

Condensed Interim Financial Statements of

FORWARD WATER TECHNOLOGIES INC.

For the three and six months ended September 30, 2021 and 2020
(Unaudited)

FORWARD WATER TECHNOLOGIES INC.

Condensed Interim Statements of Financial Position
As at September 30, 2021 and March 31, 2021
(Unaudited)

	September 30, 2021	March 31, 2021
Assets		
Current assets:		
Cash	\$ 24,793	\$ 147,236
Funds held in trust (Note 11)	6,092,307	-
Short-term investments	7,500	7,500
Amounts receivable (note 4)	84,344	30,346
Investment tax credits receivable	24,004	24,004
Prepaid expenses	69,917	85,230
	<u>6,302,865</u>	<u>294,316</u>
Property and equipment (note 5)	674,706	803,447
	<u>6,977,571</u>	<u>1,097,763</u>
Liabilities and Shareholder's Deficiency		
Current liabilities:		
Accounts payables and accrued liabilities (note 6)	1,898,578	525,356
Subscription receipts (note 11)	5,416,808	-
Debentures (note 9(b))	500,000	500,000
Warrant liability (note 9(b))	-	230,880
Convertible debentures (note 9(a))	1,612,538	1,482,636
	<u>9,427,924</u>	<u>2,738,872</u>
Deferred capital contributions (note 7)	304,816	361,125
Government loan payable (note 10)	34,547	31,077
Loan payable (note 8(a))	255,717	233,289
	<u>10,023,004</u>	<u>3,364,363</u>
Shareholders' deficiency:		
Share capital (note 11)	2,067,232	1,636,352
Warrants (note 11)	355,831	-
Contributed surplus	2,298,170	2,298,170
Deficit	(7,766,666)	(6,201,122)
	<u>(3,045,433)</u>	<u>(2,266,600)</u>
Going concern (note 1)		
Commitments (note 13)		
Subsequent event (notes 9 and 16)		
	<u>\$ 6,977,571</u>	<u>\$ 1,097,763</u>

See accompanying notes to condensed interim financial statements.

On behalf of the Board:

(signed) "C. Howie Honeyman" Director (signed) "Gerald Goldberg" Director
C. Howie Honeyman 1 Gerald Goldberg

FORWARD WATER TECHNOLOGIES INC.

Condensed Interim Statements of Comprehensive Loss
For the three and six months ended September 30, 2021 and 2020
(Unaudited)

	Three months ended September		Six months ended September	
	2021	2020	2021	2020
Revenue	\$ 600	\$ 5,988	\$ 600	5,988
Expenses:				
General and administrative (note 12)	712,861	121,018	1,061,406	199,192
Selling and marketing	46,264	474	46,733	474
Research and development	167,299	197,013	320,104	376,284
Foreign exchange loss	375	-	218	-
	926,799	318,505	1,428,461	575,950
	(926,199)	(312,517)	(1,427,861)	(569,962)
Other expense (income):				
Amortization of deferred capital contributions (note 7)	(26,872)	(66,326)	(56,309)	(132,653)
Operating grants	-	(68,762)	(4,830)	(141,600)
Finance income	(871)	-	(930)	(1,999)
Finance costs	35,536	92,147	69,850	177,655
Change in fair value of financial instruments (note 9(a))	65,567	66,977	129,902	135,366
	73,360	24,036	137,683	36,769
Net loss and comprehensive loss	\$ (999,559)	\$ (336,553)	\$ (1,565,544)	\$ (606,731)
Basic loss per share	\$ (0.09)	\$ (0.03)	\$ (0.14)	\$ (0.06)
Weighted average number of basic common shares (note 14)	11,232,000	10,800,000	11,140,044	10,800,000

See accompanying notes to condensed interim financial statements.

FORWARD WATER TECHNOLOGIES INC.

Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the six months ended September 30, 2021 and 2020
(Unaudited)

	Share capital	Contributed surplus	Warrants	Deficit	Total
Balance, March 31, 2020	\$ 1,636,352	\$ 2,298,170	\$ -	\$ (4,700,852)	\$ (766,330)
Net loss and other comprehensive loss	-	-	-	(606,731)	(606,731)
Balance, September 30, 2020	\$ 1,636,352	\$ 2,298,170	\$ -	\$ (5,307,583)	\$ (1,373,061)
Balance, March 31, 2021	1,636,352	2,298,170	-	(6,201,122)	(2,266,600)
Exercise of warrants (note 9(b))	230,880	-	-	-	230,880
Broker warrants issued (note 11(e))	-	-	232,831	-	232,831
Advisory shares issued (note 11(e))	200,000	-	-	-	200,000
Advisory warrants issued (note 11(e))	-	-	123,000	-	123,000
Net loss and other comprehensive loss	-	-	-	(1,565,544)	(1,565,544)
Balance, September 30, 2021	\$ 2,067,232	\$ 2,298,170	\$ 355,831	\$ (7,766,666)	\$ (3,045,433)

See accompanying notes to condensed interim financial statements.

FORWARD WATER TECHNOLOGIES INC.

Condensed Interim Statement of Cash Flows
For the six months ended September 30, 2021 and 2020
(Unaudited)

	Six months ended September 30,	
	2021	2020
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (1,565,544)	\$ (606,731)
Items not involving cash:		
Depreciation of property and equipment	132,232	205,999
Amortization of deferred capital contributions	(56,309)	(132,653)
Finance cost	69,850	177,655
Gain on government grant (note 10)	-	(22,932)
Change in fair value of financial instruments	129,902	135,366
Changes in non-cash operating working capital:		
Amounts receivable	(53,998)	90,409
Investment tax credits receivable	-	221,906
Prepaid expenses	15,313	(13,125)
Accounts payable and accrued liabilities	1,140,470	(86,110)
	(188,084)	(30,216)
Financing activities:		
Proceeds from government loan payable (note 10)	-	40,000
Repayment of loans payable (note 8(a))	-	(50,000)
Subscription receipts (note 11)	6,470,000	-
Issuance costs (note 11)	(308,561)	-
	6,161,439	(10,000)
Investing activities:		
Purchase of property and equipment	(3,491)	-
Increase(decrease) in cash	5,969,864	(40,216)
Cash, beginning of period	147,236	336,959
Cash, end of period	\$ 6,117,100	\$ 296,743
Supplemental cash flow information		
Cash	\$ 24,793	\$ 296,743
Funds held in trust	6,092,307	-
	\$ 6,117,100	\$ 296,743

See accompanying notes to condensed interim financial statements.

FORWARD WATER TECHNOLOGIES INC.

Notes to Condensed Interim Financial Statements
For the three and six months ended September 30, 2021 and 2020
(Unaudited)

Forward Water Technologies Inc. ("FWT" or the "Company") is a private company incorporated under the Ontario Business Corporations Act. Its principal activity is the development and sale of desalination technology and products. The head office of the Company is located at 80 Birmingham Street, Toronto, Ontario.

1. Going concern:

These unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern. However, in common with many early-stage enterprises engaged in product commercialisation, there is significant doubt about the appropriateness of the use of the going concern assumption because the Company has a history of losses and negative cash flows from operations.

The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon the continued support from its shareholders, and on its ability to achieve and maintain profitable operations in the future. Management is of the opinion that sufficient working capital will be obtained from future cash flows to meet the Company's liabilities and commitments as they become payable. The Company's ability to establish profitable operations in the future is dependent upon securing additional funding and financing arrangements. There can be no assurance that such events will occur.

These unaudited condensed interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amount of assets, the reported revenue and expenses, and the balance sheet classifications used.

2. Basis of preparation:

(a) Statement of compliance:

These unaudited condensed interim financial statements have been prepared in accordance with International Accountant Standard 34, ("IAS 34"), *Interim Financial Reporting*. These interim financial statements do not conform in all respects to the requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's March 31, 2021 financial statements.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on November 29, 2021.

FORWARD WATER TECHNOLOGIES INC.

