PLASCRED CIRCULAR INNOVATIONS INC.

(FORMERLY, COVER TECHNOLOGIES INC.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS PERIOD ENDED JUNE 30, 2023 AND 2022

This management's discussion and analysis ("MD&A") of PlasCred Circular Innovations Inc. (Formerly, Cover Technologies Inc.) ("PlasCred" 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 nine months ended June 30, 2023, compared to the nine months ended June 30, 2022. This report prepared as at August 29, 2023 intends to complement and supplement our condensed interim consolidated financial statements (the "financial statements") as at June 30, 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 PlasCred Circular Innovations Inc. (Formerly, Cover Technologies Inc.) ("PlasCred" 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, 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; 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 PLUS at www.sedarplus.ca. 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

PlasCred Circular Innovations Inc. ("PlaCred" or the "Company") is a technology research and development company with a focus on emerging technologies and solutions. PlasCred was incorporated on June 18, 2007 in British Columbia, Canada, and on August 3, 2023, the Company changed its name from Cover Technologies Inc. to PlasCred Circular Innovations Inc. The Company's shares are traded on the Canadian Securities Exchange ("CSE"), Frankfurt stock exchange and the OTC Bulletin Board ("OTCBB").

The Company's head office is located at Suite 810 – 789 West Pender Street, Vancouver, V6C 1H2.

ACQUSITION OF PLASCRED

On August 3, 2023, the Company acquired all of the common shares of PlasCred Inc. ("PlasCred") ("Transaction"). As consideration, the Company issued 35,000,000 common shares and 5,000,000 performance warrants, with each performance warrants entitling the holder to purchase up to 5,000,000 shares at an exercise price of $0.25 per warrants for a period of 60 month ("Consideration"). The Company's common shares will commence trading on the Canadian Securities Exchange under the symbol "PLAS," The Company also issued 1,500,000 finder common shares.

Following the close of the Transaction, PlasCred became a wholly-owned subsidiary of the Company. The Transaction constituted a "Fundamental Change" of the Company as defined in CSE Policy 8 – Fundamental Changes and Changes of Business.

Following the close of the Transaction, the Company has 61,996,556 Shares issued and outstanding, of which approximately 41.13% of the Shares are held by current shareholders of the Company, approximately 56.45% are held by the former PlasCred Shareholders, and approximately 2.42% are held by the Finder. For accounting purposes, the Transaction constitutes a reverse-take over.

Following the completion of the Transaction, the directors and officers of the Company are as follows:

- Troy Lupul CEO, President and Director
- Brian Hearst CFO and Corporate Secretary
- Wayne Monnery CTO
- Gerry Gilewicz Director
- James Cairns Director

Prior to the closing of the Transaction, the Company consolidated its outstanding shares on the basis of two pre-consolidation shares for every one post-consolidation share.

ABOUT PLASCRED

PlasCred is a green technology company based 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's strategic partnerships with FibreCo Export Inc. and CN Rail are expected to provide unparalleled logistics support across North America for transportation and handling of plastic waste.

OVERALL PERFORMANCE

On May 11, 2023, the Company issued 12,000,000 units to 1346487 B.C. Ltd. ("NumberCo") as consideration for an assignment agreement. 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 $0.25 per share.

On July 5, 2023 the Company completed a private placement consisting of unsecured convertible notes for gross proceeds of $1,500,000 ("Notes").

The terms of the Notes include, among other things:

(i) a maturity date which is the earlier of: (i) the date which is six months after the closing of the proposed acquisition by the Company of all of the outstanding common shares of PlasCred Inc. pursuant to the terms of a securities exchange agreement dated March 1, 2023, as amended May 24, 2023, with PlasCred and each of the shareholders of PlasCred, the "Transaction"; and (ii) the date which is ninety days after the date on which PlasCred advises the Company that it will not be proceeding with the Transaction;

(ii) interest ("Interest") at the rate of 5.00% per annum, payable on the maturity date; and

(iii) the right of the holder, at any time on or before the maturity date, to elect to convert the outstanding principal amount and any accrued and unpaid Interest, into shares at a price of $0.30 per Note Share.

There were no finder's fees associated with the placement of notes offering.

On July 5, 2023, the Company completed a non-brokered private placement, pursuant to which it issued an aggregate of 5,339,662 common shares of the Company at a price of $0.30 per share for aggregate gross proceeds of $1,601,899. There were no finder's fees associated with the private placement offering

On July 5, 2023, the Company issued 396,249 shares of the Company at a price of $0.305 per share in settlement of $120,856 of debt owing to one creditor.

On July 14, 2023, the Company issued 4,999,999 shares pursuant to the conversion of the Company's convertible debenture into shares at $0.30 per share.

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 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. On April 22, 2023, the company cancelled all the options issued, and the balance of stock-based compensation not yet vested of $5,144 was recorded as an expense on the statement of loss and comprehensive loss.

OTHER ITEMS

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DISCUSSION OF OPERATIONS

For the nine months period ended June 30, 2023, the Company incurred net income of $93,585 compared to the nine -months period ending June 30, 2022 spending $1,832,322. The overall administration expenses decreased to $302,690 compared to $1,806,159 for the same nine months period during the prior year. The loss for the nine months ending June 30, 2023 also included a non-cash stock-based compensation of $25,420 (2022 - $139,570).

