

# FORWARD WATER TECHNOLOGIES INC.

## Management's Discussion and Analysis

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

The date of this discussion and analysis ("MD&A") is November 29, 2021.

The following MD&A should be read in conjunction with the financial statements of Forward Water Technologies Inc ("FWT" or the "Company") for the three and six months ended September 30, 2021 and 2020, prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected.

### Forward-Looking Statements and Future-Oriented Financial Information

This MD&A contains forward-looking information and forward-looking statements, within the meaning of applicable Canadian securities legislation, which reflect management's expectations regarding the Company's future growth, results from operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects, future business plans and opportunities. Wherever possible, words such as "predicts", "projects", "targets", "plans", "expects", "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative or grammatical variation thereof or other variations thereof, or comparable terminology have been used to identify forward-looking statements.

Forward-looking statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances. Forward-looking Statements in this MD&A include, but are not limited, to statements with respect to:

- continued use of the Company's services, sources of the Company's revenue, the potential for additional tax expenses in future periods relating to historical filings;
- the incurrence of legal fees in relation to defending any civil proceedings involving Company;
- provisions for impairment of inventories, the ability of the Company to continue as a going-concern;
- the effect of a change of control on the Company's material contracts, the Company's dependence on key personnel;
- the Company's ability to achieve or maintain profitability;
- the ability of clients terminating contracts with the Company and the impact thereof;
- ongoing costs and obligations of the Company;
- the Company's need and ability to obtain additional financing;
- the Company's ability and intention to develop intellectual property and the Company's dependence on suppliers and skilled labour;
- growth-related risks such as capacity constraints and pressure on internal systems and controls;
- the likelihood of reputational harm to the Company and the impact thereof;
- and the impact of pandemics, including COVID-19, on the Company, applicable regulation, and global commerce.

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Important factors that could cause actual results to differ materially from the Company's expectations include, without limitation:

- clients deciding to terminate contractual relationships with the Company;
- the potential for adverse or positive tax judgments in the jurisdictions in which the Company operates or changes to applicable tax rules in such jurisdictions,
- market conditions
- the potential for adverse or positive judgments with respect to any civil proceedings involving the Company;
- the departure of key personnel or other employees of the Company;
- changes in technology, customer preferences, or supply chains;
- changes in accounting policies or procedures applicable to the Company's assets;
- the exacerbation of the COVID-19 pandemic;
- and other risk factors set forth in this MD&A.

While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, privacy, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking statements. Many assumptions are based on factors and events that are not within our control and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements involve a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements.

Although we have attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events, conditions, results, or performance achievements to differ from those anticipated, estimated or intended.

Readers are cautioned that important assumptions and risks, uncertainties and other factors are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking statements.

Forward-looking statements contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as and to the extent required by applicable securities laws. The MD&A is a narrative explanation, through the eyes of management, of how FWT and its operating subsidiaries performed during the period covered by the financial statements, and of FWT's financial condition and future prospects. The MD&A complements and supplements FWT's financial statements but does not form part of FWT's financial statements.

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Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars (CAD). Due to rounding, certain totals, subtotals and percentages may not reconcile.

## Overview

FWT is an Ontario Company incorporated on October 11, 2012 dedicated to the commercialization of its proprietary forward osmosis technology. The technology allows manufacturing operations to clean their wastewater that would otherwise require costly disposal. The technology also enables the reclamation of up to 90% of the waste as clean water and the return of this valuable resource to the environment. Alternatively, the clean water can be reused by manufacturing operations to reduce a customer's overall water consumption and environmental footprint.

FWT extracts clean water through a membrane utilizing a Forward Osmosis (FO) method. Without using applied pressure, applied energy, or forced filtration FWT's FO process rejects all impurities and separates only the clean water from the waste stream. The Company has now completed full commercial design of modular transportable containerized equipment and is prepared to deliver this equipment to end users.

FWT is targeting two sectors:

- a) Industrial wastewater: to divert hazardous waste disposal currently transported and injected into wells or incinerated
- b) Food and beverage: to manufacture product concentrates, water is removed through the passive filtering process which is vastly superior to thermal concentrates that erode the flavor and aroma components due to excessive heating. Target products are in fruit juices, alcoholic beverages such as beer and wines, coffee and teas, herbal extracts, and nut milks.

FWT has developed three revenue models:

- a) Build Own Operate: FWT constructs a facility for on-site operation and operates the equipment as a service. Customer pays a fee for each cubic meter of wastewater treated.
- b) Build Operate Transfer: FWT constructs a facility for on-site operation and operates the equipment as a service. Over time, and pursuant to service contract and purchase agreements, operations are taken over by customer. Service and maintenance contracts will continue post-transfer.
- c) Licensing: Addressing foreign markets FWT will license the technology with well-established equipment providers and operators. This will generate transfer fees and on-going royalties.

