

PlasCred Inc.

Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and three and six months (from incorporation on January 28, 2022) ended June 30, 2022
(Expressed in Canadian dollars)
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PlasCred Inc.

Condensed Statements of Financial Position
As at June 30, 2023 and December 31, 2022
(Expressed in Canadian Dollars)

	June 30, 2023 \$ (unaudited)	December 31, 2022 \$ (audited)
Assets		
Current assets		
Cash	131,599	118,757
Goods and services tax ("GST") receivable	69,460	28,406
Share subscriptions receivable (Note 6)	8,170	10,000
	<u>209,229</u>	<u>157,163</u>
Non-current assets		
Construction in progress and computer equipment (Note 3)	855,683	333,640
	<u>1,064,912</u>	<u>490,803</u>
Total assets		
	<u>1,064,912</u>	<u>490,803</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	480,296	278,209
Short-term loans (Note 5)	1,902,421	832,137
	<u>2,382,717</u>	<u>1,110,346</u>
Shareholders' deficit		
Share capital (Note 6)	8,170	10,000
Accumulated deficit	(1,325,975)	(629,543)
	<u>(1,317,806)</u>	<u>(619,543)</u>
Total liabilities and shareholders' deficit		
	<u>1,064,912</u>	<u>490,803</u>

Going concern – Note 2(b)

Subsequent events – Note 12

Approved by the Director:

"Signed" Troy Lupul

Director

"Signed" Gerry Gilowicz

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 and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

	Three months ended		Six months ended	
	June 30 2023 \$	June 30, 2022 \$	June 30, 2023 \$	June 30, 2022 \$
Expenses				
Consulting fees	109,874	84,750	188,199	84,750
General and administration	23,745	709	29,940	891
Interest on short-term loan (<i>Note 5</i>)	18,986	1,753	36,418	1,753
Professional fees	147,865	29,002	202,932	29,002
Research and development	30,000	-	60,000	-
Salaries and wages	60,229	-	123,754	-
Travel and business development	22,574	2,275	55,189	3,521
Net loss and other comprehensive loss	(413,273)	(118,489)	(696,432)	(119,917)
Basic and diluted loss per share (<i>Note 5</i>)	(0.04)	(0.01)	(0.07)	(0.01)

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 six months ended June 30, 2023 and the period from incorporation on January 28, 2022 to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

	Share capital \$	Accumulated deficit \$	Total \$
Balance on incorporation, January 2022	-	-	-
Issue of shares (Note 6)	10,000	-	10,000
Net loss and other comprehensive loss for the period	-	(119,917)	(119,917)
Balance, June 30, 2022	10,000	(119,917)	(109,917)
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	-	(696,432)	(696,432)
Balance, June 30, 2023	8,170	(1,325,975)	(1,317,805)

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

PlasCred Inc.

Condensed Statements of Cash Flows

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

	June 30, 2023 \$	June 30, 2022 \$
Operating activities		
Net loss for the period	(696,432)	(119,917)
Adjustments for:		
Interest on short-term loans <i>(Note 5)</i>	36,418	1,753
Changes in non-cash working capital <i>(Note 7)</i>	177,633	29,937
Net cash used in operating activities	(482,381)	(88,227)
Investing activities		
Additions to construction in progress and computer equipment <i>(Note 3)</i>	(488,177)	(1,724)
Changes in non-cash working capital <i>(Note 7)</i>	(16,600)	-
Net cash used in investing activities	(504,777)	(1,724)
Financing activities		
Proceeds from short-term loan <i>(Note 5)</i>	1,000,000	300,000
Shareholder loans	-	3,834
Net cash from financing activities	1,000,000	303,834
Change in cash	12,842	213,883
Cash, beginning of the period	118,757	-
Cash, end of the period	131,599	213,883

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

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022
(Expressed in Canadian Dollars)
(unaudited)

1. Reporting entity

PlasCred Inc. (the “Company”) was incorporated on January 28, 2022 under the Canadian Business Corporations Act and was 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 June 30, 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 six months ended June 30, 2023, the Company obtained further financing, completed constructing a pilot plant to recycle mixed plastics (the “Pilot Plant”) and requires funding to commence constructing the main plant/facilities (the “Maximus Plant”). The Pilot Plant was completed in May 2023 and achieved successful production. 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.