Key changes in the primary components of the loss and comprehensive loss for the nine months ended June 30, 2023 compared to the nine months ended June 30, 2022 were as follows:

General and Administration of $302,689 (June 30, 2022 - $1,806,159), includes non-cash stock-based compensation of $25,420 (June 30, 2022 – $139,570) decreased by $1,503,470 due to some of the following fluctuations:

- Professional and consulting fees decreased from $555,311 to $145,309. During the comparative period ending June 30, 2022, the Company engaged additional consultants to support the increase in business operations. During the current period ended June 30, 2023, the Company engaged fewer external consultants for the oversight of regulatory compliance. During the period June 30, 2023, the Company has been focused on completing the Transaction with PlasCred.

- Investor communication decreased by $885,880 due to the Company decreasing promotional activities and cash preservation strategies.
- 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 $20,406. The change in fees resulted from the change in general corporate compliance requirements.

A non-cash stock-based compensation charge of $25,420 (June 30, 2022 - $139,570) 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 loss of $39,716 for the current three-months period ending June 30, 2023 compared to a net loss of $260,022 for the same three-month period during the prior year. The current three-month spending includes a non-cash stock-based compensation of $5,144 (2022 - $20,210). In the current period, the Company's general and administrative expense decreased from $255,147 to $77,962. In general, the Company's operations slowed in the current period relative to the previous period.

- Professional fees and transfer agent expenses decreased from $61,541 and $26,514 to $42,750 and $11,192, respectively. The Company initiated cost cutting measures and preserved cash flow as the Company continued to pursue the Transaction with PlasCred.

The Company recorded interest income of $80,277 during the nine-month period, in relation to the promissory note receivable from Plascred.

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 $	Loss and comprehensive loss for the period $	Net loss per share, basic and fully diluted $
June 30, 2021	-	(39,716)	(0.00)
March 31, 2023	-	11,309	0.00
December 31, 2023	-	(162,374)	(0.06)
September 30, 2022	-	(528,870)	(0.20)
June 30, 2022	-	(260,384)	(0.09)
March 31, 2022	-	(673,696)	(0.28)
December 31, 2021	-	(898,573)	(0.44)
September 30, 2021	-	(6,708,504)	(3.96)
June 30, 2021	-	(434,121)	(0.26)

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 third quarter of 2023, the Company incurred a loss of $39,716 compared to $260,022 for the same quarter during the prior year. The main reason for the smaller loss during the third quarter, was that the Company initiated cost cutting measures and preserved cash flow as the Company continued to pursue the Transaction with PlasCred. The Company also recorded interest income of $43,122 in relation to the promissory note receivable from Plascred.

During the second quarter of 2023, the Company incurred a net income of $11,309 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.

During the first quarter ended December 31, 2022, the Company incurred a 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 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 nine months ended June 30, 2023 and June 30, 2022

	June 30, 2023 $	June 30, 2022 $	Change $
Cash used in operating activities	(316,411)	(968,335)	651,924
Cash used in investing activities	-	-	-
Cash provided by financing activities	1,145,000	212,189	932,811

During the nine months period ending June 30, 2023 compared to the nine months period ending June 30 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 nine months period ending June 30, 2023 and 2022, the Company had no investing activities.

During the nine months period ending June 30, 2023 compared to the nine months period ending June 30 2022, cash provided by financing activities increased primarily as $500,000 net were raised by receipt of convertible debenture deposits and loans and $645,000 from subscriptions received. Cash provided by financing activities in the comparative year ending June 30, 2022 was $370,625 cash raised from share issuances and cash used in financing activities was $57,593 to pay convertible debentures and $100,843 used in the payment of notes payable.

Liquidity

	June 30, 2023	September 30, 2022
Cash on hand	$ 1,035,528	$ 224,489
Working capital (deficiency)	$ 8,712,384	$ (848,798)
Deficit	$ (21,674,495)	$ (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 June 30, 2023, the Company entered into unsecured convertible debentures with arm's length parties in the principal amount of $1,500,000. As of June 30, 2023, the sale of the convertible debentures had not closed and the Company has recorded the amounts received as a deposit. On July 5, 2023 the Company completed a private placement consisting of unsecured convertible notes.

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:

	June 30, 2023	**June 30, 2022**
	$	$
Dorian Banks, former director and CEO and interim CFO	45,000	45,000
Drew Brass, former non-executive director for consulting fees	27,000	27,000
Share-based compensation	-	139,570
	72,000	211,570

Due to related parties

	June 30, 2023	September 30, 2022
	$	$
Dorian Banks, former director and CEO and interim CFO	15,000	-
Drew Brass, former non-executive director for consulting fees	27,000	72,000
	42,000	72,000

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

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 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.

On August 3, 2023, the Company consolidated all of its issued and outstanding common shares on the basis of every two old common shares into one new common share. Unless otherwise noted, all share, option and warrant information have been retroactively adjusted to reflect this consolidation.

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

	Number as at August 23, 2023	**Number as at June 30, 2022**
Common shares, issued and outstanding	61,996,604	2,760,694
Stock options convertible into common shares	-	202,143
Warrants	-	1,332,709

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 may 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 June 30, 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. As the transaction as described took place on August 3, 2023 the PlasCred risk disappeared.

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 June 30, 2023, a 1% increase/decrease in prime rate would increase/decrease the net loss by $5,547 (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.

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 PLUS 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.