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2. Basis of preparation (continued):

(b) Use of estimates and judgments:

The preparation of these unaudited condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of these interim financial statements and the reported amounts of revenue and expenses during the year. Actual results may differ from these estimates.

Significant items subject to such estimates and judgments include the fair value of certain financial instruments (Refer to Note 9). Actual results may differ from the estimate.

Estimates and underlying assumptions are reviewed periodically and the effects of revisions are recorded in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these interim financial statements is included in note 9.

3. Significant accounting policies:

These interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

4. Amounts receivable:

	September 30, 2021	March 31, 2021
Accounts receivable	300	-
Grants receivable	-	11,787
HST receivable	84,044	18,559
	<u>\$ 84,344</u>	<u>\$ 30,346</u>

FORWARD WATER TECHNOLOGIES INC.

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5. Property and equipment:

Cost	Equipment	Computer hardware	Total
March 31, 2021	\$ 2,076,254	\$ 5,500	\$ 2,081,754
Additions	3,491	-	3,491
September 30, 2021	\$ 2,079,745	\$ 5,500	\$ 2,085,245

Accumulated depreciation	Equipment	Computer hardware	Total
March 31, 2021	\$ 1,272,807	\$ 5,500	\$ 1,278,307
Depreciation	132,232	-	132,232
September 30, 2021	\$ 1,405,039	\$ 5,500	\$ 1,410,539

Net book value	Equipment	Computer hardware	Total
March 31, 2021	\$ 803,447	\$ -	\$ 803,447
September 30, 2021	674,706	-	674,706

All property and equipment is located in Canada.

6. Accounts payables and accrued liabilities:

	September 30, 2021	March 31, 2021
Trade payables	\$ 1,160,146	\$ 107,426
Accrued liabilities	507,183	230,632
Accrued interest on debentures	231,249	187,298
	\$ 1,898,578	\$ 525,356

7. Deferred capital contributions:

Deferred capital contributions represent the unamortized and unspent balances of designated grants and funding received for the purchase of equipment. The amortization of capital contributions is recorded as income in the statement of profit and loss.

FORWARD WATER TECHNOLOGIES INC.

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7. Deferred capital contributions (continued):

The balance of deferred capital contributions consists of the following:

Cost	
March 31, 2020	\$ 571,419
Amortization into income	(210,294)
March 31, 2021	361,125
Amortization into income	(56,309)
September 30, 2021	\$ 304,816

8. Related party transactions:

(a) Loan payable:

In April 2018, the Company's original shareholder sold 66% of the Company to two unrelated parties.

As part of the transaction with the unrelated parties the common shares held by the original shareholder at the time of the transaction were cancelled, 3,400 Class A common shares were issued to the original shareholder, the outstanding loan payable balance was extinguished, and two additional liabilities were established, as follows. (1) The Company entered into a loan payable in the amount of \$100,000 related to certain costs that were paid by the original shareholder on the Company's behalf. (2) The Company issued a \$300,000 loan payable to the original shareholder payable upon the Company obtaining one million (\$1,000,000) in gross revenue, with repayments calculated as 5% of gross margin and payable within 30-days of receipt of related revenue. The fair value of the loan payable on initial recognition was determined to be \$134,493. The difference between the amount of \$300,000 and the fair value was included as part of the debt forgiveness. During the three and six months ended September 30, 2021 finance costs of \$11,471 and \$22,428 (2020 - \$9,547 and \$18,667) were recorded related to this loan payable.

During the six months ended September 30, 2021, \$Nil (2020 - \$50,000) were paid on the loan payable described in (1) above.

(b) Key management personnel:

	Six months ended September 30,	
	2021	2020
Salaries and benefits	\$ 90,000	\$ 104,000

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9. Debentures:

- (a) On March 29, 2019, the Company entered into an agreement with two of its shareholders to issue two series of secured, convertible debentures in an aggregate principal amount of \$1,000,000. The debentures bear interest of 8% per annum, secured by the property and assets of the Company, payable at the earlier of March 2022 or the date of a conversion event as described below.

