

PLASCRED CIRCULAR INNOVATIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2023

This Management's Discussion and Analysis ("MD&A") has been prepared by management and reviewed and approved by the board of directors (the "Board of Directors") of PlasCred Circular Innovations Inc. (the "Company") (CSE:PLAS) (Frankfurt: XV2), on April 29, 2024. This MD&A should be read in conjunction with the audited financial statements for the year ended December 31, 2023, which has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and notes thereto for the year ended 2022. All dollar amounts included therein and in this MD&A are in Canadian dollars. The MD&A contains certain Forward-Looking Statements and the reader should read the cautionary statement related to Forward-Looking Statements found at the end of this report.

Overview

PlasCred Circular Innovations Inc. (the "Company") was formed through the series of transactions outlined below.

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", OTC Markets under the symbol "MGPRF" and the Frankfurt stock exchange under the symbol "304A".

Reverse Acquisition

Cover Technologies Inc. ("Cover") was incorporated on June 18, 2007 in British Columbia, Canada. On August 3, 2023, concurrently with the transaction below, Cover changed its legal name to PlasCred Circular Innovations Inc.

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, Cover 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, Cover 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 Cover to acquire all of the outstanding securities of PlasCred from the securityholders of PlasCred (the "Transaction").

On March 1, 2023 and May 24, 2023, Cover entered into amendments to the Assignment to amend certain terms. On August 3, 2023, the Transaction was completed and Cover 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, Cover issued 5,000,000 performance warrants to the CEO of PlasCred with an exercise price of \$0.25 per common share for a period of 5 years. Lastly, Cover issued 1,500,000 finder common shares in connection with the Transaction.

The Transaction constituted a reverse acquisition ("RTO") of Cover by PlasCred, with PlasCred being the acquirer for accounting purposes. Accordingly, these consolidated financial statements (the "financial statements") are a continuation of PlasCred, with the net assets of Cover being consolidated from August 3, 2023, as well as Cover'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 consolidated statement of loss and comprehensive loss, consolidated statement of change in shareholders' equity and the consolidated statement of cash flows, and the related notes are for the period from incorporation on January 28, 2022 to December 31, 2022.

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The Company's principal activities are intended to be that of recycling plastic waste materials using a process for which a patent was applied ("PlasCred Process"). In May 2023, with the additional financing received, the Company completed the construction of its Primus demonstration plant (formerly the pilot plant) to recycle mixed plastics and achieved successful testing. Research is under way towards the design and fabrication of the Company's full-scale plant ("Maximus Facility"), which will require further financing.

Highlights and Overall Performance

On November 13, 2023, the Company announced the advancement of sustainability leadership with Verra Registration for plastic credits trading verification. The Company announced its official registration with Verra, the global standard-setter for certifying greenhouse gas reductions and sustainable development benefits. This registration kicks off the validation and verification process for the Company's entry into the plastic credits trading market, further reinforcing the Company's global commitment to reducing plastic waste and enhancing circular economy practices.

The Company is at the forefront of rebalancing the future of plastics. The Company is transforming plastic waste by granting it a valuable second life. With a vision of advancing towards a climate-positive future, the Company aspires to be among the largest advanced plastic waste upcycler's in North America and globally. Their groundbreaking patent-pending technology is set to revolutionize the approach to plastic waste management and upcycling. The Company also has strategic partnerships with CN Rail, Palantir Technologies Inc. and Fibreco Export Inc., providing the Company with unparalleled logistics support across North America and globally for transportation and handling of plastic waste. Further information on the Company, see their YouTube channel and website located at www.youtube.com/@PlasCredInc and www.PlasCred.com

On October 30, 2023, the Company announced initiating preliminary discussions for offtake agreements with multinational petrochemical companies. These talks focus on potential offtake agreements for the Company's revolutionary Renewable Green Condensate. The Renewable Green Condensate produced by the Company stands as an advance in sustainable energy, offering a clean and eco-responsible alternative in the petrochemical space. Designed for versatility, this condensate holds immense potential for a variety of end products, catering to companies aiming to reduce their carbon footprint and transition to cleaner energy sources. This momentum has not only drawn the interest of major industry players but also charts a path for other companies to enhance their commitment to the circular economy.

On October 24, 2023, the Company announced achieving a major milestone with patent-pending Primus pilot plant. The Company announced successful commissioning of its cutting-edge, patent pending Primus Demonstration Plant (formerly, pilot plant) in Calgary, achieved in May 2023. This significant accomplishment follows an intensive engineering design and fabrication phase in collaboration with Grey Owl Engineering Ltd. The Primus facility, a testament to the Company's commitment to the circular economy, was engineered for beta testing of the Company's unique upcycling process. To maximize flexibility, the process was designed to function with or without catalysts, ensuring optimal and consistent system parameters. Initial tests, without utilizing catalysts, using polypropylene plastic beads as the primary material revealed outstanding results. The plant achieved yields of about 80%, producing high-quality Renewable Green Condensate that meets industry specifications.

