at any time.

**Applicable Trading Policies**

5.4 The Board and each Participant will ensure that all actions taken and decisions made by the Board or the Participant, as the case may be, pursuant to this Plan comply with any applicable securities laws and policies of the Company relating to insider trading or "blackout" periods.

**Successors and Assigns**

5.5 This Plan will enure to the benefit of and be binding upon the respective legal representatives of the Eligible Person or Participants.

**Plan Amendment**

5.6 The Board may amend this Plan as it deems necessary or appropriate, subject to the requirements of applicable laws, but no amendment will, without the consent of any Eligible Person or unless required by law (or for compliance with applicable corporate, securities or tax law requirements or related industry practice), adversely affect the rights of an Eligible Person or Participant with respect to Restricted Share Units to which the Eligible Person or Participant is then entitled under this Plan.

**Plan Termination**

5.7 The Board may terminate this Plan at any time, but no termination will, without the consent of the Participant or unless required by law, adversely affect the rights of a Participant respect to Restricted Share Units to which the Participant is then entitled under this Plan. In no event will a termination of this Plan accelerate the vesting of Restricted Share Units or the time at which a Participant would otherwise be entitled to receive any payment in respect of Restricted Share Units hereunder.

**Governing Law**

5.8 This Plan and all matters to which reference is made in this Plan will be governed by and construed in accordance with the laws of British Columbia and the federal laws of Canada applicable therein.

**Reorganization of the Company**

5.9 The existence of this Plan or Restricted Share Units will not affect in any way the right or power of the Company or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, or to create or issue any bonds, debentures, Shares or other securities of the Company or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Company, or any amalgamation, combination, merger or consolidation involving the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

**No Shareholder Rights**

5.10 Restricted Share Units are not considered to be Shares or securities of the Company, and a Participant who is granted Restricted Share Units will not, as such, be entitled to receive notice of or to attend any shareholders' meeting of the Company, nor entitled to exercise voting rights or any other rights attaching to the ownership of Shares or other securities of the Company, and will not be considered the owner of Shares by virtue of such issuance of Restricted Share Units.

**No Other Benefit**

5.11 No amount will be paid to, or in respect of, an Eligible Person under this Plan to compensate for a downward fluctuation in the fair market value or price of a Share, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Person for such purpose.

**Unfunded Plan**

5.12 For greater certainty, the crediting of any Award to the notional accounts set out in this Plan for any Participant does not confer any entitlement, benefits, or any rights of a similar nature or otherwise, aside from the rights expressly set out in this Plan, and this Plan will be an unfunded plan, including for tax purposes and for purposes of the *Employee Retirement Income Security Act* (United States). Any Participant to which Restricted Share Units are credited to his or her account or holding Restricted Share Units or related accruals under this Plan will have the status of a general unsecured creditor of the Company with respect to any relevant rights that may arise thereunder.

**SCHEDULE "A"**

**COVER TECHNOLOGIES INC.**

**RESTRICTED SHARE UNIT PLAN**

**RESTRICTED SHARE UNIT NOTICE**

Cover Technologies Inc. (the "**Company**") hereby confirms the grant to the undersigned (the "**Participant**") of Restricted Share Units ("**Units**") described in the table below pursuant to the Company's Restricted Share Unit Plan (the "**Plan**"), a copy of which Plan has been provided to the undersigned Participant.

Capitalized terms not specifically defined in this Notice have the respective meanings ascribed to them in the Plan.

| Grant Date | No. of Units | Vesting | Expiry Date |
|---|---|---|---|
| | | | |

The Participant may elect to have Shares issued pursuant to the foregoing Units at any time and from time to time from and including the date Units vest through to 5:00 p.m. (PT) on the date that is the earlier of (i) five (5) years from the date of vesting, and (ii) ten (10) years from the Grant Date, by delivering to the Company the form of Trigger Notice attached as Appendix "I" hereto.

No Shares shall be issuable by the Company to the Participant in the event vesting does not occur prior to ten (10) years from the Grant Date.

**DATED ____________________**, 20____.

**COVER TECHNOLOGIES INC.**

Per: ____________________________________
Authorized Signatory

The undersigned hereby accepts such grant, acknowledges being a Participant under the Plan, agrees to be bound by the provisions thereof and agrees that the Plan will be effective as an agreement between the Company and the undersigned with respect to the Units granted or otherwise issued to it.