Upon the occurrence of any of the following:

- (i) the Company issues equity securities with rights at least equal to the Common Shares in any arm's length transaction or a coincidental series of related arm's length transactions resulting in aggregate gross proceeds to the Company of at least CDN\$5,000,000. Subsequent to year end, this conversion event was removed from the agreement.
- (ii) an unconditional and binding agreement for acquisition by a change of control of the outstanding shares of the Company by an arm's length person or group of persons, or a sale of substantially all of the property and assets of the Company
- (iii) an unconditional and binding agreement for a merger or an amalgamation with the Company

The issued debentures plus any accrued but unpaid interest will be converted into equity securities at the lesser of:

- (i) 70% of the price per share of the Company to be paid or offered by a purchaser; and
- (ii) the price per share of the Company at a fair market value of the Company equal to CDN\$5,000,000.

Subsequent to year end March 31, 2021, the option to convert was amended such that the issued debentures plus any unpaid interest will be converted into equity securities at 70% of the price per share of the Company to be paid or offered by a purchaser.

For accounting purposes the Company has designated the convertible debenture at fair value through profit or loss ("FVTPL"). The equity conversion option was not separately classified as equity as the number of shares upon conversion does not meet the fixed-for-fixed criteria. The Company does not separately account for the fair value of the equity conversion option as a derivative as it has classified the entire instrument as FVTPL. The change in fair value of the debentures during the six months ended September 30, 2021 was an increase of \$129,902 (2020 - \$135,366).

The fair value measurement uses the following Level 3 inputs:

- The Company's share price.
- An assessment of the probability of the scenario under which conversion will occur and the expected timing of the conversion
- Credit spread

Interest accrued on the convertible debentures amounted to \$156,666 at September 30, 2021 (March 31, 2021 - \$145,759) and is included in accounts payable and accrued liabilities.

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9. Debentures (continued):

Subsequent to September 30, 2021, the principal amount of \$1,000,000 and all accrued and unpaid interest was converted into common shares at a conversion price equal to \$0.70 per share.

(b) On March 18, 2020, the Company entered into an agreement with two of its shareholders to issue secured debentures in an aggregate principal amount of \$500,000. The debentures bear interest of 8% per annum, secured by the property and assets of the Company, payable at the earlier of March 2021 or the date of a qualified financing event as described below.

(i) the Company issues equity securities with rights at least equal to the Common Shares in any arm's length transaction or a coincidental series of related arm's length transactions resulting in aggregate gross proceeds to the Company of at least CDN\$5,000,000

In addition, the holders of the debentures were granted warrants. The number of warrant shares granted will be equivalent to the number of common shares that could be purchased for \$500,000 at 70% of the price per share of the Company to be paid or offered by a purchaser. The warrant shares entitle the holder to an exercise price of \$0.01 per common share of the Company. The warrant shares may then be exercised upon the earliest of:

- (i) the maturity date of the issued debentures;
- (ii) the Company issues equity securities with rights at least equal to the Common Shares in any arm's length transaction or a coincidental series of related arm's length transactions resulting in aggregate gross proceeds to the Company of at least CDN\$5,000,000;
- (iii) the occurrence of default conditions as specified in the terms of the agreement entered into between the Company and the shareholders.

All unexercised warrant shares will terminate and expire 45 days following the maturity date of the issued debentures.

The fair value of the debenture liability at inception was determined to be \$269,120. The discount of \$230,880 was recognized as the warrant liability and will be amortized over the term of the debenture using the effective interest method.

For accounting purposes, the warrants have been classified as a derivative financial liability as they do not meet the fixed for fixed criteria and are subsequently measured at FVTPL at each reporting date. On initial recognition the total value of the warrant liability was determined based on the total shares expected to be issued upon exercise and the fair value of each warrant. In April, 2021, those warrants were exercised for 232,000 common shares of the Company. The total fair value of the warrants at the exercise date was transferred to share capital, in the amount of \$230,880.

The fair value measurement uses the Company's share price which is considered a Level 3 input.