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## Results of Operations

	Three months ended September		Six months ended September	
	2021	2020	2021	2020
Revenue	\$ 600	\$ 5,988	\$ 600	5,988
Expenses:				
General and administrative	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	(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	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	11,232,000	10,800,000	11,140,044	10,800,000

## Comparison of the three and six months ended September 30, 2021 vs September 30, 2020

### Revenue:

Revenues for the three and six months ended September 30, 2021 were \$600 compared to \$5,988 for the same three and six month periods in 2020. The Company continues to focus on the development of new clients which require a long cycle time.

### Expenses:

General and Administrative – general and administrative expenses as of the three months ended September 30, 2021 were \$712,861, an increase of \$591,843 or 489% over the same period in 2020. For the six months ended September 30, 2021, general and administrative costs were \$1,061,406, and increase of \$862,214 or 433% compared to the same period in 2020. For each period, the increase in costs were primarily as a result of higher consulting, filing, and investor relations expenses related to the Business Combination Agreement.

Selling and Marketing – selling and marketing expenses for the three and six months ended September 30, 2021 were \$46,264 and \$46,733 respectively, compared to \$474 for the same periods in 2020, This resulted in an increase of \$45,790 (9,660%) and \$45,259 (9,759%) for the three and six month periods. For each period, the increase is primarily related to costs associated with capital market marketing.

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Research and Development – research and development costs for the three months ended September 30, 2021 were \$167,299, a \$29,714 or 15% decrease from the same period in 2020 as a result of lower consulting fees, and lower depreciation expense partially offset by higher developmental research fees. Research and development was \$320,104 for the six months ended September 30, 2021, a decrease of \$56,180 or 15% for the same period in 2020 as a result of lower consulting fees and lower depreciation as some assets were fully depreciated partially offset by higher developmental research fees.

Foreign Exchange Loss – foreign exchange loss is a result of the changes in foreign currency amounts being settled through accounts payable. The payables are primarily related to tools and equipment purchased in USD. Foreign exchange loss for the three months ended September 30, 2021 was \$375, an increase of \$375 over the same period in 2020. Foreign exchange loss for the six months ended September 30, 2021 was \$218, an increase of \$218 over the same period of 2020.

## **Other Expense (Income):**

Amortization of 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. The amortization of deferred capital contributions for the three months ended September 30, 2021 was \$26,872, a decrease of \$39,454 or 59% over the same period in 2020. Amortization of deferred capital contributions for the six months ended September 30, 2020 was \$56,309, a decrease of \$76,344 or 58% compared to the same period in 2020. For both periods, this is a result of no new funding received for capital purchases in the past two years. In addition, all prior amounts have been fully amortized.

Operating Grants - operating grants for the three months ended September 30, 2021 were \$nil, a decrease of \$68,762 or 100% over the same period in 2020. Operating grants for the six months ended September 30, 2021 were \$4,830, a decrease of \$136,770 or 97% compared to the same period in 2020. For both periods, this is a result of lower funding available from the Canada Emergency Business Account (“CEBA”) loan and Industrial Research Assistance Program (“IRAP”) and Bioindustrial Innovation Canada (“BIC”) grants.

Finance Income - finance income for the three months ended September 30, 2021 was \$871, an increase of \$871 over the same period in 2020 from interest earned from funds held in the TSX Trust Account. Finance income for the six months ended September 30, 2021 was \$930, a decrease of \$1,069 over the same period in 2020 as the Company received interest on a tax refund in the prior period.

Finance Costs - finance costs for the three months ended September 30, 2021 were \$35,536, a decrease of \$56,611 or 61% over the same period in 2020. Finance costs for the six months ended September 30, 2020 was \$69,850, a decrease of \$107,805 or 61% over the same period in 2020. For both periods, this is a result of no further interest accretion on the non-convertible debenture that matured in March 2021.

Change in Fair Value of Financial Instruments - change in fair value of financial instruments relates to the convertible debentures that are carried at fair value. For the three months ended September 30, 2021 the change in fair value was \$65,567, a decrease of \$1,410 or 2%. The change in fair value was \$129,902, a decrease of \$5,464 or 4% compared to the same period in 2020. For both periods, this is primarily as a

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result of the change in the risk free rate and the value of the debentures continuing to increase as they approach maturity.