**[If the Units are being issued to a U.S. Participant, include the following additional provisions:]**

The undersigned acknowledges and agrees that:

1. The Units and any Shares that may be issued in respect of vested Units pursuant to the Plan have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and will constitute "restricted securities" as such term is defined in Rule 144 under the U.S. Securities Act;

2. The certificate(s) representing the Shares will be endorsed with the following or a similar legend until such time as it is no longer required under the applicable requirements of the U.S. Securities Act or applicable state securities laws:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT; (C) IN ACCORDANCE WITH THE

> EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS; OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS, AND, IN THE CASE OF CLAUSE (C) OR (D), THE SELLER FURNISHES TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY TO SUCH EFFECT. THE PRESENCE OF THIS LEGEND MAY IMPAIR THE ABILITY OF THE HOLDER HEREOF TO EFFECT "GOOD DELIVERY" OF THE SECURITIES REPRESENTED HEREBY ON A CANADIAN STOCK EXCHANGE."

provided, that if the Shares are being sold outside the United States in compliance with the requirements of Rule 904 of Regulation S under the U.S. Securities Act ("**Regulation S**") and the Shares were issued at a time when the Company is a "foreign issuer" as defined in Regulation S, the legend set forth above may be removed by providing an executed declaration to the registrar and transfer agent of the Company, in such form as the Company may prescribe from time to time and, if requested by the Company or the transfer agent, an opinion of counsel of recognized standing in form and substance satisfactory to the Company and the transfer agent to the effect that such sale is being made in compliance with Rule 904 of Regulation S; and provided, further, that, if any Shares are being sold otherwise than in accordance with Regulation S and other than to the Company, the legend may be removed by delivery to the registrar and transfer agent and the Company of an opinion of counsel, of recognized standing reasonably satisfactory to the Company, that such legend is no longer required under applicable requirements of the U.S. Securities Act or state securities laws; and

3. The Company may be deemed to be an issuer that at a previous time has been an issuer with no or nominal operations and no or nominal assets other than cash and cash equivalents (a "**Shell Company**"), and if the Company is deemed to have been a Shell Company at any time previously, Rule 144 under the U.S. Securities Act may not be available for resales of the Shares except in very limited circumstances, and the Company is not obligated to make Rule 144 under the U.S. Securities Act available for resales of the Shares.

4. If the undersigned is resident in the State of California on the effective date of the grant of the Units, then, in addition to the terms and conditions contained in the Plan and in this Notice, the undersigned acknowledges that the Company, as a reporting issuer under the securities legislation in certain Provinces of Canada, is required to publicly file with the securities regulators in those jurisdictions continuous disclosure documents, including audited annual financial statements and unaudited quarterly financial statements (collectively, the "**Financial Statements**"). Such filings are available on the System for Electronic Document Analysis and Retrieval (SEDAR), and documents filed on SEDAR may be viewed under the Company's profile at the following website address: www.sedar.com. Copies of Financial Statements will be made available to the undersigned by the Company upon the undersigned's request.

**DATED ____________________**, 20____.

______________________________
Witness (Signature)

______________________________
Name (please print)

______________________________
Participant's Signature

______________________________
Address

______________________________
City, Province/State

______________________________
Name of Participant (print)

______________________________
Occupation

**APPENDIX "I"**

**COVER TECHNOLOGIES INC.**

**RESTRICTED SHARE UNIT PLAN**

**TRIGGER NOTICE**

**TO: COVER TECHNOLOGIES INC. (the "Company")**

1. The undersigned (the "**Participant**"), being the holder of vested Restricted Share Units to purchase ________________ Shares, hereby irrevocably gives notice, pursuant to the Plan, of the request to issue to the Participant ____________ Shares.

2. By executing this Trigger Notice, the Participant hereby confirms that the undersigned has read the Plan and agrees to be bound by the provisions of the Plan. All terms not otherwise defined in this Trigger Notice shall have the meanings given to them under the Plan or the attached Restricted Share Unit Notice.

4. The Participant is resident in ____________________ [name of country/province/state].

5. The Participant hereby represents, warrants, acknowledges and agrees that there may be material tax consequences to the Participant of a request for Shares pursuant to vested Restricted Share Units. The Company gives no opinion and makes no representation with respect to the tax consequences to the Participant under applicable, federal, local or foreign tax law of the Participant's acquisition or disposition of such securities.

7. The Participant hereby represents, warrants, acknowledges and agrees that the certificate(s) representing the Shares may be subject to applicable hold periods and legending pursuant to applicable securities laws.

**DATED** ____________________, 20____.

| | |
|---|---|
| ______________________________ Witness (Signature) | |
| ______________________________ Name (please print) | ______________________________ Participant's Signature |
| ______________________________ Address | |
| ______________________________ City, Province | ______________________________ Name of Participant (print) |
| ______________________________ Occupation | |

## SCHEDULE K

## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, PlasCred Circular Innovations Inc., hereby applies for the listing of the above-mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to PlasCred Circular Innovations Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 3rd day of August, 2023.

| | |
|---|---|
| *"Troy Lupul"*<br>Name: Troy Lupul<br>Title: Chief Executive Officer | *"Brian Hearst"*<br>Name: Brian Hearst<br>Title: Chief Financial Officer |
| *"Gerry Gilewicz"*<br>Name: Gerry Gilewicz<br>Title: Director | *"James Cairns"*<br>Name: James Cairns<br>Title: Director |
| *"Troy Lupul"*<br>Name: Troy Lupul<br>Title: Promoter | |

## SCHEDULE L

## CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to PlasCred Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia, this 3rd day of August, 2023.

*"Troy Lupul"*
Name: Troy Lupul
Title: Chief Executive Officer and Director