On June 2, 2021, the agreement was amended to extend the maturity date of the debentures until the earlier of September 30, 2021 or the occurrence of a Qualified Financing.

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9. Debentures (continued)

In consideration of the further extension for repayment, the annual interest rate of 8% per annum under the debenture is rolled up and capitalized as part of Principal as at June 30th, 2021. As at July 1st, 2021, interest shall accrue at 16% per annum on the then outstanding, capitalized Principal amount. Subsequent to September 30, 2021, the debentures were approved for repayment with an expected payment date of November 30, 2021.

	Convertible debenture Note 9(a)	Debenture Note 9(b)	Warrant liability Note 9(b)	Total
Balance at April 1, 2020	1,279,124	274,631	230,880	1,784,635
Proceeds from issuance				-
Change in fair value	269,271	-	-	269,271
Financing costs	80,000	266,908	-	346,908
Balance at March 31, 2021	1,628,395	541,539	230,880	2,400,814
Recorded in the Balance Sheet as follows:				
Long-term debentures	1,482,636	-	-	1,482,636
Current portion of debenture	-	500,000	-	500,000
Warranty liability	-	-	230,880	230,880
Included in accounts payable and accrued liabilities	145,759	41,539	-	187,298
Balance at April 1, 2021	1,628,395	541,539	230,880	2,400,814
Change in fair value	129,902	-	-	129,902
Financing costs	10,907	33,044	-	43,951
Transferred to share capital	-	-	(230,880)	(230,880)
Balance at September 30, 2021	1,769,204	574,583	-	2,343,787
Recorded in the Balance Sheet as follows:				
Current portion of debenture	1,612,538	500,000	-	2,112,538
Included in accounts payable and accrued liabilities	156,666	74,583	-	231,249

10. Government Loan Payable

On April 24, 2020 and March 08, 2021, the Company received loans of \$40,000 and \$20,000, respectively, pursuant to the Canada Emergency Business Account ("CEBA"). The CEBA provides zero interest, partially forgivable loans to small businesses that face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes and employment costs due to COVID-19. If the balance of the loan is repaid on or before December 31, 2022, 25% of the loan will be forgiven. The loan bears no interest until December 31, 2022, at which point if unpaid, it will convert to a three-year term loan bearing interest at 5% per annum.

FORWARD WATER TECHNOLOGIES INC.

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10. Government Loan Payable (continued)

The loans were initially measured at its fair value of \$27,291 and were subsequently measured at amortized cost, using an effective interest rate of 21.3%. During the six months ended September 30, 2021, \$3,470 of interest expense related to the CEBA loan was recognized and included in finance costs in the condensed interim statements of comprehensive loss.

The Company recognized a benefit of \$32,709 due to the below-market interest rate and forgivable portion on the CEBA loan. Government loan payable received during the six months ended September 30, 2021 is summarized as follows:

Balance, March 31, 2021	\$ 31,077
Accretion expenses	3,470
Balance, September 30, 2021	\$ 34,547

11. Share capital

	# Shares	Amount
Balance at March 31, 2021 & 2020	10,800,000	\$ 1,636,352
Exercise of warrants (note 9 (b))	232,000	230,880
Shares issued for service (e)	200,000	200,000
Balance at September 30, 2021	11,232,000	\$ 2,067,232

- a) The Company has authorized an unlimited number of common shares with no par value.
- b) On February 1, 2021, the Company filed articles of amendment to split all of its issued and outstanding shares on the basis of 1,000 shares for every one share outstanding. Accordingly, the number of shares were retroactively adjusted to reflect the share split.
- c) On March 25, 2021, the Company filed articles of amendment to exchange all of its issued and outstanding Class A Shares for Common Shares.
- d) On April 5, 2021 and April 28, 2021, 232,000 warrants were exercised for 232,000 common shares of the Company.

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Notes to Condensed Interim Financial Statements
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11. Share capital (continued)

- e) On June 2, 2021, the Company and Hope Well Capital Corp ("HWCC") entered into a definitive Business Combination Agreement (the "Combination Agreement"), which supersedes the prior binding letter of intent, pursuant to which the parties agreed to complete a reverse takeover on the terms set out therein (the "Transaction"). HWCC as the resulting issuer on closing of the Transaction will continue the Company's business, in particular the commercialization of its proprietary forward osmosis technology.

Under the terms of the Combination Agreement, the Transaction will be completed by way of a three-cornered amalgamation under the laws of Ontario, whereby 2644246 Ontario Limited ("HWCC Subco"), a wholly-owned subsidiary of HWCC, will amalgamate with and into the Company (the "Amalgamation"), with the Company surviving as a wholly-owned subsidiary of HWCC. Prior to the closing of the Transaction, HWCC will change its name to "Forward Water Technologies Corp." (the "Name Change") and, following closing of the Transaction, the Resulting Issuer will conduct the Company's business under the new name.

The Combination Agreement includes a number of conditions, including but not limited to, requisite shareholder approvals including the approval of the shareholders of the Company and HWCC (with respect to the Name Change) as applicable, the completion of previously announced subscription receipt financing ("QT Financings"), approvals of all regulatory bodies having jurisdiction in connection with the Transaction including the approval of the TSX Venture Exchange (the "TSXV") upon satisfaction of its initial listing requirements and other closing conditions customary to transactions of the nature of the Transaction. The Transaction closed on October 20, 2021.

Pursuant to the terms of the Combination Agreement and in connection with the Amalgamation, holders of outstanding common shares in the capital of the Company, including the common shares issued upon conversion of the subscription receipts issued in connection with the QT Financings, will receive five fully paid and non-assessable common shares in the capital of the Resulting Issuer (each a "Resulting Issuer Share") for each common share in the capital of the Company (the "Exchange Ratio") held at the deemed price of \$0.20 per Resulting Issuer Share, and holders of outstanding securities of the Company other than common shares will have such securities replaced with securities of the Resulting Issuer in numbers and exercise prices, as applicable, adjusted based on the Exchange Ratio.

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11. Share capital (continued)

In connection with the Qualifying Transaction, the Company completed the first tranche of a brokered private placement offering of an aggregate of 5,170,000 subscription receipts at a subscription price of \$1.00 per subscription receipt on June 4, 2021 and the second tranche of 1,300,000 subscription receipts on the same terms on July 26, 2021, resulting in aggregate gross proceeds of \$6,470,000. Each subscription receipt entitled the holder to receive one unit of the Company (each, a "Unit"). Each Unit is comprised of one common share in the capital of the Company (each, an "Underlying Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, an "Underlying Warrant"). Each Underlying Warrant is exercisable into one common share of the Company at a price of C\$1.25 for a period of two years following the closing of the Qualifying Transaction. Upon closing of the Qualifying Transaction, each subscription receipt is automatically exercisable, for no additional consideration, into one common share of the Company and one-half of one Underlying Warrant which securities will be exchanged into Resulting Issuer Shares and Resulting Issuer Warrants on economically equivalent terms upon closing of the Qualifying Transaction.

In connection with the private placement, FWT issued 343,600 QT Broker Warrants on June 4, 2021 and 34,000 QT Broker Warrants on the same terms on July 26, 2021, with each QT Broker Warrant exercisable for one underlying unit (a "QT Broker Unit") at a price of \$1.00 for a period of 24 months from the closing date of the Qualifying Transaction. The QT Broker Units are comprised of one FWT Share and one-half of one FWT Warrant, with each FWT Warrant entitling the holder thereof to purchase one FWT Warrant Share at a price of \$1.25 for a period of 24 months following the closing date of the Qualifying Transaction, subject to adjustment in certain events. The FWT Warrants are governed by the Warrant Indenture. The Broker Warrant units will be converted at the Exchange Ratio upon closing of the Qualifying Transaction, and as a result their fair value has been determined based on the value of the HWCC (Resulting Issuer) shares as that was determined to represent the most reliable measure of the share consideration.