Subsequent to the period end, on August 3, 2023, the A&R Share Exchange Agreement transaction was closed (*Notes 11 and 12*). The acquisition of the Company by Cover Technologies Inc. (“Cover”) constituted a reserve takeover transaction and will be accounted for using the reverse takeover method of acquisition accounting under IFRS 2, Share-based payment. The Company is considered to have acquired Cover as the accounting acquirer, with Cover being the accounting acquiree. Effective August 3, 2023, the Company became a wholly owned subsidiary of Cover.

Concurrently with the closing of A&R Share Exchange Agreement transaction on August 3, 2023, Cover underwent a name change to PlasCred Circular Innovations Inc.

PlasCred Circular Innovations Inc.’s common shares are listed on the Canadian Stock Exchange (“CSE”) (ticker: PLAS) and on the following exchanges: OTC Bulletin Board (ticker: MGPRF) and Frankfurt (ticker: 304A).

2. Basis of presentation

a) Basis of accounting

These unaudited condensed interim financial statements (“interim financial statements”) as at and for the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022 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 August 29, 2023.

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

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 six months ended June 30, 2023, the Company incurred a net loss and other comprehensive loss of \$696,432 (2022 – \$119,917) and utilized cash of \$482,381 (2022 - \$88,227) in operations, and as at that date, the Company's current liabilities exceeded its current assets by \$2,173,488 (December 2022 - \$953,183) and had an accumulated deficit of \$1,325,975 (December 2022 - \$629,543).

In order to continue as a going concern, the Company must obtain financing 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. There is no assurance the Company will be able to obtain adequate financing in the future and/or at terms favorable to the Company.

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.

Subsequent to the period end, upon closing of the A&R Share Exchange Agreement transaction on August 3, 2023 and the completion of reverse takeover of PlasCred Circular Innovations Inc. (formerly Cover) (*Notes 11 and 12*), the Company eliminated inter-company short-term loans and accrued interest of \$1,902,421 upon consolidation and received net cash of approximately \$1,400,0000 (*Note 12*). The Company requires additional financing for the construction of its plastic recycling facilities and be able to generate sufficient income and cash flows to repay its obligations and finance its working capital requirements.

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.

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

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	485,530	2,647	488,177
Borrowing costs capitalized (<i>Note 5</i>)	33,866	-	33,866
Balance, June 30, 2023	851,312	4,371	855,683
Accumulated depreciation			
Balance, December 31, 2022	-	-	-
Charge for the period	-	-	-
Balance, June 30, 2023	-	-	-
Net book value			
Balance, December 31, 2022	331,916	1,724	333,640
Balance, June 30, 2023	851,312	4,371	855,683

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 June 30, 2023, interest on short-term loan totaling \$33,866 (*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 June 30, 2023 and 2022.

4. Accounts payable and accrued liabilities

	June 30, 2023 \$	December 31, 2022 \$
Accounts payable	230,296	228,209
Accrued liabilities	250,000	50,000
	480,296	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").

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

On November 14, 2022, the First Loan was assigned to Cover, 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 A&R 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).

Subsequent to the period end, upon closing of the A&R Share Exchange Agreement on August 3, 2023 (*Notes 11 and 12*) and the completion of reverse takeover of Cover Technologies Inc., this short term loan gets eliminated upon consolidation.

	June 30, 2023 \$	December 31, 2022 \$
Advances on short term loan	1,801,000	801,000
Accrued interest *	101,421	31,137
	1,902,421	832,137

* Interest expense totaling \$33,866 (period ended June 30, 2022: \$Nil) was capitalized as borrowing costs (*Note 3*) and the remaining amount totaling \$36,418 (period ended June 30, 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.

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

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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	<u>(1,830,000)</u>	<u>(1,830)</u>
Balance, June 30, 2023	<u>8,170,000</u>	<u>8,170</u>

During the six months ended June 30, 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 June 30, 2023 (December 31, 2022 - \$10,000).

See *Notes 11 and 12* for details on share issuances / A&R Share Exchange Agreement subsequent to the period end.

7. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	June 30, 2023 \$	June 30, 2022 \$
Sources (uses) of cash:		
GST receivable	(41,054)	-
Accounts payable and accrued liabilities	<u>202,087</u>	<u>29,937</u>
	<u>161,033</u>	<u>29,937</u>
Related to operating activities	177,633	29,937
Related to investing activities	<u>(16,600)</u>	<u>-</u>
	<u>161,032</u>	<u>29,937</u>

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.

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

9. Financial instruments and risk management

a) Fair values

At June 30, 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 policies 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 June 30, 2023.

The Company holds its cash with reputable a Canadian bank; thus, the credit risk exposure is low to none. The Company has no credit risk 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.

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 June 30, 2023, the Company's financial liabilities include accounts payable and accrued liabilities and short-term loan totaling \$2,382,717 which are payable within a year. The Company has cash of \$131,599 as at June 30, 2023. The Company expects to be able to obtain funding to settle its liabilities as and when they fall due.

Subsequent to the period end, upon closing of the A&R Share Exchange Agreement on August 3, 2023 (*Notes 11 and 12*) and the completion of reverse takeover of Cover Technologies Inc., the Company

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022
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eliminated inter-company short-term loans and accrued interest of \$1,902,421 upon consolidation and received net cash approximately \$1,400,0000 (*Note 12*).

(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 short-term 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).

	June 30, 2023 \$	June 30, 2022 \$
Salaries, wages and consulting fees to director and other executives	<u>216,650</u>	<u>15,750</u>

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 consultants. The performance share purchase warrants will be exercisable into one common share at an exercise price of \$0.25 per

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022

(Expressed in Canadian Dollars)

(unaudited)

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. (“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 agreed to 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 would consolidate its issued and outstanding shares on a 2 for 1 basis.

Concurrently with the closing of the A&R Share Exchange Agreement, Cover would complete a private placement of up to \$1,600,000 at a price of \$0.30 per common share and issue 5,000,000 performance share purchase warrants to the CEO. 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 is subject to the prior achievement of certain milestones (*Note 12*).

It was a condition of closing of the New Transaction that Cover would change its name to “PlasCred Circular Innovations Inc.” (*Note 12*).

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 the CEO. Additionally, Cover agreed to advance the Second Loan to the Company (*Note 6*).

PlasCred Inc.

Notes to the Condensed Interim Financial Statements

For the three and six months ended June 30, 2023 and the three and six months (from incorporation on January 28, 2022) to June 30, 2022
(Expressed in Canadian Dollars)
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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:

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

12. Subsequent event

On August 3, 2023, the A&R Share Exchange Agreement transaction was closed. Cover acquired all of the issued and outstanding common shares of the Company in exchange for the issuance, on a pro rata basis, of its own 35,000,000 post-consolidation common shares to the original shareholders of the Company and issued 5,000,000 performance warrants to the CEO of the Company.

The acquisition of the Company by Cover constituted a reserve takeover transaction and will be accounted for using the reverse takeover method of acquisition accounting under IFRS 2, Share-based payment. The Company is considered to have acquired Cover as the accounting acquirer, with Cover being the accounting acquiree. Effective August 3, 2023, the Company became a wholly owned subsidiary of Cover.

Finder's fee paid totalled 1,500,000 post-consolidation common shares at a price of \$0.30 per post-consolidation shares.

Concurrently with the closing of A&R Share Exchange Agreement transaction on August 3, 2023, Cover closed a non-brokered private placement for combined gross proceeds of approximately \$3.1 million consisting of an offering of an aggregate of 5,339,662 post-consolidation common shares at a price of \$0.30 per post-consolidation common shares and the issuance of unsecured convertible promissory notes amounting to \$1.5 million. The convertible promissory notes carry interest at a rate of 5% per annum calculated annually and are payable on August 3, 2024. The convertible promissory notes are convertible into common shares of Cover at a price of \$0.30 per post consolidation common shares.

Cover also underwent a name change to PlasCred Circular Innovations Inc. on August 3, 2023.

PlasCred Circular Innovations Inc.'s common shares are listed on the CSE under the ticker: PLAS and on the following exchanges: OTC (ticker: MGPRF) and Frankfurt (ticker: 304A).

The performance share purchase warrants are exercisable into one common share at an exercise price of \$0.25 per post-consolidation common share for a period of 60 months from the date of issuance and is subject to the prior achievement of the following milestones:

- (a) 1,666,667 Performance Warrants exercisable upon the Company securing a financing of \$15,000,000 or greater for construction of the Maximus Plant;
- (b) 1,666,667 Performance Warrants exercisable upon the construction of the Company's first full scale facility, the Maximus Plant; and
- (c) 1,666,666 Performance Warrants exercisable upon the completion of Phase One, which is the initial 2,000 barrels output per day at the Maximus Plant.