

PLASCRED CIRCULAR INNOVATIONS INC.

(FORMERLY, COVER TECHNOLOGIES INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

Unaudited

(Expressed in Canadian Dollars)

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

The accompanying condensed consolidated interim financial statements of Plascred Circular Innovations Inc. (the "Company") as at September 30, 2023 and for the three and nine months then ended, have been prepared by the management of the Company and approved by the Company's Audit Committee.

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

The accompanying condensed consolidated 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 condensed consolidated interim financial statements in accordance with the standards established by CPA Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

PLASCRED CIRCULAR INNOVATIONS INC. (FORMERLY, COVER TECHNOLOGIES INC.)
Condensed Consolidated Interim Statements of Financial Position
As at September 30, 2023 and December 31, 2022
(Unaudited - Expressed in Canadian Dollars)

| | Note | As at September 30, 2023 (unaudited) \$ | As at December 31, 2022 (audited) \$ |
|--|------|---|--|
| ASSETS | | | |
| Cash | | 1,072,423 | 118,757 |
| Goods and Services Tax ("GST") and other receivable | | 132,592 | 28,406 |
| Prepaid expenses | | 2,056 | - |
| Share subscription receivable | | 6,837 | 10,000 |
| | | 1,220,908 | 157,163 |
| Deposit | 6 | 500,000 | - |
| Construction in progress | 7 | 895,015 | 333,640 |
| TOTAL ASSETS | | 2,615,923 | 490,803 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 8 | 1,007,303 | 278,209 |
| Short-term loan | 9 | 1,294 | 832,137 |
| | | 1,008,597 | 1,110,346 |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| Share capital | 11 | 8,107,140 | 10,000 |
| Warrants reserves | 11 | 152,884 | - |
| Accumulated deficit | | (6,652,698) | (629,543) |
| | | 1,607,326 | (619,543) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY) | | 2,615,923 | 490,803 |
| Nature of operations and going concern | 1 | | |
| Subsequent events | 14 | | |

Approved and authorized by the Board on November 28, 2023

Approved on behalf of the Board:

"Gerry Gilewicz"

Director

"Troy Lupul"

Director

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

PLASCRED CIRCULAR INNOVATIONS INC. (FORMERLY, COVER TECHNOLOGIES INC.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

| | | Three months ended September 30, 2023 | Three months ended September 30, 2022 | Nine-month period ended September 30, 2023 | Period from incorporation on January 28, 2022 to September 30, 2022 |
|---|------|--|--|---|--|
| | Note | \$ | \$ | \$ | \$ |
| Expenses | | | | | |
| Consulting fees | | 151,249 | 77,000 | 369,448 | 161,750 |
| General and administration | | 73,395 | 1,159 | 103,335 | 6,140 |
| Interest on short term loans | 4 | 14,683 | 8,757 | 51,101 | 10,510 |
| Professional fees | | 352,286 | 1,520 | 555,218 | 30,523 |
| Regulatory fees | | 30,750 | - | 30,750 | - |
| Research and development | | 4,985 | - | 34,985 | 81,811 |
| Salaries and wages | | 60,468 | - | 184,222 | 50,040 |
| Travel and business development | | 32,890 | 30,597 | 88,079 | 34,118 |
| Share based compensation | 11 | 152,884 | - | 152,884 | - |
| Foreign exchange | | - | - | 1,036 | - |
| Loss from operating expenses | | (873,590) | (119,033) | (1,571,058) | (374,892) |
| Other items | | | | | |
| Listing expense | 3 | (4,452,097) | - | (4,452,097) | - |
| Loss for the period | | (5,325,687) | (119,033) | (6,023,155) | (374,892) |
| Basic and diluted loss per share | | (0.16) | (0.00) | (0.18) | (0.00) |
| Weighted average number of common shares outstanding – basic and diluted | | 33,485,244 | 10,000 | 33,485,244 | 10,000 |

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

PLASCRED CIRCULAR INNOVATIONS INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the nine months ended September 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

| | Notes | Share Capital | | Warrant reserve | Accumulated deficit | Total |
|---|-------|-------------------------|--------------|-----------------|---------------------|--------------|
| | | Number of common shares | Amount | | | |
| | | | \$ | \$ | \$ | \$ |
| Incorporation, on January 28, 2022 | | - | - | - | - | - |
| Issue of shares | 11 | 10,000,000 | 10,000 | - | - | 10,000 |
| Loss for the period | | - | - | - | (374,892) | (374,892) |
| Balance, September 30, 2022 | | 10,000,000 | 10,000 | - | (374,892) | (364,892) |
| Balance, December 31, 2022 | 11 | 10,000,000 | 10,000 | - | (629,543) | (619,543) |
| Share repurchase | 11 | (1,830,000) | (1,830) | - | - | (1,830) |
| Reverse acquisition transaction | | | | | | |
| Cancellation of shares of PlasCred Inc. | 11 | (8,170,000) | - | - | - | - |
| Outstanding shares of Cover Technologies Inc. | 11 | 25,496,604 | 26,297,503 | - | - | 26,297,503 |
| Elimination of Cover Technologies Inc. Equity | 11 | | (26,297,503) | - | - | (26,297,503) |
| Shares issued pursuant to reverse acquisition transaction | 11 | 35,000,000 | 7,648,970 | - | - | 7,648,970 |
| Finder common shares | 11 | 1,500,000 | 450,000 | - | - | 450,000 |
| Share based compensation | | - | - | 152,884 | - | 152,884 |
| Loss for the period | | - | - | - | (6,023,155) | (6,023,155) |
| Balance, September 30, 2023 | | 61,996,604 | 8,107,140 | 152,884 | (6,652,698) | 1,607,326 |

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

PLASCRED CIRCULAR INNOVATIONS INC. (FORMERLY, COVER TECHNOLOGIES INC.)
Condensed Consolidated Interim Statements of Cash flows
(Unaudited - Expressed in Canadian Dollars)

| | For the nine month period ended September 30, 2023 | For the period from incorporation on January 22, 2022 to September 30, 2022 |
|--|---|--|
| | \$ | \$ |
| Operating activities | | |
| Net loss for the period | (6,023,155) | (374,892) |
| Items not involving cash: | | |
| Listing expense | 4,452,097 | - |
| Interest expense | 84,967 | 10,510 |
| Share-based compensation | 152,884 | - |
| Non-cash working capital items | | |
| Trade and other receivable | (41,195) | (11,193) |
| Accounts payable and accrued liabilities | 445,729 | 99,941 |
| Cash used in operating activities | (928,673) | (275,634) |
| Financing activities | | |
| Proceeds from short-term loan | - | 801,000 |
| Share subscription receivable | 1,333 | - |
| Cash received from financing activities | 1,333 | 801,000 |
| Investing activities | | |
| Cash acquired from reverse take over | 2,442,381 | - |
| Property and equipment | (561,375) | (16,330) |
| Cash received from investing activities | 1,881,006 | (16,330) |
| Change in cash during the period | 953,666 | 509,036 |
| Cash, beginning of the period | 118,757 | - |
| Cash, end of the period | 1,072,423 | 509,036 |

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

PLASCRED CIRCULAR INNOVATIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Plascred Circular Innovations Inc. (Formerly, Cover Technologies Inc.) (“PCI” or the “Company”) was incorporated on June 18, 2007 in British Columbia, Canada. The Company is engaged in the business of developing green technology. The Company’s head office is located at 815, 715 – 5th Avenue SW, Calgary, Alberta, T2P 2X6, Canada. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “PLAS” and the Frankfurt stock exchange under the symbol “304A”

PlasCred Inc. (“Plascred”) 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.

On November 14, 2022, PCI entered into an 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, PCI agreed to enter into an assignment agreement (the “Assignment”) of a securities exchange agreement dated August 2, 2022 among NumberCo, PlasCred and the shareholders of PlasCred (collectively, the “PlasCred Shareholders”). The Assignment enabled the Company to acquire all of the outstanding securities of PlasCred from the securityholders of PlasCred (the “Transaction”).

Pursuant to the terms of the agreement, PCI would acquire all of the issued and outstanding share capital of PlasCred in exchange for 35,000,000 common shares. On March 1, 2023 and May 24, 2023, PCI entered into amendments to the Assignment to amend certain terms. On August 3, 2023, the Transaction was completed and PCI issued an aggregate of 35,000,000 shares on a pro rata basis to the securityholders of PlasCred. Pursuant to the terms of the Agreement, PCI issued 5,000,000 performance warrants to the CEO of PCI with an exercise price of \$0.25 per common share for a period of 5 years. Lastly, PCI issued 1,500,000 finder common shares in connection with the Transaction. Concurrently with the closing of the Transaction on August 3, 2023, the Company changed its name to PlasCred Circular Innovations Inc.

The Transaction constituted a reverse acquisition (“RTO”) of PCI by PlasCred, with PlasCred being the acquirer for accounting purposes. Accordingly, these unaudited condensed consolidated interim financial statements are a continuation of PlasCred, with the net assets (liabilities) of PCI being consolidated from August 3, 2023, as well as PCI’s operating results from that date forward. The comparative figures are those of PlasCred.

The financial year end of the Company was changed from September 30 to December 31. Accordingly, the comparative figures for the statement of financial position are for the year ended December 31, 2022; the comparative figures for the consolidated statement of comprehensive loss, consolidated statement of change in shareholders’ equity, the comparative figures for the consolidated statement of cash flows, and the related notes to the financial statements are for the nine month period ended September 30, 2022.

During the three and nine months ended September 30, 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, which produces saleable hydrocarbon liquids, 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 consolidated interim financial statements.

PLASCRED CIRCULAR INNOVATIONS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION

Basis of accounting

These unaudited condensed consolidated interim financial statements (“interim financial statements”) as at and for the three and nine months ended September 30, 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 issue by the Company’s board of directors on November 29, 2023.

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 nine months ended September 30, 2023, the Company incurred a net loss of \$6,023,155 (2022 – \$374,892). As at September 30, 2023, the Company had a history of losses and an accumulated deficit of \$6,652,698 (December 31, 2022 - \$629,543). Total cash used in operations for the nine months ended September 30, 2023 amounted to \$928,673 (September 30, 2022 - \$275,634)

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 plastic 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.

On August 3, 2023, the Company completed the Reverse Acquisition and eliminated inter-company short-term loans accrued interest of \$2,417,104 upon consolidation and received net cash of approximately \$942,381. 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.

PLASCRED CIRCULAR INNOVATIONS INC.
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(Unaudited - Expressed in Canadian Dollars)

Functional and reporting currency

These interim financial statements are presented in Canadian dollars, which is the Company's functional current. The subsidiaries' functional currency is as follows:

| Name | Functional currency |
|---|----------------------------|
| Plascred, Inc. | Canadian dollars |
| Mag One Operations Inc. (Mag One USA) * | Canadian dollars |

* Mag One USA is inactive with no transactions.

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 with the exception of below:

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

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.

Subsidiaries

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the interim 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 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, 2023 are as follows:

| Name | Incorporation | Ownership Percentage | |
|---------------------------------------|----------------------|-----------------------------|-------------|
| | | 2023 | 2022 |
| Plascred Inc. | Canada | 100% | 0% |
| Mag One Operations Inc. (Mag One USA) | USA | 100% | 100% |

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Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates.

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 loss. These differences are recognized in the profit and loss in the period which the operation is disposed of.

New accounting pronouncements

The Company 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.

3. REVERSE ACQUISITION

As described in Note 1, on August 3, 2023, PCI and PlasCred completed the Transaction which constituted an RTO.

The Transaction resulted in the shareholders of PlasCred obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entities.

The Transaction constitutes an RTO of PCI by PlasCred and has been accounted for as a RTO. PCI did not meet the definition of a business under IFRS 3, and the Transaction was treated as an issuance of common shares by PlasCred for the net assets of PCI as well as PCI's public listing, with PlasCred as the continuing entity. The excess of consideration over the fair value of net assets acquired has been recorded as a listing expense, consistent with the guidance of IFRS 2.

For accounting purposes, PlasCred is treated as the accounting parent company (legal subsidiary) and PCI as the accounting subsidiary (legal parent) in these consolidated financial statements. As PlasCred was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. PCI's results of operations have been included from August 3, 2023 onwards.

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The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

| | |
|--|------------------|
| Consideration paid on RTO: | |
| Common shares (fair value of 25,496,604 common shares \$0.30 per share) | 7,648,970 |
| Finder common shares (fair value of 1,500,000 common shares at \$0.30 per share) | 450,000 |
| Total consideration paid | 8,098,970 |
| Net assets of PCI Inc. acquired: | |
| Cash | 942,381 |
| Other receivables (Note 4) | 2,417,104 |
| Sales tax receivable | 69,991 |
| Prepaid | 2,056 |
| Deposit | 500,000 |
| Accounts payable | (283,365) |
| Note payable | (1,294) |
| Net assets acquired | 3,646,873 |
| Listing expense | 4,452,097 |

The excess of the consideration paid over the net assets acquired has been recognized in the profit or loss as listing expense.

As of September 30, 2023, 35,000,000 shares are held in escrow and are released as follows:

| Escrow release date | # of shares released |
|---------------------|----------------------|
| February 8, 2024 | 5,834,500 |
| August 8, 2024 | 5,833,100 |
| February 8, 2025 | 5,833,100 |
| August 8, 2025 | 5,832,517 |
| February 8, 2026 | 5,833,392 |
| August 8, 2026 | 5,833,392 |
| | 35,000,000 |

4. OTHER RECEIVABLES

| | Amount |
|---------------------------------|------------------|
| | \$ |
| Incorporation, January 22, 2022 | - |
| Additions | 801,000 |
| Interest expense | 31,137 |
| Balance, at December 31, 2022 | 832,137 |
| Additions | 1,500,000 |
| Interest expense | 84,967 |
| Balance, at August 3, 2023 | 2,417,103 |

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").

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.

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In March 2023, a second loan agreement was executed for an additional loan of up to \$1,000,000 from PCI the (“Second Loan”); this loan was received in full 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 PCI. Through an amendment agreement dated July 26, 2023, the Second Loan matured on August 31, 2023.

On August 3, 2023, the Company received an additional working capital loan of \$500,000.

As at August 3, 2023, the Company had received \$2,301,000 and accrued an interest payable of \$116,104 from PCI. On August 3, 2023, the reverse acquisition (Note 3) closed, and the other receivables was eliminated.

5. DEPOSIT

Per the terms of the Transaction, the Company holds a \$500,000 cash deposit that is held in escrow until August 3, 2024 that acts as security against any potential claims arising against the Company with respect to certain contribution agreement between PCI’s formerly owned subsidiary, Mag One and the Government of Quebec.

6. CONSTRUCTION IN PROGRESS AND COMPUTER EQUIPMENT

| | Construction in progress \$ | Computer equipment \$ | Total \$ |
|--------------------------------------|-----------------------------------|-----------------------------|-------------|
| Cost | | | |
| Balance, December 31, 2022 | 331,916 | 1,724 | 333,640 |
| Additions | 524,862 | 2,647 | 527,509 |
| Borrowing costs capitalized (Note 4) | 33,866 | - | 33,866 |
| Balance, September 30, 2023 | 890,644 | 4,371 | 895,015 |
| Accumulated depreciation | | | |
| Balance, December 31, 2022 | - | - | - |
| Charge for the period | - | - | - |
| Balance, September 30, 2023 | - | - | - |
| Net book value | | | |
| Balance, December 31, 2022 | 331,916 | 1,724 | 333,640 |
| Balance, September 30, 2023 | 890,644 | 4,371 | 895,015 |

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 September 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 September 30, 2023 and September 30, 2022.

PLASCRED CIRCULAR INNOVATIONS INC.
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7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | September 30, 2022 | December 31, 2022 |
|---------------------|-----------------------|----------------------|
| | \$ | \$ |
| Accounts payable | 730,303 | 230,296 |
| Accrued liabilities | 277,000 | 250,000 |
| | 1,007,303 | 480,296 |

8. SHORT-TERM LOAN

As at September 30, 2023, the Company had arms-length notes outstanding of \$1,294. This loan is unsecured, non-interest bearing and due on demand. The prior year short-term loan of \$832,137 was eliminated on closing of the RTO.

9. 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 (Salaries, wages and consulting fees) of the Company's related parties:

| | September 30, 2023 | September 30, 2022 |
|--------------------------------------|-----------------------|-----------------------|
| - | | |
| | \$ | \$ |
| Executive Director, CEO, CTO and CFO | 342,900 | 85,000 |
| | 342,900 | 85,000 |

PLASCRED CIRCULAR INNOVATIONS INC.
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10.SHARE CAPITAL

(a) Authorized

Unlimited number of voting common shares.

(b) Common Shares - issued and outstanding

| | Share Capital | |
|--|-------------------------------|--------------|
| | Number of common shares | Amount \$ |
| Incorporation, on January 28, 2022 | - | - |
| Issue of shares | 10,000,000 | 10,000 |
| Loss for the period | - | - |
| Balance, September 30, 2022 | 10,000,000 | 10,000 |
| Balance, December 31, 2022 | 10,000,000 | 10,000 |
| Share repurchase | (1,830,000) | (1,830) |
| Reverse acquisition transaction | | |
| Cancellation of shares of PlasCred Inc. | (8,170,000) | - |
| Outstanding shares of Cover Technologies Inc. | 25,496,604 | 26,297,503 |
| Elimination of Cover Technologies Inc. Equity | | (26,297,503) |
| Shares issued pursuant to reverse take over (note 3) | 35,000,000 | 7,648,970 |
| Finder common shares (note 3) | 1,500,000 | 450,000 |
| Balance, September 30, 2023 | 61,996,604 | 8,107,140 |

Transactions for the issue of share capital during the nine months period ended September 30, 2023.

During the nine months ended September 30, 2023, Plascred 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 September 30, 2023 (December 31, 2022 - \$10,000).

On August 3, 2023, Plascred completed the RTO with PCI and 35,000,000 PCI common shares with a fair value of \$7,648,970 were issued to Plascred shareholders and 1,500,000 PCI common shares were issued as finders' fees at the fair value of \$450,000.

(b) 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

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determined at the time of grant by the Board of Directors in accordance with the rules and policies of the regulatory authorities.

During the period ended September 30, 2023, no stock options were issued. As at September 30, 2023, there were no stock options outstanding.

(c) Performance Warrants

As part of the Reverse Acquisition (Note 3), the Company issued 5,000,000 performance warrants to the CEO of the Company with an exercise price of \$0.25 and expires on 5 years from the date of issuance. The total fair value of these warrants was estimated to be \$1,179,899. The performance warrants vest under the following conditions:

- 1,666,667 performance warrants are exercisable at the earlier of securing a \$15,000,000 financing or the construction of its proposed full-scale processing facility ("Maximus Facility");
- 1,666,667 performance warrants are exercisable upon the construction of the Company's Maximus Facility; and,
- 1,666,666 performance warrants are exercisable upon achieving initial output at the Company's Maximus Facility.

The total fair value of the warrant was calculated using the Black-Scholes Option Pricing Model with the following assumptions: expected life of warrants – 5 years; expected volatility – 100%; expected dividend yield – 0%; and risk-free rate – 4.13%. During the period ended September 30, 2023, the Company recognized share-based compensation of \$152,884.

The Company determined probabilities of each of the performance conditions being met and estimated the timing, which was then utilized in a Black Scholes option pricing model in determining the fair value of the above performance warrants.

11. FINANCIAL INSTRUMENTS

Fair values

At September 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.

As at September 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.

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 September 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.

Interest rate risk

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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 loans are fixed and do not carry interest rate risk.

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 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 September 30, 2023, the Company's financial liabilities include accounts payable and accrued liabilities and short-term loan totaling \$1,008,597 which are payable within a year. The Company has cash of \$1,072,423 at September 30, 2023. The Company expects to be able to obtain funding to settle its liabilities as and when they fall due.

12. 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 tangible 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 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.

13. SUBSEQUENT EVENTS

On October 4, 2023, the Company issued 3,100,000 stock options to directors, officers and consultants at an exercise price of \$0.92 per common share for a 5-year period. The stock options vest as follows: 1/3 immediately, 1/3 in six months and the remainder 12 months from the date of grant.

Subsequent to the period ended September 30, 2023, 400,000 warrants were exercised for gross proceeds of \$100,000.