The fair value of 343,600 Broker Warrants issued on June 4, 2021 was determined using the Black-Scholes Model using the following assumptions:

Exercise price	\$0.20
Unit price at grant date	\$0.20
Expected life of options	2.0 years
Expected annualized volatility	122.95%
Expected dividend rate	0%
Risk-free interest rate	0.31%
Total estimated value	\$211,832

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11. Share capital (continued)

The fair value of 34,000 Broker Warrants issued on July 26, 2021 was determined using the Black-Scholes Model using the following assumptions:

Exercise price	\$0.20
Unit price at grant date	\$0.20
Expected life of options	2.0 years
Expected annualized volatility	123.08%
Expected dividend rate	0%
Risk-free interest rate	0.46%
Total estimated value	\$20,999

On June 4, 2021, in connection with the Qualifying Transaction, FWT issued 200,000 common shares (the "Advisory Shares") and 200,000 Warrants (the "Advisory Warrants") to Mackie Research Capital Corporation. Each Advisory Warrant will entitle the holder to purchase one common share of FWT at a price of \$1.00 per common share, for a period of 24 months following the date of issuance. The FWT shares and warrants will be converted at the Exchange Ratio upon closing of the Transaction, and as a result their fair value has been determined based on the value of the HWCC (Resulting Issuer) shares as that was determined to represent the most reliable measure of the share consideration.

The fair value of the Advisory Shares was determined to be \$0.20 per resulting issuer share based on the fair value at April 30, 2021. The fair value of the Advisory Warrants of \$123,000 was determined using the Black-Scholes Model using the following assumptions:

Exercise price	\$0.20
Share price at grant date	\$0.20
Expected life of options	2.0 years
Expected annualized volatility	122.95%
Expected dividend rate	0%
Risk-free interest rate	0.31%
Total estimated value	\$123,000

FORWARD WATER TECHNOLOGIES INC.

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11. Share capital (continued)

Total subscription receipts	\$	6,470,000
Issuance cost deducted:		
Legal expenses		(119,761)
50% of cash commission		(188,800)
Net proceeds		6,161,439
Interest earned		868
Funds released		(70,000)
Funds held in trust	\$	6,092,307
Net proceeds		6,161,439
Broker warrants issued		(232,831)
Advisory shares issued		(200,000)
Advisory warrants issued		(123,000)
50% of cash commission to be paid upon closing		(188,800)
Total subscription receipts (net of issuance costs)	\$	5,416,808

12. Additional information about the nature of expenses:

	Six months ended September 30,	
	2021	2020
General and administrative:		
Depreciation	\$ -	\$ 917
Office, administration and other	111,393	57,735
Consulting, contracts and professional fees	848,634	36,607
Salaries and benefits	101,379	103,933
	\$ 1,061,406	\$ 199,192

	Six months ended September 30,	
	2021	2020
Depreciation by function:		
General and administrative	\$ -	\$ 917
Research and development	132,233	205,083
	\$ 132,233	\$ 206,000

13. Commitments:

The Company is committed to a minimum annual lease payment under various short-term lease agreements as follows: 2022 - \$39,660; 2023 - \$26,283.

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14. Net loss per share:

The following table sets out the weighted average basic and diluted number of outstanding shares used to compute the basic and diluted loss per share:

	Six months ended September 30,	
	2021	2020
Net loss	\$ (1,565,544)	\$ (606,731)
Basic and diluted weighted average number of shares outstanding	11,140,044	10,800,000
Basic and diluted net loss per share	\$ (0.14)	\$ (0.06)

For the six months ended September 30, 2021 and 2020, the diluted net loss per share was the same as the basic net loss per share, since the effect of conversion options and warrants would have been anti-dilutive. Accordingly, the diluted net loss per share for each year is calculated using the basic weighted average number of shares outstanding.

On February 1, 2021, the Company filed articles of amendment to split all of its issued and outstanding shares on the basis of 1,000 shares for every one share outstanding. All share and per share amounts for all periods presented in these financial statements have been adjusted retrospectively to reflect the share split.