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Construction of the Demonstration Plant

The Company has constructed a demonstration plant, which is located in a 1,000 square foot leased space in an industrial section of Calgary, Alberta.

The Company has incurred and capitalized \$965,340 (December 31, 2023 - \$333,640) in engineering and fabrication costs of its Demonstration Plant ("Primus"). Primus has successfully achieved production of hydrocarbon liquid of commercial specifications utilizing the PlasCred Process for which a patent has been applied. Research is under way towards the design and fabrication of the Company's full-scale plant ("Maximus"), which will require further financing in 2024 and 2025 to achieve commerciality in 18-24 months at a projected cost of approximately \$120,000,000. Production from the full-scale facility will be approximately 2,000 barrels of hydrocarbon liquid per day, that, when mixed with heavy, sour crude oil, produces a marketable, lighter crude oil that can be easily shipped by pipeline to distant markets (the "Condensate"). The PlasCred Process will also produce a by-product known as carbon black, which has uses in rubber tires and paints compounds, as well as a small number of significant aromatics, including hydrogen, propane and butane, which can be redirected into the heating equipment used during the PlasCred Process or isolated and sold. The pilot facility will continue to produce saleable products to complement the full-scale facility and will also be used for testing new processing ideas.

Negotiations are progressing to secure a lease for the full-scale facility. The Company has located a site in Fort Saskatchewan, Alberta near customers, which is serviced by all necessary utilities and located near rail lines for transportation of raw materials and the Company's products. Primus is presently located in a 1,000 square foot leased space in an industrial section of Calgary, Alberta. The lease for Primus is a verbal, month-to-month arrangement.

Discussion of Operations

Results of operations for year ended December 31, 2023

For the year ended December 31, 2023, the Company incurred a net loss and comprehensive loss of \$10,136,364 compared to the net loss and comprehensive loss for the period from incorporation on January 28, 2022 to December 31, 2022 of \$629,543. The current period includes \$7,043,368 of listing expenses related to the reverse acquisition, compared to \$Nil for the same period during the prior year. The overall operating expenses increased to \$3,092,996 compared to \$629,543 for the prior year. The net loss and comprehensive loss for the year ended December 31, 2023 also included a non-cash stock-based compensation of \$1,550,922 (2022 - \$Nil).

The Company incurred a net loss of \$5,325,687 for the current three-months period ending September 30, 2023 compared to \$119,033 for the same three-month period during the prior period. Reasons are explained below:

Some of the significant charges to operations are as follows:

- Listing expense of \$7,043,368 (2022 - \$Nil) relates to the completion of the reverse acquisition. The reverse acquisition streamlined the Company's efforts to go public and the Company is now listed on the CSE under the symbol PLAS. Listing expenses for the 3 months were \$2,240,761 (2022 - \$Nil)
- Consulting fees for the year of \$471,325 compared to \$216,250 incurred as the Company ramped up activities. For the three months consulting fees were \$101,877 (2022 - \$54,500) The Company also hired additional consultants to assist with various facets of the business.
- Professional fees for the year of \$224,296 compared to (2022 - \$126,530), includes accounting and legal fees, to comply with regulatory and other requirements, and maintaining records up to date. For the three months professional fees were \$20,078 (2022-\$96,007)
- Salaries and wages for the year of \$224,453 compared to (2022 - \$108,764) paid to the officers and consultants of the Company for administrative tasks.

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For the three months salaries and wages were \$60,231 (2022 - \$58,724) The increase in salaries and wages is reflective of the Company's increasing operations.

- Share based compensation of \$1,550,922 compared to (2022 - \$Nil) issued as an incentive to directors, officers and consultants to improve performance, while still preserving cash. For the three months share based compensation was \$ 1,398,038 (2022 - \$Nil).

Whereas the founding shareholder(s) provided the "technical know-how" to the Company at no cost, certain professional fees and other costs were incurred in preliminary works relating to the preparation of patent application, the cost of which was approximately \$13,000; this cost is included in professional fees noted above. Patent protection across Canada and United States was applied for during February 2023, the cost of which was approximately \$600, which was expensed during the year ended December 31, 2023. While patent approval is desirable, design and fabrication of the full-scale plant and resulting commercial production will proceed with or without the patent. The Company cannot predict when its patent applications will be approved or if a patent will be granted at all.

Tangible asset costs of Primus, including materials and engineering, are capitalized. As stated above, the founding shareholders provided the knowledge gained from their prior experience in the design and operation of facilities similar to Primus as well as research conducted on the pyrolysis process prior to incorporation of the Company. Research-related costs during the year December 31, 2023 of \$160,977 (2022 - \$50,000) are expensed in profit or loss in line with the requirements of paragraph 54 of IAS 38 *Intangible Assets* not to recognize intangible asset arising from research phase of an internal project. For the three months \$4,985 (2022 - \$nil).

Completion of Primus was achieved in May 2023 and initial testing successfully produced the Condensate as well as the carbon black and aromatics. Further testing and refinement utilizing a variety of catalysts has been done and the demonstration is operational.

Summary of annual results

	December 31, 2023	From incorporation on January 28 to December 31, 2022
Total revenue	\$Nil	\$Nil
Loss and Comprehensive loss for the year	\$10,136,364	\$629,543
Net loss per share, basic and fully diluted	(\$0.22)	(\$0.01)
Total assets	\$2,107,561	\$490,803
Total liabilities	\$1,320,747	\$1,110,346
Shareholders' equity (deficiency)	\$786,814	(\$619,543)

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Summary of quarterly results

The following summarized the Company's key quarterly financial results:

For the three months ended	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
Net loss and comprehensive loss	(4,114,243)	(5,325,687)	(413,273)	(283,161)	(254,651)	(253,548)	(119,917)
Basic and diluted loss per common share	(0.10)	(0.16)	(0.04)	(0.03)	(0.03)	(0.03)	(0.01)

During the Quarter ended December 31, 2023, the Company incurred a loss of \$4,114,243 compared to \$5,325,687 for the previous quarter. The main reason for this loss was the listing expense as described above.

During the quarter ended December 31, 2022, the Company incurred a loss of \$254,651 compared to \$253,548 for the previous quarter reflecting steady activity.

Liquidity and Capital Resources

The Company's cash position at December 31, 2023 was \$539,220 (December 31, 2022 - \$118,757). The Company's working capital ⁽¹⁾ deficit at that date was \$(111,652) (December 31, 2022 deficit - \$953,183). Working capital/deficit is calculated as current assets less current liabilities.

The following table summarizes the Company's cash on hand, working capital and cash flow activities:

As at	December 31, 2023	December 31, 2022
Cash	\$ 539,220	\$ 118,757
Working capital ⁽¹⁾	(111,652)	(953,183)

Period ended	December 31, 2023	December 31, 2022
Cash used in operating activities	\$ (1,485,425)	\$ (398,612)
Cash used in investing activities	(637,826)	(283,631)
Cash provided by financing activities	2,543,714	801,000
Change in cash	\$ 420,463	\$ 118,757

(1) This is a non-GAAP measure and is calculated as cash plus current assets minus current liabilities)

The Company believes it will be able to raise working capital to fund minimum operations over the next twelve months through the equity and debt markets.

There can be no assurance that any additional financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs.

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Subsequent events

(a) Warrants exercised

On February 2, 2024, 75,000 shares were issued for warrants previously exercised for gross proceeds of \$18,750.

(b) Equity financing

On April 26, 2024, the Company executed a Growth Equity Agreement ("GEA") for up to \$10,000,000, to be drawn in tranches over a period of 36 months.

In connection with GEA, the Company has agreed to issue 4,100,000 warrants with 36-month expiry at a price of 120% of weighted average price ("VWAP") for 5 days prior to April 26, 2024, and pay a 3% commitment fee to be paid in tranches out of the first 3 Capital Call Closings. On the six-month anniversary of signing of the equity financing agreement, if the market price (defined using the average VWAP during the previous 30 days of the six-month anniversary) of the common shares of the Company is less than 90% of the then-current exercise price of the warrants, the exercise price of those warrants issued will be adjusted to a 110% premium to the previous 30-day VWAP.

The GEA also provides for a penalty that is payable in the event that the warrants are not issued as stipulated. This penalty is equal to the higher of \$915,000 and the Black Scholes value of such unissued warrants.

The funds raised from GEA will be directed towards various corporate needs including engineering and design, research and development, operational expenses, and general corporate purposes.

As at the date of these financial statements, the Company has not received any funds from the GEA.

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Disclosure of Outstanding Share Data

As at the date of this MD&A, the Company had 62,471,604 common shares outstanding. There are 11,600,000 warrants exercisable at \$0.25 and 5,000,000 performance warrants at \$0.25 for five years that are only exercisable by the holder upon achievement of vesting conditions. In addition, there are 3,100,000 stock options outstanding exercisable at \$0.92 per common share exercisable until October 4, 2028.

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Transactions with Related Parties

Key management compensation:

The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company. Key management personnel include the sole director, who is also the President and Chief Executive Officer of the Company and other executive officers (Chief Technology Officer and Chief Financial Officer).

	Year ended December 31, 2023 \$	Period from incorporation on January 28, 2022 to December 31, 2022 \$
Salaries, wages and consulting fees	475,079	186,375
Share-based payments	861,072	-
Performance warrants	216,260	-
	1,552,411	186,375

Use of judgements and estimates

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments in applying accounting policies:

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in these consolidated financial statements:

(i) Going concern

Assessment as to whether there are material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

(ii) Determination of useful life of the demonstration plant

The determination of useful life for the purposes of recording depreciation requires judgment and assumptions.

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Key sources of estimation uncertainty:

(i) Valuation of share-based payments (including performance warrants)

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, forfeiture rate and the probability of certain events occurring (in the case of performance warrants). changes in the input assumptions can materially affect the fair value estimate and the company's earnings and equity reserves.

Subsidiaries

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

The subsidiaries of the Company as of December 31, 2023 are as follows:

Name	Incorporation	Ownership Percentage	
		2023	2022
PlasCred, Inc.	Canada	100%	-%
Mag One Operations Inc. (Mag One Canada) *	Canada	-%	100%

* Mag One Canada had no transactions and was inactive. The entity was disposed on June 8, 2023 prior to the reverse acquisition transaction for \$1.

Financial instruments and risk management

(a) Fair values

At December 31, 2023 and 2022, the Company's financial instruments consist of cash, share subscription receivable, deposit, accounts payable and accrued liabilities and notes payable.

At December 31, 2023 and 2022, the fair values of cash, share subscription receivable, deposit, accounts payable and accrued liabilities and notes payable 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.

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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, share subscription receivable and deposit as at December 31, 2023 and 2022.

The Company holds its cash with reputable a Canadian bank; thus, the credit risk exposure is low to none. The Company has no exposure to share subscription receivable as it is due from the shareholders and deposit as the cash is in escrow.

(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 December 31, 2022, the Company's financial liabilities include accounts payable and accrued liabilities and short-term loan totaling \$1,110,346 which are payable within a year. The Company has cash of \$118,757 as at December 31, 2022. The Company expects to be able to obtain funding to settle its liabilities as and when they fall due.

(iii) Market risk

Market risk is the risk that changes in market prices – e.g., foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- Interest rate risk:

Interest rate risk is part of market risk and is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at December 31, 2023, the Company does not have any significant interest rate risk exposure.

As at December 31, 2022, the short-term loan (Note 5) carried fixed rate of interest therefore there is no interest rate fluctuation risk on this loan but the Company is exposed to market rate risk if the market interest rate changes.

- Foreign currency risk:

The Company does not have any significant risk exposure on foreign currency risk as it has no financial assets or liabilities denominated in a foreign currency as at December 31, 2023 and 2022.

(iv) Price risk

Price risk is the risk that market prices, such as commodity prices, will affect the Company's net earnings or value of its financial instruments. The Company is not exposed to significant price risk.

Other risks

Risk is inherent in all business activities and cannot be entirely eliminated. The Company's goal is to mitigate the risks arising from business activities, the markets and political environments in order to sustain and develop the Company's operations. In addition to the risks noted above, the risks and uncertainties described under "Risk Factors" in the Listing Statement dated August 3, 2023 and filed by the Company on August 4, 2023 (see www.sedarplus.ca) are considered by management to be the most important in the context of the Company's business and operations.

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.

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.

Financial and Disclosure Controls and Procedures

During the year ended December 31, 2023, there has been no significant change in the Company's internal control over financial reporting since last year.

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for establishing and maintaining appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete, reliable and timely. They are also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A and the Company's consolidated financial statements of the Company for the year ended December 31, 2023 (together, the "Annual Filings").

The Chief Executive Officer and Chief Financial Officer of the Company have filed the Venture Issuer Basic Certificate with the Interim and Annual Filings on SEDAR at www.sedarplus.ca.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the venture issuer basic certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

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Other

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

Forward-looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts that address future operations, acquisitions, financings, activities and events or developments that the Company expects are forward-looking statements. Specifically, this MD&A contains in its discussion on "Liquidity and Capital Resources" forward-looking statements about the Company's success in obtaining adequate financing to fund necessary working capital to achieve its business objectives and the Company's strategy to attract new business opportunities.

These forward-looking statements and information are based on current expectations but are subject to uncertainty and changes in circumstances that may cause actual results to differ materially from those expressed or implied by such forward-looking statements and information. Inherent in forward-looking statements and information are risks and uncertainties beyond the Company's ability to predict or control. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements and information contained in this MD&A. Such statements and information are based on a number of assumptions and factors which may prove to be incorrect, including, but not limited to, assumptions about the availability of financing for the Company on reasonable terms or at all, market competition on new business opportunities and changes in general economic conditions or conditions in the financial markets.

The Company undertakes no obligation to publicly revise forward-looking information to reflect subsequent events or circumstances except as required by securities laws. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this MD&A.