## Net Loss and Earnings per Share:

Comprehensive loss for the three months ended September 30, 2021 was \$999,559 compared to \$336,553 for the prior three months ended September 30, 2020. The comprehensive loss for the six months ended September 30, 2021 was \$1,565,544 compared to \$606,731 for the same period in 2020. On a per share basis this translated into a net loss per basic share of \$0.09 for the three months ended September 30, 2021, compared to net loss per basic share of \$0.03 for the same period in 2020. For the six months ended September 30, 2021, the loss per share was \$0.14 compared to \$0.06 for the same period in 2020.

## Total Assets and Liabilities:

	September 30, 2021	March 31, 2021
<b>Assets</b>		
Current assets	6,302,865	294,316
Property and equipment	674,706	803,447
	<u>6,977,571</u>	<u>1,097,763</u>
<b>Liabilities and Shareholder's Deficiency</b>		
Current liabilities	9,427,924	2,738,872
Deferred capital contributions	304,816	361,125
Government loan payable	34,547	31,077
Loan payable	255,717	233,289
	<u>10,023,004</u>	<u>3,364,363</u>
Shareholders' deficiency:		
Share capital	2,067,232	1,636,352
Warrants	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>
	<u>\$ 6,977,571</u>	<u>\$ 1,097,763</u>

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Total assets were \$6,977,571 as of September 30, 2021, an increase of \$5,879,808 or 536% over the prior quarter ended March 31, 2021 primarily as a result of the addition of funds held in trust due to a brokered private placement offering.

Current liabilities as of September 30, 2021 were \$9,427,924, an increase of \$6,689,052 or 244% over the prior quarter that ended March 31, 2021 primarily as a result of the addition of the subscription receipts for the funds held in trust as a result of a brokered private placement offering, higher accounts payable for legal and other professional services pertaining to the Business Combination transaction, and the accrual of interest on the debenture and the increase in fair value of the convertible debentures.

Long term liabilities as of September 30, 2021 were \$595,080, a decrease of \$30,411 or 5% primarily as a result of the amortization of deferred capital contributions partially offset by higher loan payables due to accretion of interest.

## Cash Flows:

	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	275,675	363,435
Changes in non-cash operating working capital	1,101,785	213,080
Cash flows (outflows) from operating activities	(188,084)	(30,216)
Financing activities	6,161,439	(10,000)
Investing activities	(3,491)	-
Increase 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

## Net cash flows (outflows) from operating activities:

For the six months ended September 30, 2021, cash flows from operating activities were an outflow of \$188,084, an increase in outflows of \$157,868 compared to the six months ended September 30, 2020. The increase was primarily due to a higher net loss as discussed above and the increase in accounts payable as terms were extended to conserve cash.

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## Net cash flows (outflows) from financing activities:

Net cash flows from financing activities for the six months ended September 30, 2021 were \$6,161,439, an increase of \$6,171,439 compared to the six-month period ended September 30, 2020 primarily as a result of subscription receipts from the private placement partially offset by issuance costs.

## Net cash flows (outflows) from investing activities:

Net cash outflows from investing activities for the six months ended September 30, 2021 were \$3,491, an increase in outflows of \$3,491 compared to the six-month period ended September 30, 2020 primarily due to the purchase of equipment.

## Quarterly Results:

	Three Months Ended							
	Dec 19	Mar 20	Jun 20	Sep 20	Dec 20	Mar 21	Jun 21	Sep 21
			\$	\$	\$	\$	\$	\$
Revenue	-	-	-	5,988	34,453	1,316	-	600
Net loss/comprehensive loss	(348,739)	(208,609)	(270,178)	(336,553)	(315,298)	(578,241)	(565,985)	(999,559)
Net cash (outflow) from operating activities	n/a	(323,032)	134,727	(164,943)	(141,357)	(28,150)	(90,506)	(97,578)
Basic loss per share	(0.03)	(0.02)	(0.03)	(0.03)	(0.03)	(0.05)	(0.05)	(0.09)

## Outstanding Share Capital:

As of the date of this MD&A, FWT has outstanding common shares of 11,232,000.

## Off-Balance Sheet Arrangements:

There are no off-balance sheet arrangements.

## Subsequent Events:

On October 20, 2021, the Company closed its reverse takeover of Hope Well Capital Corp. ("HWCC") pursuant to the terms of a business combination agreement dated June 2, 2021, as amended, between FWT and HWCC (the "Transaction").

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.

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 2644246 Ontario Limited ("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 outstanding subscription

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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 ("TSX Trust"), 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 was exchanged for common shares and warrants, respectively, of the HWCC on the basis of five HWCC securities for every one FWT security. The funds held in trust as a result of the brokered private placement offering 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.