15. Financial risks and concentration of risk:

(a) Currency risk:

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company may purchase property and equipment denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company has continued to incur losses and generate negative cash flows from operations. The company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The following table details the remaining contractual maturities at the end of the reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows:

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15. Financial risks and concentration of risk (continued)

At September 30, 2021	Carrying amount	Total contractual cash flows	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years
Accounts payables and accrued liabilities	\$ 1,898,578	\$ 1,898,578	\$ 1,898,578	\$ -	\$ -
Subscription receipts	5,416,808	5,416,808	5,416,808	-	-
Debentures	500,000	540,000	540,000	-	-
Convertible Debentures	1,612,538	1,224,000	1,224,000	-	-
Government loan payable	34,547	45,000	-	45,000	-
Loan payable	255,717	300,000	-	-	300,000
	\$ 9,718,188	\$ 9,424,386	\$ 9,079,386	\$ 45,000	\$ 300,000

At March 31, 2021	Carrying amount	Total contractual cash flows	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years
Accounts payables and accrued liabilities	\$ 525,356	\$ 525,356	\$ 525,356	\$ -	\$ -
Debentures	500,000	540,000	540,000	-	-
Convertible Debentures	1,482,636	1,224,000	1,224,000	-	-
Government loan payable	31,077	45,000	-	45,000	-
Loan payable	233,289	300,000	-	-	300,000
	\$ 2,772,358	\$ 2,634,356	\$ 2,289,356	\$ 45,000	\$ 300,000

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. Substantially all of the Company's cash are deposited with financial institutions in Canada that are of high-credit quality to minimize credit risk exposure. The Company is exposed to credit risk with respect to accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains provisions for potential credit losses.

(d) Capital risk management:

The Company's capital is composed of shareholder's equity and a shareholder loan. The Company's objective in managing its capital is to ensure it maintains capital ratios in order to support its business. The Company manages its capital structure through regular reviews of financial information to ensure adjustments can be made to be in line with changes in the economic conditions and to maintain value for the shareholder.

(e) Measurement of fair value

The carrying value of cash, short-term investments, amounts receivables, and trade payables and accrued liabilities approximate their fair values due to their short-term to maturity. The convertible debentures and the warrant liability are measured at FVTPL. The fair value of the loan payable and the debenture carried at amortized cost is \$855,189.

During the reporting periods, there were no transfers between Level 1 and Level 2 fair value measurements.

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16. Subsequent events:

On October 20, 2021, the Company closed the Transaction pursuant to the terms of a business combination agreement dated June 2, 2021 between FWT and HWCC.

Immediately prior to the closing of the Transaction, 1,652,380 common shares of FWT were issued in connection with the conversion of the convertible debentures (note 9(a)).

Immediately following the closing of the Transaction, HWCC changed its name from "Hope Well Capital Corp." to "Forward Water Technologies Corp.". Pursuant to the terms of an amalgamation agreement between FWT, HWCC and HWCC Subco dated October 20, 2021, the outstanding common shares and warrants of FWT were exchanged for common shares and warrants, respectively, of HWCC on the basis of five HWCC securities for every one FWT security. Further details regarding the Transaction can be found in the filing statement dated October 6, 2021 and filed under FWT's profile on SEDAR.

Upon the satisfaction of the escrow release conditions on October 20, 2021, each subscription receipt was converted, for no additional consideration, into one unit of FWT. Each FWT unit consisted of one common share in the capital of FWT and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one FWT common share at an exercise price of \$1.25 for 24 months following the Transaction, subject to adjustment in accordance with the terms of the warrant indenture entered into by and among FWT, HWCC and TSX Trust Company, as warrant agent, on June 4, 2021. Each FWT common share and FWT common share purchase warrant issued pursuant to the conversion of the subscription receipts will be exchanged for common shares and warrants, respectively, of the HWCC on the basis of five HWCC securities for every one FWT security. The proceeds from the QT Financings were released from escrow on October 22, 2021.

The common shares in the capital of Forward Water Technologies Corp. commenced trading on the TSXV under the symbol "FWTC" on October 26, 2021.