## Going Concern Risk:

As an early-stage company, FWT has incurred significant losses and negative operating cash flows from inception that have primarily been funded from financing activities, government grants and tax credits. FWT's financial statements have been prepared on the "going concern" basis which presumes that FWT will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. While FWT continues to spend on R&D and operations, it has have been able to fund this through proceeds from debentures and government spending, the Company may need to raise additional capital (debt and/or capital) to fund its business growth strategies over the next 12 months should actual sales not be realized.

As a result, there is significant doubt as to whether the Company will be able to continue as a going concern and realize its assets and pay its liabilities as they become due.

## 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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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
	<u>\$ 9,718,188</u>	<u>\$ 9,424,386</u>	<u>\$ 9,079,386</u>	<u>\$ 45,000</u>	<u>\$ 300,000</u>

  

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
	<u>\$ 2,772,358</u>	<u>\$ 2,634,356</u>	<u>\$ 2,289,356</u>	<u>\$ 45,000</u>	<u>\$ 300,000</u>

(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 is 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 the fair value through profit and loss ("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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## **Business Risks and Uncertainties**

### **Change of Control on Material Contracts**

It is possible that material contracts to which FWT is a party may be subject to review or termination upon a change of control. While FWT is not aware of any counterparty which may wish to terminate a material contract, should any such contracts be terminated, FWT will lose the benefit of the contract as well as subsequent usage or subscription revenue associated with that contract depending on the services rendered.

### **Key Personnel**

FWT's success has depended and continues to depend upon its ability to attract and retain key management. The Company does not maintain key person life insurance policies on any employees. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or scientific and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company and results of operations of the business and could limit the Company's ability to develop and market its services and products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all.

### **Dependence on Suppliers and Skilled Labor**

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour and equipment. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of any major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

### **Rapid Technology Change**

The Company operates in a competitive marketplace; there are no guarantees that the Company can maintain or expand its advantages. The Company invests significantly in the development of products and continually seeks to improve its current product offerings. The success of the Company continues to depend upon market acceptance of its new products, its existing products and its ability to refine and enhance current product lines.

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## **Negative Cash Flow**

The Company has incurred losses since its inception. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future.

## **Clients may Terminate Accounts**

Clients may terminate their relationship with FWT at any time, subject to the terms of the contractual agreement between FWT and such clients.

## **Ongoing Costs and Obligations**

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increase compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow the business may be costlier than expected, and FWT may not be able to increase revenue enough to offset any higher operating expenses. FWT may incur significant losses in the future for a number of reasons and unforeseen expenses, difficulties, complications and delays, and other unknown events. If FWT is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

## **Additional Financing**

The Operation of FWT's facilities and business are capital intensive. In order to execute the anticipated growth strategy, FWT may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions.

There can be no assurance that additional financing will be available to FWT when needed or on terms which are acceptable.

FWT's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit FWT's growth and may have a material adverse effect upon future profitability. FWT may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for FWT to obtain additional capital and to pursue business opportunities, including potential acquisitions.

## **Success of Quality Control Systems**

The quality and safety of the Company's products and services are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control

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

systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all its customers and partners have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

## Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

## Reputational Harm

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes pride in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects. There is a risk of reputational damage from current litigation and regulatory matters, including the Current Litigation Matters. See "Legal Proceedings" and "Ongoing Regulatory and Litigation Proceedings".

## Legal Proceedings

In the course of the Company's business, the Company may from time to time have access to confidential or proprietary information of third parties, and these parties could bring a claim against the Company asserting that it has misappropriated their technologies and improperly incorporated such technologies into its products. The Company has implemented processes and internal protocols to safeguard such third-party's proprietary rights in order to mitigate such risks but there is no guarantee that such processes and protocols will be successful in all cases. Due to these factors, there remains a constant risk of intellectual property litigation affecting the Company's business. In the future, the Company may be made a party to litigation involving intellectual property matters and such actions, if determined adversely, could have a material adverse effect on the Company.

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## **Epidemics and Pandemics**

The Company faces risks related to health epidemics, pandemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions. The Company's business could be adversely impacted by the effects of the COVID-19 pandemic or other epidemics and/or pandemics. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The extent to which COVID-19 impacts the Company's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat the COVID-19 pandemic (including recommendations from public health officials).

In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of experts and personnel and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on its business, financial condition, and results of operations. There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased costs as a result of these health risks. Governmental pronouncements may require forced shutdowns of our offices and facilities or the offices and facilities of our customers for extended periods.

In addition, the COVID-19 pandemic represents a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the Company. If the global response to contain a pandemic or similar event escalates or is unsuccessful, such events may have a material adverse effect on our business, financial condition, results of operations, and cash flows.

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial periods.

## **Disclosure Controls and Procedures**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS accounting principles.

TSX Venture-listed companies are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument MI 52- 109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) processes to provide reasonable

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assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP.