



FILING STATEMENT

**IN RESPECT OF THE
QUALIFYING TRANSACTION OF
HOPE WELL CAPITAL CORP.*
WITH
FORWARD WATER TECHNOLOGIES INC.**

OCTOBER 6, 2021

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the Qualifying Transaction described in this filing statement.

* Hope Well Capital Corp. is in no way affiliated with or related to Hopewell Capital Corporation, a separate pre-existing business purportedly engaged in the field of venture capital across Canada, or the Hopewell Group of Companies' multi-faceted real estate and logistics group

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GLOSSARY OF TERMS

The following is a glossary of certain general terms used in this Filing Statement, including the summary hereof. Terms and abbreviations used in the financial statements included in, or appended to this Filing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

“Affiliate” means a Company that is affiliated with another Company as described below: A Company is an “Affiliate” of another Company if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same person.

A Company is “controlled” by a person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that person; and
- (b) the voting securities, if voted, entitle the person to elect a majority of the directors of the company.

A person beneficially owns securities that are beneficially owned by:

- (a) a Company controlled by that person; or
- (b) an Affiliate of that person or an Affiliate of any Company controlled by that person.

“Agents” means the Lead Agent, WD Capital, and Fraser Mackenzie Corporate Finance, a division of Waverley Corporate Financial Services Ltd.

“Amalco” means the amalgamated corporation resulting and continuing from the Amalgamation.

“Amalco Shares” means the Common Shares in the capital of Amalco.

“Amalgamation” means the amalgamation of FWT and HWCC Subco by way of a “three-cornered amalgamation” with HWCC pursuant to the Definitive Agreement, and in accordance with the Amalgamation Agreement.

“Amalgamation Agreement” means the amalgamation agreement to be entered into between HWCC, HWCC Subco and FWT giving effect to the Amalgamation pursuant to the provisions of section 175 of the OBCA.

“Associate” when used to indicate a relationship with a person or Company, means:

- (a) an issuer of which the person or Company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or Company;
- (c) any trust or estate in which the person or Company has a substantial beneficial interest or in respect of which a person or Company serves as trustee or in a similar capacity; or

- (d) in the case of a person, a relative of that person, including
 - (i) that person's spouse or child, or
 - (ii) any relative of the person or of his spouse who has the same residence as that person;

but where the TSXV determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding Company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the TSX Venture Exchange Rule Book and Policies with respect to that Member firm, Member corporation or holding company.

"Available Funds" means the estimated working capital (total current assets less total current liabilities) that will be available to the Resulting Issuer (including the working capital of each of HWCC and FWT), as at the most recent month end preceding the date of this Filing Statement, after giving effect to the Amalgamation and the QT Financings.

"Board" means the board of directors of HWCC or the Resulting Issuer, as the context requires.

"Business Day" means any day, excluding Saturday or Sunday, on which banking institutions are open for business in Toronto, Ontario.

"Closing" means the completion of the Qualifying Transaction.

"Company" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"Completion Deadline" means November 14, 2021 or such later date as may be mutually agreed between FWT and HWCC in writing.

"Completion of the Qualifying Transaction" means the date the Final Exchange Bulletin is issued by the TSXV.

"Control Person" means, any person or Company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"CPC" means a corporation or trust:

- (a) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and
- (b) in regard to which the Final Exchange Bulletin has not yet occurred.

"CPC Escrow Agreement" means the escrow agreement dated March 24, 2017 as amended and restated on August 5, 2021 between HWCC, the Escrow Agent and certain shareholders of HWCC.

"CPC Escrow Shares" means the securities of HWCC held in escrow pursuant to the CPC Escrow Agreement.

"CPC Policy" means Policy 2.4 – *Capital Pool Companies* of the TSXV Corporate Finance Manual.

“Definitive Agreement” means the definitive business combination agreement dated June 2, 2021 between HWCC and FWT, as amended, pursuant to which HWCC and FWT have agreed to complete the Amalgamation on the terms and conditions set forth therein.

“Effective Date” means the date shown on the Certificate of Amalgamation giving effect to the Amalgamation, which date will be in accordance with certain provisions of the Definitive Agreement.

“Effective Time” means 12:01 a.m. (Toronto time) on the Effective Date or such other time on the Effective Date as may be agreed by FWT and HWCC.

“Escrow Agent” means TSX Trust Company.

“Escrow Release Conditions” means the conditions set out in the Subscription Receipt Agreement.

“Exchange Policies” means the applicable rules, regulations, policies and forms of the Exchange.

“Exchange Ratio” means five HWCC Shares for each FWT Share.

“Exchange Requirements” means and includes the articles, by-laws, policies, circulars, rules, guidelines, orders, notices, rulings, forms, decisions and regulations of the Exchange as from time to time enacted, any instructions, decisions and directions of the Exchange (including those of any committee of the Exchange as appointed from time to time), the *Securities Act* (Ontario) and rules and regulations thereunder as amended, and any policies, rules, orders, rulings, forms or regulations from time to time enacted by the Ontario Securities Commission and all applicable provisions of the securities laws of any other jurisdiction.

“Filing Statement” means this filing statement, together with all schedules attached hereto and including the summary hereof.

“Final Exchange Bulletin” means the bulletin issued by the Exchange following the closing of the Qualifying Transaction and the submission of all required documentation and that evidences the final Exchange acceptance of the Qualifying Transaction.

“Finder’s Fee” means the \$220,640 cash finder’s fee and the issuance of 220,640 Units pursuant to an advisory agreement dated October 27, 2020 between FWT and WD Capital. The 220,640 Units will be exchanged for 1,103,200 Resulting Issuer Shares and 551,600 Resulting Issuer Warrants at the time of Closing.

“FWT” means Forward Water Technologies Inc.

“FWT Board” means the board of directors of FWT.

“FWT Convertible Debentures” means, collectively:

- (a) FWT’s secured convertible debenture dated March 29, 2019 issued to FirstLine Ventures Partners Corporation in the principal amount of \$300,000 together with interest accrued and compounded annually at 8% per annum;
- (b) FWT’s secured convertible debenture dated March 29, 2019 issued to Sustainable Chemistry Alliance in the principal amount of \$300,000 together with interest accrued and compounded annually at 8% per annum;
- (c) FWT’s secured convertible debenture dated September 24, 2019 issued to FirstLine Ventures Partners Corporation in the principal amount of \$200,000 together with interest accrued and compounded annually at 8% per annum; and

- (d) FWT's secured convertible debenture dated September 24, 2019 issued to Sustainable Chemistry Alliance in the principal amount of \$200,000 together with interest accrued and compounded annually at 8% per annum,

which together have an aggregate principal and interest amount of \$1,156,666 assuming an Effective Date of June 30, 2021, and the parties to the FWT Convertible Debentures have agreed that the FWT Convertible Debentures are convertible into 1,652,380 FWT Shares at \$0.70 per FWT Share even if the Effective Date occurs after June 30, 2021.

"FWT Financial Statements" means (i) the audited financial statements of FWT for the years ended March 31, 2021 and 2020; and (ii) the unaudited condensed interim financial statements of FWT for the three months ended June 30, 2021 and 2020, which are attached to this Filing Statement as Schedule "C".

"FWT MD&A" means the Management's Discussion and Analysis of the Financial Condition and Results of Operations of FWT for (i) the years ended March 31, 2021 and 2020; and (ii) the three months ended June 30, 2021 and 2020, which is attached to this Filing Statement as Schedule "D".

"FWT Nominees" means, subject to the completion of the Amalgamation, the nominees of FWT to be appointed as the board directors of HWCC, being C. Howie Honeyman, Wayne Maddever, Andrew Pasternak, John Koehle and Sheldon Kales. See *"Part IV – Information Concerning the Resulting Issuer – Directors, Officers and Promoters"*.

"FWT Non-Convertible Debentures" means, collectively, (i) FWT's secured debenture dated March 18, 2020 issued to FirstLine Venture Partners Corporation in the principal amount of \$250,000 together with interest accrued and compounded annually at 8% per annum, and (ii) FWT's secured debenture dated March 18, 2020 issued to Sustainable Chemistry Alliance in the principal amount of \$250,000, together with interest accrued and compounded annually at 8% per annum.

"FWT Shareholders" means the holders of FWT Shares.

"FWT Shares" means Common Shares in the capital of FWT.

"FWT Warrant Share" means an FWT Share issuable upon the exercise of an Underlying QT FWT Warrant.

"FWT Warrants" means the common share purchase warrants of FWT.

"GAAP" means Generally Accepted Accounting Principles.

"GCC Agreement" means the technology sub-license agreement dated April 26, 2018 between GreenCentre Canada and FWT.

"Goldfinch Engineering" means Goldfinch Engineering Systems PVT Limited.

"Government Authority" means any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or person in question and, for greater certainty, includes the TSXV.

"HWCC" means Hope Well Capital Corp., prior to the completion of the Amalgamation.

"HWCC Board" means the board of directors of HWCC.

“HWCC Financial Statements” means (i) the audited financial statements of HWCC for the years ended January 31, 2021 and 2020; and (ii) the unaudited interim financial statements of HWCC for the six months ended July 31, 2021, which are attached to this Filing Statement as Schedule “A”.

“HWCC MD&A” means the Management’s Discussion and Analysis of HWCC for (i) the years ended January 31, 2021 and 2020; and (ii) the six months ended July 31, 2021, which are attached to this Filing Statement as Schedule “B”.

“HWCC Meeting” means the special meeting of HWCC’s shareholders held on July 8, 2021 to approve, among other things, the HWCC Meeting Matters.

“HWCC Meeting Matters” means the following matters to be approved by shareholders of HWCC at the HWCC Meeting: (i) the election of the FWT Nominees, subject to the completion of the Amalgamation; (ii) the appointment of KPMG LLP, Chartered Professional Accountants, as the auditor of HWCC, subject to the completion of the Amalgamation; (iii) approval of the Name Change, subject to the completion of the Amalgamation; (iv) approval of the Resulting Issuer Option Plan; and (v) such other matters that may be reasonably required in order to give effect to the Amalgamation as are deemed appropriate by the Board and acceptable to FWT, acting reasonably.

“HWCC Option Plan” means the stock option plan of HWCC.

“HWCC Options” means the options granted pursuant to the HWCC Option Plan, entitling the holders thereof to acquire HWCC Shares.

“HWCC Shares” means Common Shares in the capital of HWCC.

“HWCC Subco” means 2644246 Ontario Limited, a wholly-owned subsidiary of HWCC incorporated under the OBCA.

“HWCC Subco Shares” means Common Shares in the capital of HWCC Subco.

“IFRS” means International Financial Reporting Standards.

“Insider” if used in relation to an issuer, means:

- (a) a director or senior officer of the company;
- (b) a director or senior officer of the company that is an Insider or subsidiary of the company;
- (c) a person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the company; or
- (d) the issuer itself if it holds any of its own securities.

“IPO” means the initial public offering of HWCC Shares by HWCC completed on May 3, 2017.

“IPO Agency Agreement” means the agency agreement dated April 24, 2017 between HWCC and the IPO Agent.

“IPO Agent” means Research Capital Corporation (f/k/a Mackie Research Capital Corporation).

“Laws” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws, statutory rules, principles of law, published policies, forms and guidelines, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, directives, decisions, rulings or awards, including general

principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Government Authority, statutory body or self-regulatory authority (including the TSXV), and the term “applicable” with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Government Authority (or any other Person) having jurisdiction over the aforesaid Person or Persons or its or their business, undertaking, property or securities.

“**Lead Agent**” means Research Capital Corporation.

“**Material Adverse Change**” means any change in the financial condition, operations, assets, liabilities, or business of either HWCC, HWCC Subco or FWT, considered as a whole, which is materially adverse to the business of such party, considered as a whole, other than a change:

- (a) which arises out of or in connection with a matter that has been publicly disclosed or otherwise disclosed in writing by such party to the other party prior to the date of the Definitive Agreement;
- (b) resulting from conditions affecting the wastewater treatment industry as a whole; or
- (c) resulting from general economic, financial, currency exchange, securities or commodity market conditions in Canada, the United States or elsewhere.

“**Name Change**” means, subject to the completion of the Amalgamation, a change in the name of HWCC to “Forward Water Technologies Corp.” or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors of the Resulting Issuer.

“**Non-Arm’s Length Party**” means:

- (a) in relation to a Company:
 - (i) a Promoter, officer, director or other Insider or Control Person of the Company and any Associates or Affiliates of any of such persons; or
 - (ii) another entity or an Affiliate of that entity, if that entity or its Affiliate have the same Promoter, officer, director, Insider or Control Person as the Company; and
- (b) in relation to an individual, any Associate of the individual or any Company of which the individual is a Promoter, officer, director, Insider or Control Person.

“**Non-Arm’s Length Qualifying Transaction**” means a proposed Qualifying Transaction where the same party or parties or their respective Associates or Affiliates are Control Persons in both the CPC and in relation to the Significant Assets which are to be the subject of the proposed Qualifying Transaction.

“**OBCA**” means the *Business Corporations Act* (Ontario), including the regulations promulgated thereunder, as amended.

“**person**” means a Company or individual.

“**Pro Forma Financial Statements**” means the unaudited pro forma statement of financial position for the Resulting Issuer as at July 31, 2021 to give effect to the Amalgamation as if it had taken place as of July 31, 2021, which is attached to this Filing Statement as Schedule “E”.

“**QT Agency Agreement**” means the agency agreement dated June 4, 2021 between HWCC, FWT and the Agents.

“QT Broker Warrants” means the non-transferrable broker warrants issued in connection with the QT Financings, each such QT Broker Warrant being exercisable at a price of \$1.00, at any time before the date that is 24 months after the date of issuance, for one unit, each such unit consisting of one FWT Share and one-half of one FWT Warrant. Each whole FWT Warrant will entitle the holder thereof to purchase one FWT Share at a price of \$1.25 per FWT Share, in accordance with and pursuant to the terms and conditions of the Warrant Indenture. Upon Closing, the 377,600 QT Broker Warrants will be exchanged for 1,888,000 Resulting Issuer QT Broker Warrants without any further action on the part of the holder thereof.

“QT Escrow Agreement” means the Exchange Form 5D Tier 2 Value Security Escrow Agreement to be entered into in connection with the closing of the Qualifying Transaction between the Resulting Issuer, the Escrow Agent and certain FWT Shareholders, as more particularly described in this Filing Statement.

“QT Escrow Funds” means the gross proceeds from the QT Financing (First Tranche) less certain expenses of the Agents and certain early release amounts.

“QT Financing (First Tranche)” means the brokered private placement offering by FWT of 5,170,000 Subscription Receipts on June 4, 2021.

“QT Financing (Second Tranche)” means the brokered private placement offering by FWT of 1,300,000 Subscription Receipts on July 26, 2021.

“QT Financings” means the QT Financing (First Tranche) and QT Financing (Second Tranche).

“Qualifying Transaction” means the completion of the Amalgamation, as set out under the Definitive Agreement.

“RCC Advisory Agreement” means the advisory agreement between FWT and the Lead Agent dated March 23, 2021.

“RCC Advisory Shares” means the 200,000 FWT Shares issued to the Lead Agent in connection with the RCC Advisory Agreement, which will be exchanged for 1,000,000 Resulting Issuer Shares upon Closing without any further action on the part of the holder thereof.

“RCC Advisory Warrants” means the 200,000 FWT Warrants issued to the Lead Agent in connection with the RCC Advisory Agreement, each such RCC Advisory Warrant being exercisable at a price of \$1.00, at any time before the date that is 24 months after the date of issuance, which will be exchanged for 1,000,000 Resulting Issuer Advisory Warrants upon Closing, without any further action on the part of the holder thereof.

“Regulatory Approval” means any approval, consent, waiver, permit, order or exemption from any Government Authority having jurisdiction or authority over any of FWT, HWCC, or HWCC Subco of any party which is required or advisable to be obtained in order to permit the Amalgamation to be effected.

“Resulting Issuer” means HWCC on completion of the Amalgamation.

“Resulting Issuer Board” means the board of directors of the Resulting Issuer.

“Resulting Issuer Option Plan” means the stock option plan of the Resulting Issuer approved at the HWCC Meeting.

“Resulting Issuer QT Broker Warrants” means the non-transferable broker warrants of the Resulting Issuer issued at Closing in exchange for the QT Broker Warrants, each such Resulting Issuer QT Broker Warrant being exercisable at a price of \$1.00, at any time before the date that is 24 months after the date of issuance, for one unit, each such unit consisting of one Resulting Issuer Share and one-half of one Resulting Issuer Warrant. Each whole Resulting Issuer Warrant will entitle the holder thereof to purchase

one Resulting Issuer Share at a price of \$0.25 per Resulting Issuer Share, in accordance with and pursuant to the terms and conditions of the Warrant Indenture.

“Resulting Issuer RCC Advisory Warrants” means the common share purchase warrant of the Resulting Issuer issuable upon the exchange of the RCC Advisory Warrants, exercisable on the same terms as the RCC Advisory Warrants.

“Resulting Issuer Shares” means Common Shares in the capital of the Resulting Issuer.

“Resulting Issuer Warrant” means the common share purchase warrant of the Resulting Issuer issuable upon the exchange of the Underlying QT FWT Warrants or exercise of the Resulting Issuer QT Broker Warrants.

“Significant Assets” means one or more assets or businesses which, when purchased, optioned or otherwise acquired by the CPC, together with any concurrent transactions, would result in the CPC meeting the initial listing requirements of the TSXV.

“Sponsor” has the meaning specified in Exchange policy 1.1 – *Interpretation*.

“Subscription Receipt Agent” means TSX Trust Company, acting as escrow agent pursuant to the Subscription Receipt Agreement.

“Subscription Receipt Agreement” means the subscription receipt agreement dated May 14, 2021 between FWT, the Agents and the Subscription Receipt Agent, as amended or supplemented from time to time.

“Subscription Receipts” means the subscription receipts of FWT issued pursuant to the QT Financings at an issue price of \$1.00 per Subscription Receipt, each Subscription Receipt being convertible into one Unit.

“subsidiary” includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity.

“Target Company” means a company to be acquired by the CPC as its Significant Assets pursuant to a qualifying transaction.

“TSXV” or **“Exchange”** means the TSX Venture Exchange.

“Underlying QT FWT Share” means one FWT Share in the capital of FWT comprising part of each Unit.

“Underlying QT FWT Warrant” means one FWT Share purchase warrant comprising part of each Unit, entitling the holder thereof to acquire one FWT Warrant Share at an exercise price of \$1.25 for a period of 24 months following the completion of the Amalgamation, subject to adjustment and acceleration.

“Unit” means one unit of FWT issuable upon conversion of the Subscription Receipts, with each Unit consisting of one Underlying QT FWT Share and one-half of one Underlying QT FWT Warrant.

“Value Escrow Shares” means HWCC Shares to be held in escrow pursuant to Section 4 of Exchange policy 5.4 - *Escrow, Vendor Consideration and Resale Restrictions*, pursuant to the QT Escrow Agreement as more particularly described in this Filing Statement.

“Warrant Indenture” means the warrant indenture between FWT, TSX Trust Company, as warrant agent, and HWCC dated June 4, 2021 governing the Underlying QT FWT Warrants and, following the completion of the Amalgamation, the Resulting Issuer Warrants.

“WD Agreement” means the engagement agreement dated May 27, 2021 between WD Numeric and FWT.

“WD Capital” means WD Capital Markets Inc.

“WD Numeric” means WD Numeric Corporate Services Inc.

FORWARD-LOOKING STATEMENTS

This Filing Statement contains forward-looking statements that relate to HWCC's and FWT's current expectations and views of future events. The forward-looking statements are contained principally in the sections titled "*Part III – Information Concerning FWT*" and "*Part IV – Information Concerning the Resulting Issuer*".

In some cases, these forward-looking statements can be identified by words or phrases such as "plans", "believes", "expects", "does not expect", "is expected", "intends", "projects", "anticipates", "does not anticipate", "estimates", "continues", "believe", "aim", "seek" or variations of such words and phrases or states that certain actions, events or results "may", "could", "would", "might" or "will" be taken to occur or be achieved.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of HWCC, FWT or the Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Although HWCC and FWT have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. 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 statements.

Known and unknown factors could cause actual results or events to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- expectations regarding its revenue, expenses and operations;
- anticipated cash needs and its needs for additional financing;
- future growth plans;
- ability to attract and retain personnel;
- anticipated labour and materials costs;
- competitive position and the expectations regarding competition, including pricing and demand expectations;
- anticipated trends and challenges in FWT's business and the markets in which it operates;
- the completion of the Amalgamation;
- the terms on which the Amalgamation is intended to be completed; and
- the ability to complete any Qualifying Transaction.

Forward-looking statements are based on certain assumptions and analysis made by HWCC and FWT in light of their experience and perception of historical trends, current conditions and expected future developments and other factors they believe are appropriate, and are subject to risks and uncertainties. Such assumptions include, among others, those relating to general economic conditions, the legislative and regulatory environment, the impact of increasing competition, the ability to obtain regulatory and shareholder approvals and HWCC's ability to obtain additional financing on satisfactory terms. Although HWCC and FWT believe that the assumptions underlying the forward-looking statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, shareholders should not place undue reliance on these forward-looking statements.

Whether actual results, performance or achievements will conform to HWCC or FWT's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Part V – Risk Factors*", which include:

Qualifying Transaction risks:

- completion of the transaction;
- termination of the Definitive Agreement;
- dilutive effect on the ownership of HWCC Shareholders;
- potential undisclosed liabilities;
- potential of the Qualifying Transaction to divert the attention of FWT's management; and
- tax consequences.

Business risks:

- commercialization of technology and products;
- the COVID-19 pandemic;
- proprietary protection;
- sales cycle;
- available funds;
- limited operating history;
- negative cash flow;
- debt financing;
- retention and acquisition of skilled personnel;
- change in laws;
- global economy; and
- change in business and economic conditions.

Risks related to the Resulting Issuer Shares:

- market for the Resulting Issuer Shares;
- share price volatility;
- expiry of escrowed securities; and
- incorrect valuation.

The above risks, uncertainties, assumptions and other factors could cause HWCC, FWT and the Resulting Issuer's actual results, performance, achievements and experience to differ materially from HWCC and FWT's expectations, future results, performances or achievements expressed or implied by the forward-looking statements.

The forward-looking statements made in this Filing Statement relate only to events or information as of the date on which the statements are made in this Filing Statement. Except as required by law, HWCC, FWT and the Resulting Issuer undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

An investor should read this Filing Statement with the understanding that HWCC, FWT and the Resulting Issuer's actual future results may be materially different from what is expected.

INFORMATION PERTAINING TO FWT

The information contained or referred to in this Filing Statement with respect to FWT and the industry in which it operates has been provided by the management of FWT and is the responsibility of FWT. Management of HWCC has relied upon FWT for the accuracy of the information provided by FWT without independent verification. In preparing this Filing Statement, HWCC has relied upon FWT to ensure that this Filing Statement contains full, true and plain disclosure of all material facts relating to FWT.

NOTICE TO INVESTORS

Currency Presentation

Unless otherwise specified, all dollar amounts referenced in this Filing Statement and in the financial statements of HWCC and FWT are in Canadian dollars and referred to as "\$".

Financial Statement Information

The HWCC Financial Statements contained in this Filing Statement have been prepared in accordance with IFRS and are denominated in Canadian dollars.

The audited FWT Financial Statements contained in this Filing Statement have been prepared in accordance with IFRS and the unaudited FWT Financial Statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting*. Both are denominated in Canadian dollars.

The unaudited Pro Forma Financial Statements of the Resulting Issuer contained in this Filing Statement have been prepared on the basis of presentation as described in the Pro Forma Financial Statements and are denominated in Canadian dollars.

Non-GAAP Measures

In order to supplement its financial statements, FWT may use select non-GAAP financial measures. FWT has included non-GAAP measures in this Filing Statement. Non-GAAP measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to any similar measures presented by other companies.

Market Data

Unless otherwise indicated, information contained in this Filing Statement concerning the industry and markets in which FWT operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party sources (including industry publications, surveys and forecasts), and management estimates. Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from FWT's internal research, and are based on assumptions made by FWT based on such data and its knowledge of such industry and markets, which FWT believes to be reasonable. FWT's internal research has not been verified by any independent source, and it has not independently verified any third-party information. While FWT believes the market position, market opportunity and market share information included in this Filing Statement is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of FWT's future performance and the future performance of the industry in which FWT operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under "*Part V – Risk Factors*".

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to HWCC, FWT and the Resulting Issuer (assuming Completion of the Qualifying Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

THE PARTIES

HWCC

“Hope Well Capital Corp.” was incorporated pursuant to the provisions of the OBCA on December 1, 2016. The HWCC Shares were listed for trading on the TSXV under the symbol “HOPE.P” on May 9, 2017. HWCC is a CPC pursuant to the CPC Policy, and since its incorporation has not carried on any business or operations other than identifying and evaluating business opportunities for the purposes of completing a Qualifying Transaction.

“2644246 Ontario Limited” was incorporated under the OBCA on July 5, 2018 as a wholly-owned subsidiary of HWCC. HWCC Subco’s sole purpose is to amalgamate with a target company for the purposes of completing the Qualifying Transaction.

Since May 10, 2019, trading in the HWCC Shares have been suspended in accordance with the Exchange Policies for failing to complete a Qualifying Transaction within 24 months of listing.

In connection with the Qualifying Transaction, HWCC entered into a letter of intent with FWT on February 3, 2021.

For additional information about HWCC, please see “*Part II – Information Concerning HWCC*”.

FWT

“Forward Water Technologies Inc.” was incorporated pursuant to the provisions of the OBCA on October 11, 2012.

FWT is 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 their overall water consumption and environmental footprint.

For additional information about FWT, please see “*Part III – Information Concerning FWT*”.

THE QUALIFYING TRANSACTION

On February 3, 2021, HWCC entered into a letter of intent with FWT that provides for the acquisition by HWCC of all of the issued and outstanding shares of FWT in exchange for the issuance to FWT of HWCC Shares on the basis of the Exchange Ratio. All outstanding convertible securities of FWT will also be exchanged with convertible securities of HWCC based on the same Exchange Ratio on completion of the Qualifying Transaction.

On June 2, 2021, HWCC and FWT entered into the Definitive Agreement setting out the terms and conditions upon which the parties intend to complete the Qualifying Transaction. The Qualifying Transaction is structured as a three-cornered amalgamation pursuant to the terms of an Amalgamation Agreement and, as a result, FWT will become a wholly-owned subsidiary of the Resulting Issuer. A copy of the Definitive Agreement is available on HWCC’s profile at www.sedar.com.

The Definitive Agreement incorporates the principal terms of the definitive agreement specified in the letter of intent and provides the basis upon which the parties will effect the business combination described above in compliance with the Exchange Requirements.

THE AMALGAMATION

Upon completion of the Amalgamation, the Resulting Issuer will hold 100% of the FWT Shares and Amalco will become a wholly-owned subsidiary of the Resulting Issuer. It is intended that the Amalgamation will constitute a “*Qualifying Transaction*” in accordance with the CPC Policy.

In addition to the Amalgamation, there are a number of transactions that are expected to occur concurrently with or prior to the Amalgamation, including the Name Change, the reconstitution of its board of directors and the adoption of the Resulting Issuer Option Plan.

The proposed name of the Resulting Issuer is “Forward Water Technologies Corp.”, or such other name as may be agreed to by the Board and approved by the TSXV.

It is expected that, immediately following the completion of the Amalgamation, on a non-diluted basis:

- (a) the current HWCC Shareholders will hold 7,724,999 Resulting Issuer Shares, representing approximately 7.3% of the outstanding Resulting Issuer Shares (on a fully-diluted basis, the current HWCC Shareholders will hold 8,497,498 Resulting Issuer Shares, representing approximately 6.7% of the then outstanding Resulting Issuer Shares);
- (b) the current FWT Shareholders will hold 64,421,900 Resulting Issuer Shares, representing 61.0% of the outstanding Resulting Issuer Shares (on a fully-diluted basis, the current FWT Shareholders will hold 64,421,900 Resulting Issuer Shares, representing approximately 50.8% of the then outstanding Resulting Issuer Shares);
- (c) subscribers of the QT Financing (First Tranche) will hold 25,850,000 Resulting Issuer Shares, representing 24.5% of the outstanding Resulting Issuer Shares (on a fully-diluted basis, subscribers of the QT Financing (First Tranche) will hold 38,775,000 Resulting Issuer Shares, representing approximately 30.5% of the then outstanding Resulting Issuer Shares);
- (d) subscribers of the QT Financing (Second Tranche) will hold 6,500,000 Resulting Issuer Shares, representing 6.2% of the outstanding Resulting Issuer Shares (on a fully-diluted basis, subscribers of the QT Financing (Second Tranche) will hold 9,750,000 Resulting Issuer Shares, representing approximately 7.7% of the then outstanding Resulting Issuer Shares); and
- (e) WD Capital will hold 1,103,200 Resulting Issuer Shares, representing 1.0% in connection to the Finder’s Fee (on a fully-diluted basis, WD Capital will hold 1,654,800 Resulting Issuer Shares, representing approximately 1.3% of the then outstanding Resulting Issuer Shares).

THE QT FINANCINGS

On June 4, 2021 and July 26, 2021, FWT completed the first and second tranche of a brokered private placement offering of an aggregate of 6,470,000 Subscription Receipts at a subscription price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$6,470,000. Each Subscription Receipt is convertible into one Unit comprised of one Underlying QT FWT Share and one-half of one Underlying QT FWT Warrant. Each Underlying QT FWT Warrant entitles the holder thereof to acquire one FWT Warrant Share at an exercise price of \$1.25 for a period of 24 months following the completion of the Amalgamation, subject to adjustment and acceleration.

The gross proceeds from the QT Financings less certain early release amounts and expenses of the Agents (the “**QT Escrow Funds**”) have been deposited in escrow with the Subscription Receipt Agent until the satisfaction of the following Escrow Release Conditions:

- (a) the completion, satisfaction or waiver of all conditions precedent to the completion of the Qualifying Transaction pursuant to and in accordance with the Definitive Agreement, to the satisfaction of the Agents;
- (b) the receipt of all required shareholder and regulatory approvals, including, without limitation, the conditional approval of the TSXV for the listing of the Resulting Issuer Shares and the Qualifying Transaction;
- (c) receipt by the Agents of an opinion of counsel of FWT that upon the issuance of Units pursuant to the conversion of the Subscription Receipts and completion of the Qualifying Transaction, the securities of FWT issued in exchange for or in lieu of the Underlying QT FWT Shares, Underlying QT FWT Warrants and FWT Warrant Shares, will not be subject to any statutory or other hold period in Canada other than control distribution restrictions and any escrow requirements of the TSXV;
- (d) the representations and warranties of FWT contained in the QT Agency Agreement being true and accurate in all material respects, as if made on and as of the date of the escrow release notice; and
- (e) FWT and the Agents having delivered a joint notice and direction to the Escrow Agent, confirming the conditions set forth in (a) to (d) above have been met or waived.

Immediately prior to the effective time of the completion of the Amalgamation, the Subscription Receipts will be converted to Units without payment of any additional consideration or any further action on the part of the holder thereof. On completion of the Amalgamation, the Units will be exchanged with Resulting Issuer Shares and Resulting Issuer Warrants without any further action on the part of the holder thereof.

In the event that the Escrow Release Conditions have not been satisfied or waived prior to 5:00 p.m. (Toronto time) on the Completion Deadline, the QT Escrow Funds will be returned to the applicable holders of the Subscription Receipts together with any interest earned thereon with any shortage of funds from the subscription price being payable by FWT, and such Subscription Receipts will automatically be cancelled and be of no further force and effect.

In connection with the QT Financings, the Agents received a cash commission equal to 8% of the gross proceeds from the sale of the Subscription Receipts, except a cash commission equal to 1% was negotiated for the gross proceeds from the sale of the Subscription Receipts to the Corporation’s president’s list subscribers, which ultimately resulted in a cash commission of \$377,600. In addition, the Agents are entitled to receive broker options equal to 8% of the aggregate number of Subscription Receipts sold under the QT Financings, except broker options equal to 1% were negotiated for Subscription Receipts issued to FWT’s president’s list subscribers, with each QT Broker Warrant entitling the holder to purchase one Unit at a price of \$1.00 for a period of 24 months from the closing date of the Qualifying Transaction. On completion of the Amalgamation, the QT Broker Warrants will be exchanged with Resulting Issuer QT Broker Warrants without any further action on the part of the holder thereof.

The Resulting Issuer intends to use the net proceeds from the QT Financings for: a mobile demo unit; an on-site commercial unit; research and development; sales and marketing; intellectual property filings; sales, general and administrative expenses; and general and administrative corporate expenses. See “*Part IV – Information Concerning the Resulting Issuer – Principal Purposes of Funds*”.

As a condition precedent to the completion of the Amalgamation, the Subscription Receipts will be converted into Units immediately prior to the completion of the Amalgamation. As a result of the

Amalgamation, the securities of FWT will be exchanged with securities of the Resulting Issuer and, in particular, each Underlying QT FWT Share will be exchanged for five Resulting Issuer Shares and each one Underlying QT FWT Warrant will be exchanged for five Resulting Issuer Warrants. The number and terms of the securities to be issued in connection with the Amalgamation and following the Amalgamation were determined pursuant to arm's length negotiations between the management of each of HWCC and FWT. Similarly, each QT Broker Warrant will be exchanged for five Resulting Issuer QT Broker Warrants, without any further action on the part of the holder thereof.

Completion of the Qualifying Transaction is conditional upon, among other things, obtaining necessary shareholder approval or consent, where applicable, and meeting the terms and conditions set forth in the Definitive Agreement.

THE RESULTING ISSUER

Following the Amalgamation, the Resulting Issuer will change its name to "Forward Water Technologies Corp." (or such other similar name as may be accepted by the relevant regulatory authorities and approved by the board of directors of the Resulting Issuer) and will carry on the business of FWT.

Upon Completion of the Qualifying Transaction, it is expected that the Resulting Issuer will be listed on the TSXV as a Tier 2 Issuer (as such term is defined in the Corporate Finance Manual of the TSXV). The Resulting Issuer Shares will trade under the symbol "FWTC". The Resulting Issuer will change its registered and head office to 1086 Modeland Road, Sarnia, Ontario, Canada, N7S 6L2.

Upon completion of the Amalgamation:

- (a) an aggregate of 105,600,099 Resulting Issuer Shares will be issued and outstanding, consisting of:
 - (i) 7,724,999 Resulting Issuer Shares issued to existing holders of HWCC;
 - (ii) 56,160,000 Resulting Issuer Shares issued to existing holders of FWT;
 - (iii) 32,350,000 Resulting Issuer Shares issued to holders of Subscription Receipts;
 - (iv) 1,103,200 Resulting Issuer Shares issued in connection with the Finder's Fee; and
 - (v) 8,261,900 Resulting Issuer Shares in connection with the conversion of the FWT Convertible Debentures prior to the Qualifying Transaction.

- (b) an aggregate of 21,331,099 convertible securities to purchase Resulting Issuer Shares will be outstanding, consisting of:
 - (i) 772,499 options held by HWCC optionholders;
 - (ii) 16,175,000 Underlying QT FWT Warrants;
 - (iii) 1,000,000 Resulting Issuer RCC Advisory Warrants;
 - (iv) 1,888,000 Resulting Issuer Shares and 944,000 Resulting Issuer Warrants underlying the 1,888,000 Resulting Issuer QT Broker Warrants; and
 - (v) 551,600 Resulting Issuer Warrants underlying the Finder's Fee.

INTERESTS OF INSIDERS, PROMOTERS AND CONTROL PERSONS

The following is a summary of the interests of Insiders and Control Persons of FWT and HWCC, and their respective Associates and Affiliates, before and after giving effect to the Qualifying Transaction.

| Insider, Promoter or Control Person (including Associates and Affiliates) | Position | Position in Resulting Issuer | Prior to Qualifying Transaction ----- Number and Percentage of HWCC Shares or FWT Shares | After Qualifying Transaction ----- Number and Percentage of Resulting Issuer Shares (Non-Diluted) |
|---|--|--|--|---|
| GreenCentre Canada ⁽¹⁾ | Shareholder | Shareholder | 3,259,680 (29.0%) | 16,298,400 (15.4%) |
| FirstLine Venture Partners Corporation ⁽²⁾ | Shareholder | Shareholder | 3,502,669 (31.2%) | 26,644,295 (25.2%) |
| Sustainable Chemistry Alliance ⁽³⁾ | Shareholder | Shareholder | 3,502,669 (31.2%) | 26,644,295 (25.2%) |
| C. Howie Honeyman | Chief Executive Officer, President and Shareholder | Chief Executive Officer, President, Director and Shareholder | 479,364 (4.3%) | 2,596,820 (2.5%) |
| Wayne Maddever | Chief Operating Officer and Director | Chief Operating Officer and Director | Nil | 150,000 (0.1%) |
| John Koehle | Director | Director | Nil | Nil |
| Andrew Pasternak | Director and Chair | Director and Chair | Nil | Nil |
| Michael Willetts ⁽⁴⁾ | Chief Financial Officer | Chief Financial Officer | Nil | Nil |
| Sheldon Kales | Chief Executive Officer, Chief Financial Officer, Secretary and Director | N/A | 600,000 ⁽⁵⁾ (7.8%) | 600,000 (0.6%) |
| Peiwei Ni | Director | N/A | Nil | Nil |
| Judith Hong Wilkin | Director | N/A | Nil | Nil |

Notes:

- (1) GreenCentre Canada (“GCC”) is a not for profit technology accelerator based in Kingston, Ontario with an emphasis on sustainable chemistry applications and processes. GCC is incorporated under the *Canada Not-for-profit Corporations Act*

and is governed by its board of directors. GCC was founded by Queen's University through PARTEQ Research and Development Innovations, a not-for-profit corporation formed to help Queen's University researchers commercialize their intellectual property arising from university research. From September 2010 to August 2021, Andrew Pasternak served as the Director of Commercialization at GCC, and since August 2021, Andrew Pasternak has served as the Executive Director at GCC. Andrew Pasternak has been a director of FWT since August 2020 and is a proposed director of the Resulting Issuer.

- (2) FirstLine Venture Partners Corporation ("**FLVP**") is an independent venture capital investment fund with a focus on early stage Canadian innovations that show potential for significant long-term growth. FLVP is incorporated under the *Business Corporations Act* (British Columbia) and is owned and controlled by Andrea Koehle Jones, Michael Koehle, and John Koehle, residents of Bowen Island, British Columbia, Vancouver, British Columbia, and Toronto, Ontario, respectively. John Koehle has been a director of FWT since January 2020 and is a proposed director of the Resulting Issuer.
- (3) Sustainable Chemistry Alliance ("**SCA**") is an investment fund that collaborates with Bioindustrial Innovation Canada ("**BIC**"). BIC is a not-for-profit business accelerator based in Sarnia, Ontario focused on enabling Ontario and Canada to become a global leader in converting renewable resources. Both are incorporated under the *Canada Not-for-profit Corporations Act* and are governed by the same board of directors. Wayne Maddever is currently the portfolio manager at BIC. He has been a director of FWT since May 2018 and Chief Operating Officer at FWT since August 2019 and is a proposed director of the Resulting Issuer.
- (4) Retained pursuant to the WD Agreement.
- (5) Number of HWCC Shares.

See "*Part IV – Information Concerning the Resulting Issuer – Principal Securityholders*".

ARM'S LENGTH TRANSACTION

The Qualifying Transaction is an Arm's Length Qualifying Transaction within the meaning of the CPC Policy.

ESTIMATED AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Estimated Available Funds

Upon Completion of the Qualifying Transaction, the Resulting Issuer is expected to have approximately \$6,154,244 in Available Funds, which includes the following:

| Estimated Funds Available | Amount (\$) |
|--|--------------------|
| Estimated working deficiency of FWT as at September 30, 2021 | \$(122,755) |
| Estimated working capital of HWCC as at September 30, 2021 | \$525,000 |
| Net proceeds from the QT Financings ⁽¹⁾ | \$5,751,999 |
| Total Estimated Available Funds | \$6,154,244 |

Notes:

- (1) Following completion of the QT Financing (First Tranche) with gross proceeds of \$5,170,000 and the completion of the QT Financing (Second Tranche) with gross proceeds of \$1,300,000, less aggregate Agents' legal fees and other expenses (\$119,761), Agents' cash commission (\$377,600) and the Finder's Fee (\$220,640).

Principal Purposes of Funds

The following table sets forth the principal purposes for which the estimated funds available to the Resulting Issuer upon Completion of the Qualifying Transaction and the current estimated amounts to be used for each such principal purpose:

| Principal Use of Available Funds | Amount (\$) |
|----------------------------------|-------------|
| Qualifying Transaction costs | \$720,000 |

| Principal Use of Available Funds | Amount (\$) |
|---|--------------------|
| Mobile demo unit | \$992,000 |
| On-site commercial unit | \$992,000 |
| Research and development | \$240,000 |
| Sales and marketing | \$483,000 |
| Intellectual property filings | \$132,000 |
| Selling, general and administrative expenses | \$643,600 |
| Working capital and other corporate purposes ⁽¹⁾ | \$1,352,061 |
| Minimum annual royalty under GCC Agreement ⁽²⁾ | \$25,000 |
| Debt repayment (FWT Non-Convertible Debentures) ⁽³⁾⁽⁴⁾ | \$574,583 |
| Total⁽⁵⁾ | \$6,154,244 |

Notes:

- (1) The unallocated funds do not include expected positive cash inflows from operations.
- (2) Intended payment to GCC, a Non-Arm's Length Party.
- (3) Intended payment to SCA and FLVP, both Non-Arm's Length Parties.
- (4) Includes \$500,000 principal plus \$67,320, representing approximately interest accrued to August 31, 2021.
- (5) FWT and HWCC anticipate that these funds will be sufficient for these uses for a 12 month period following the date of completion of the Qualifying Transaction.

The above sources and uses of funds are estimates only. Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to execute the planned undertakings of the Resulting Issuer. For these reasons, management considers it to be in the best interests of the Resulting Issuer and its shareholders to permit management a reasonable degree of flexibility as to how the Resulting Issuer's funds are employed among the above uses or for other purposes, as the need may arise.

PRO-FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the pro forma share and loan capital of the Resulting Issuer, after giving effect to the Qualifying Transaction, based on the unaudited Pro Forma Consolidated Financial Statements attached hereto as Schedule "E".

| Designation of Security | Amount authorized or to be authorized | Amount outstanding after giving effect to the Qualifying Transaction |
|--|--|---|
| Resulting Issuer Shares | Unlimited | 105,600,099 |
| Resulting Issuer Warrants ⁽¹⁾ | 16,175,000 ⁽²⁾ | 16,175,000 |
| Resulting Issuer QT Broker Warrants | 1,888,000 ⁽³⁾ | 1,888,000 |
| Resulting Issuer Warrants underlying Resulting Issuer QT Broker Warrants | 944,000 | 944,000 |
| FWT Non-Convertible Debentures | \$500,000 ⁽⁴⁾ | \$500,000 |
| RCC Advisory Warrants | 200,000 ⁽⁵⁾ | 1,000,000 |
| Finder's Fee Warrants | 110,320 | 551,600 |
| Options to be issued under the Resulting Issuer Option Plan | 10% of the issued and outstanding Common Shares at the Completion of the | 772,499 |

| <u>Designation of Security</u> | <u>Amount authorized or to be authorized</u> | <u>Amount outstanding after giving effect to the Qualifying Transaction</u> |
|--|--|---|
| | Qualifying Transaction, being 10,560,010 Resulting Issuer Shares | |
| Promissory note to GreenCentre Canada | \$300,000 ⁽⁶⁾ | \$300,000 |

Notes:

- (1) Subscribers of the QT Financing (First Tranche) are expected to receive a total of 12,925,000 Resulting Issuer Warrants exercisable at \$0.25 per Resulting Issuer Share. Subscribers of the QT Financing (Second Tranche) are expected to receive a total of 3,250,000 Resulting Issuer Warrants exercisable at \$0.25 per Resulting Issuer Share.
- (2) The Warrant Indenture authorizes both warrants underlying the Subscription Receipts and the QT Broker Warrants.
- (3) Each Resulting Issuer QT Broker Warrant can be exercised at \$0.20 for a period of 24 months from the closing date of the Qualifying Transaction for one Resulting Issuer Share and one-half of one Resulting Issuer Warrant, with each whole Resulting Issuer Warrant entitling the holder thereof to purchase one Resulting Issuer Share at a price of \$0.25 for a period of 24 months following the closing date of the Qualifying Transaction.
- (4) This amount includes FWT's: (i) secured debenture dated March 18, 2020 issued to FirstLine Venture Partners Corporation in the principal amount of \$250,000, and (ii) secured debenture dated March 18, 2020 issued to Sustainable Chemistry Alliance in the principal amount of \$250,000. Each of these debentures bear interest accrued and compounded annually at 8% per annum.
- (5) RCC Advisory Warrants were issued to the Lead Agent in connection with the RCC Advisory Agreement, each such RCC Advisory Warrant being exercisable at a price of \$1.00, at any time before the date that is 24 months after the date of issuance, and which will be exchanged for Resulting Issuer RCC Advisory Warrants on the Closing, exercisable on the same terms as the RCC Advisory Warrants without any further action on the part of the holder thereof.
- (6) In April 2018, FWT issued a \$300,000 loan payable to its original shareholder, GreenCentre Canada, payable upon FWT obtaining \$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 loan payable is carried at amortized cost and, as disclosed in the Pro Forma Financial Statements, is recorded at an amount of \$244,246 on June 30, 2021.

SELECTED PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION

The following table sets out certain financial information for HWCC and FWT as at the date of this Filing Statement, as well as unaudited Pro Forma Financial Statements, after giving effect to the Qualifying Transaction and the QT Financings as if such events had occurred on July 31, 2021 for balance sheet purposes. Such information is derived from and should be read in conjunction with the Pro Forma Financial Statements and the notes thereto attached hereto. See Schedule "E".

| Pro Forma Balance Sheet | HWCC as at July 31, 2021 \$ | FWT as at June 30, 2021 \$ | Pro Forma Adjustments ⁽¹⁾ \$ | Pro Forma Consolidated \$ |
|--------------------------------------|-----------------------------------|----------------------------------|---|---------------------------------|
| Cash and Cash equivalents | \$679,745 | \$56,730 | \$4,457,416 | \$5,193,891 |
| Other Current Assets | - | \$5,054,250 | \$(4,920,140) | \$134,110 |
| Non-Current Assets | - | \$737,793 | - | \$737,793 |
| Total Assets | \$679,745 | \$5,848,773 | \$(462,724) | \$6,065,794 |
| Current Liabilities | \$110,701 | \$7,306,955 | \$(7,000,254) | \$417,402 |
| Non-current Liabilities | - | \$608,691 | - | \$608,691 |
| Total Liabilities | \$110,701 | \$7,915,646 | \$(7,000,254) | \$1,026,093 |
| Shareholder's Equity (deficiency) | \$569,044 | \$(2,066,873) | \$6,537,530 | \$5,039,701 |

Notes:

- (1) Following completion of the QT Financing (First Tranche) with gross proceeds of \$5,170,000 and the completion of the QT Financing (Second Tranche) with gross proceeds of \$1,300,000, less aggregate Agents' legal fees and other expenses (\$119,761), Agents' cash commission (\$377,600.00) and the Finder's Fee (\$220,640).

MARKET FOR SECURITIES AND MARKET PRICE

Prior to May 10, 2019 the HWCC Shares are listed on the TSXV under the trading symbol "HOPE.P". The closing market price of the HWCC Shares on May 10, 2019, the last day on which there was a trade of HWCC Shares prior to the shares being halted as a result of HWCC failing to complete a Qualifying Transaction within 24 months of its listing, was \$0.25. It is anticipated that the Resulting Issuer Shares will resume trading on the TSXV upon completion of the Amalgamation under the symbol "FWTC".

The FWT Shares are not listed on any stock exchange and there is currently no public market for FWT Shares.

CONFLICTS OF INTEREST

The proposed directors and officers of the Resulting Issuer are aware of the existence of the laws governing accountability of directors and officers for corporate opportunity and the laws requiring disclosure by directors and officers of conflicts of interest. The Resulting Issuer will rely upon such laws in respect of any such conflict of interest or in respect of any breach of duty by any of the Resulting Issuer's directors or officers. Any such conflicts are required to be disclosure by such directors or officers in accordance with the OBCA and the directors of the Resulting Issuer are required to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Certain proposed directors of the Resulting Issuer are, or may in the future be, directors, officers or shareholders of other companies that are, or may in the future be, engaged in the business of, or enter into transactions with, the Resulting Issuer. Such associations and transactions may give rise to conflicts of interest from time to time.

See "*Part IV – Information Concerning the Resulting Issuer – Conflicts of Interest*".

INTERESTS OF EXPERTS

Except as disclosed herein, no person or Company whose profession or business gives authority to a statement made by the person or Company and who is named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement currently holds, directly or indirectly, more than 1% of the HWCC Shares or FWT Shares, or holds any property of HWCC or FWT or of an Associate or Affiliate of HWCC or FWT and no such person is expected to be elected, appointed or employed as director, senior officer or employee of HWCC or FWT or of an Associate or Affiliate of the Resulting Issuer and no such person is a promoter of HWCC or FWT or an Associate or Affiliate of HWCC or FWT.

As of the date of this filing statement, MNP LLP has reported that it is independent in accordance with the code of professional conduct of the Chartered Professional Accountants of Ontario with respect to HWCC and KPMG LLP has reported that it is independent with respect to FWT.

See "*Part VI – General Matters – Experts*".

CONDITIONAL LISTING APPROVAL

The Exchange has conditionally accepted the Qualifying Transaction subject to HWCC fulfilling all the requirements of the Exchange on or before December 13, 2021.

HWCC MEETING

On June 8, 2021, HWCC mailed to its shareholders (“**HWCC Shareholders**”) a management information circular (the “**HWCC Circular**”) in connection with the HWCC Meeting held on July 8, 2021. At the HWCC Meeting, the HWCC Shareholders were asked to approve resolutions in respect of the following matters in connection with, and subject to the completion of, the Amalgamation: (i) the election of the FWT Nominees; (ii) the appointment of KPMG LLP, Chartered Professional Accountants, as the auditor of HWCC; (iii) the adoption of the Resulting Issuer Option Plan; and (iv) such other matters that may be reasonably required in order to give effect to the Amalgamation as are deemed appropriate by the Board and acceptable to FWT, acting reasonably. All resolutions were passed by the HWCC Shareholders at the HWCC Meeting.

The current directors of HWCC have no intention of acting upon the authority granted to them under the foregoing resolutions if the Amalgamation is not completed.

SPONSORSHIP AND AGENT RELATIONSHIP

The Exchange has granted FWT an exemption from the sponsorship requirements of TSXV policy 2.2.

Neither HWCC nor FWT has entered into any agreements with any registrant to provide sponsorship or corporate finance services.

See “*Part VI – General Matters – Sponsorship and Agent Relationships*”.

SUMMARY OF RISK FACTORS

The following is a summary of certain risk factors applicable to HWCC, FWT and the Resulting Issuer. The risks presented in this Filing Statement should not be considered to be exhaustive and may not be all of the risks that the Resulting Issuer and FWT may face. See “*Part V – Risk Factors*”.

Qualifying Transaction risks:

- completion of the transaction;
- termination of the Definitive Agreement;
- dilutive effect on the ownership of HWCC Shareholders;
- potential undisclosed liabilities;
- potential of the Qualifying Transaction to divert the attention of FWT’s management; and
- tax consequences.

Business risks:

- commercialization of technology and products;
- the COVID-19 pandemic;
- proprietary protection;
- sales cycle;
- available funds;
- limited operating history;
- negative cash flow;
- debt financing;
- retention and acquisition of skilled personnel;
- change in laws;
- global economy; and
- change in business and economic conditions.

Risks related to the Resulting Issuer Shares:

- market for the Resulting Issuer Shares;
- share price volatility;
- expiry of escrowed securities; and
- incorrect valuation.

PART I – INFORMATION CONCERNING THE AMALGAMATION

The following is a summary of the material terms of the Definitive Agreement. This summary does not purport to be a complete summary of the Definitive Agreement and is qualified in its entirety by reference to the full text of the Definitive Agreement, a copy of which is available for review under HWCC's SEDAR profile at www.sedar.com.

THE AMALGAMATION

Pursuant to the Definitive Agreement, the parties agreed to complete the Amalgamation pursuant to the OBCA such that, upon completion, Amalco will be a wholly-owned subsidiary of HWCC. It is intended that the Amalgamation will constitute a "Qualifying Transaction" in accordance with the CPC Policy.

In connection with the Amalgamation and in accordance with the Amalgamation Agreement, at the Effective Date:

1. each issued and outstanding FWT Share held by a dissenting shareholder will become an entitlement to be paid the fair value of such share;
2. each issued and outstanding HWCC Subco Share will be exchanged for one fully paid and non-assessable Amalco Share;
3. each issued and outstanding FWT Share (other than those held by dissenting shareholders) will be exchanged for five fully paid and non-assessable HWCC Shares;
4. as consideration for the issuance of HWCC Shares in exchange for the FWT Shares, Amalco will issue to HWCC one Amalco Share;
5. FWT and HWCC Subco will be amalgamated and continue as Amalco;
6. all of the property and assets of each of FWT and HWCC Subco will be the property and assets of Amalco and Amalco will be liable for all of the liabilities and obligations of each of FWT and HWCC Subco, including civil, criminal and quasi criminal, and all contracts, liabilities and debts of HWCC Subco and FWT;
7. all rights of creditors against the property, assets, rights, privileges and franchises of HWCC Subco and FWT and all liens upon their property, rights and assets will be unimpaired by the Amalgamation and all debts, contracts, liabilities and duties of HWCC Subco and FWT will thenceforth attach to and be enforced against Amalco;
8. no action or proceeding by or against HWCC Subco or FWT will abate or be affected by the Amalgamation but, for all purposes of such action or proceeding, the name of Amalco will be substituted in such action or proceeding in place of HWCC Subco or FWT, as the case may be;
9. each FWT Warrant outstanding immediately prior to the Effective Time will be exchanged for such number of Resulting Issuer Warrants in accordance with the Exchange Ratio and upon such exchange all FWT Warrants will be cancelled;
10. each QT Broker Warrant outstanding immediately prior to the Effective Time will be exchanged for such number of Resulting Issuer QT Broker Warrants in accordance with the Exchange Ratio and upon such exchange all QT Broker Warrants will be cancelled; and
11. the FWT Convertible Debentures, immediately prior to the Closing, will convert into 1,652,380 FWT Shares, which will be exchanged for Resulting Issuer Shares based on the Exchange Ratio upon the Closing.

PROCEDURAL STEPS

The Amalgamation will be effected pursuant to the OBCA. The following procedural steps must be taken in order for the Amalgamation to become effective:

1. the Amalgamation must be approved pursuant to a special resolution of the shareholders of each of FWT and HWCC Subco;
2. all applicable regulatory approvals relating to the Amalgamation must have been received pursuant to the Definitive Agreement;
3. all conditions precedent to the Amalgamation, as set forth in the Definitive Agreement, including
 - (a) approval of HWCC shareholders of the Name Change, the appointment of KPMG as auditors of the Resulting Issuer, the election of the Resulting Issuer directors, the approval of the Resulting Issuer Option Plan; and
 - (b) conditional approval of the TSXV for the Amalgamation and listing on the TSXV of Resulting Issuer Shares issued to holders of FWT securities;must be satisfied or waived by the applicable party;
4. HWCC will file articles of amendment to effect the Name Change; and
5. HWCC Subco and FWT will file articles of amalgamation to effect the Amalgamation.

THE DEFINITIVE AGREEMENT

Conditions to the Amalgamation

Mutual Conditions

The respective obligations of FWT and HWCC to complete each step of the Amalgamation contemplated by the Definitive Agreement will be subject to the satisfaction, on or before the Effective Time, of the following conditions precedent:

- (a) the Resulting Issuer, upon completion of the Amalgamation, will meet the minimum original listing requirements of the TSXV and the Amalgamation, including the issuance of the Resulting Issuer Shares pursuant thereto, will have been approved and accepted as HWCC's Qualifying Transaction in accordance with the CPC Policy;
- (b) there will not be in force any order or decree restraining or enjoining the consummation of the Amalgamation;
- (c) the Definitive Agreement will not have been terminated;
- (d) all Regulatory Approvals and corporate approvals will have been obtained; and
- (e) each of HWCC and FWT will not have entered into any transaction or contract that would have a material effect on the financial and operational condition, or the assets of each party, excluding those transactions or contracts undertaken in the ordinary course of business, without first discussing and obtaining the approval of the other party.

If any of the above conditions have not been complied with or waived on or before the Completion Deadline, then the Definitive Agreement may be terminated by either party thereto.

Additional Conditions to the Obligations of FWT

The obligations of FWT to complete the Amalgamation contemplated by the Definitive Agreement will also be subject to the satisfaction, on or before the Effective Time, of each of the following conditions precedent:

- (a) on or prior to the Effective Time, and effective upon completion of the Amalgamation, each of the directors and officers of HWCC will have tendered their resignations and provided mutual releases in a form acceptable to FWT, and the board of directors of HWCC, subject to the approval of the TSXV, will have been reconstituted, and the officers will have been appointed;
- (b) no Material Adverse Change with respect to HWCC will have occurred between the date of this Agreement and the Effective Time;
- (c) HWCC will not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under the Definitive Agreement, and all representations and warranties of HWCC contained in the Definitive Agreement will have been true and correct in all material respects as of the date of the Definitive Agreement and will not have ceased to be true and correct in any material respect thereafter (provided, however, that if the breaching party has been given written notice by the other party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching party will have had five Business Days to cure such misrepresentation, breach or non-performance), and the Chief Executive Officer of HWCC or another officer satisfactory to FWT will so certify immediately prior to the Effective Time;
- (d) the HWCC board of directors and HWCC Shareholders, and the HWCC Subco board of directors as necessary, will have adopted all necessary resolutions and all other necessary corporate actions will have been taken by HWCC to permit the consummation of the Amalgamation and the transactions contemplated therewith, including the FWT Nominees, the appointment of KPMG LLP, as auditors, the Name Change and the Resulting Issuer Option Plan; and
- (e) FWT will have received from counsel to HWCC favorable legal opinions concerning such matters with respect to the Amalgamation as are customary in similar transactions and as FWT and its counsel may reasonably request.

If any of the above conditions will not have been complied with or waived by FWT on or before the Completion Deadline or the date required for the performance of any of the above conditions, if such date is earlier than the Completion Deadline, then, subject to the cure provision provided for in the Definitive Agreement, FWT may terminate the Definitive Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Definitive Agreement by FWT. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by FWT of its obligations under the Definitive Agreement and if such condition(s) precedent would have been satisfied but for such default, FWT will not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under the Definitive Agreement.

Additional Conditions to the Obligations of HWCC

The obligations of HWCC to complete each step of the Amalgamation contemplated by the Definitive Agreement will also be subject to the satisfaction, on or before the Effective Time, of each of the following conditions precedent:

- (a) no Material Adverse Change with respect to FWT taken as a whole will have occurred between the date of the Definitive Agreement and the Effective Time;

- (b) FWT will not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under the Definitive Agreement, and all representations and warranties of FWT contained in the Definitive Agreement will have been true and correct in all material respects as of the date of the Definitive Agreement and will not have ceased to be true and correct in any material respect thereafter (provided, however, that if the breaching party has been given written notice by the other party specifying in reasonable detail any such misrepresentation, breach or non-performance, the breaching party will have had five Business Days to cure such misrepresentation, breach or nonperformance), and the Chief Executive Officer of FTW or another officer satisfactory to HWCC will so certify immediately prior to the Effective Time;
- (c) the board and the shareholders of FWT will have adopted all necessary resolutions and all other necessary corporate actions will have been taken by FWT to permit the consummation of the Amalgamation and the transactions contemplated therewith;
- (d) HWCC will have received from counsel to FWT favourable legal opinions concerning such matters with respect to the Amalgamation as are customary in similar transactions and as HWCC and its counsel may reasonably request, including with respect to the corporate existence and ownership of FWT; and
- (e) the QT Financings will have been completed for minimum gross proceeds of \$4,250,000.

If any of the above conditions will not have been complied with or waived by HWCC on or before Completion Deadline or the date required for the performance of any of the above conditions, if earlier than the Completion Deadline, then, subject to the cure provision provided for in the Definitive Agreement, HWCC and HWCC Subco may terminate the Definitive Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of the Definitive Agreement by HWCC or HWCC Subco. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by HWCC or HWCC Subco of its obligations under the Definitive Agreement and if such condition(s) precedent would have been satisfied but for such default, either party to the Definitive Agreement will not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own non-compliance with its obligations under the Definitive Agreement.

TERMINATION EVENTS

The Definitive Agreement may be terminated in the following instances:

- (a) by mutual written agreement of FWT and HWCC;
- (b) in accordance with the terms of the mutual and individual conditions precedent of the Definitive Agreement; and
- (c) by either FWT or HWCC if the Effective Date does not occur by 11:59 p.m. (Toronto time) on the Completion Deadline, provided that either party may not terminate the Definitive Agreement if the Effective Date has not occurred as the result, directly or indirectly, of that party's breach of the Definitive Agreement.

FINDER'S FEE

Pursuant to an advisory agreement dated October 27, 2020 between FWT and WD Capital, which is arm's length to both FWT and HWCC, FWT agreed to pay WD Capital a finder's fee for arranging a suitable shell equivalent to 4% of the total valuation attributed to FWT in the letter of intent later signed with HWCC. The finder's fee is payable at the time of the Closing, 50% in cash and 50% in the securities issued pursuant to the QT Financings, and amounts to \$220,640 and 220,640 Units (the "**Finder Units**"). WD Capital has directed FWT to pay the cash finder's fee and issue the Finder Units to WD Capital, a wholly owned

numbered company of Tyler Lang (a dealing representative of WD Capital) as well as to Waverley Corporate Financial Services Ltd. ("**Waverley**") and Philip Benson (a dealing representative of Waverley), pursuant to a referral arrangement agreement dated October 29, 2020 between WD Capital and Fraser MacKenzie Corporate Finance, a division of Waverley.

Each Finder Unit is comprised of one Underlying QT FWT Share and one-half of one Underlying QT FWT Warrant with each Underlying QT FWT Warrant entitling the holder thereof to acquire one FWT Warrant Share at an exercise price of \$1.25 for a period of 24 months following the completion of the Amalgamation.

On completion of the Amalgamation, the Finder Units will be exchanged on the basis of the Exchange Ratio, specifically: (a) the 220,640 Underlying QT FWT Shares will be exchanged for an aggregate of 1,103,200 Resulting Issuer Shares and (b) the 110,320 Underlying QT FWT Warrants will be exchanged for an aggregate of 551,600 Resulting Issuer Warrants on the same terms and conditions as the Underlying QT FWT Warrants where each Resulting Issuer Warrant will be exercisable for one Resulting Issuer Share at the exercise price of \$0.25 per Resulting Issuer Share.

The Resulting Issuer Warrants underlying the Finder Units will be non-transferrable as per Exchange policy 5.1. The Resulting Issuer Warrants underlying the Finder Units will not be governed under the Warrant Indenture.

PART II – INFORMATION CONCERNING HWCC

The following information is presented prior to giving effect to the Qualifying Transaction as at the date hereof or as otherwise specified herein. See “*Part IV – Information Concerning the Resulting Issuer*” for pro forma business financial and share capital information relating to the Resulting Issuer.

CORPORATE STRUCTURE

Name and Incorporation

The full corporate name of HWCC, and the full name under which it currently exists and carries on its business is “Hope Well Capital Corp.”. HWCC was incorporated on December 1, 2016 pursuant to the filing of articles of incorporation under the OBCA.

HWCC’s head and registered office of HWCC is located at 235 Yorkland Blvd., Suite 802, Toronto, Ontario M2J 4Y8, Canada.

Intercorporate Relationships

HWCC has one wholly-owned subsidiary, 2644246 Ontario Limited, which was incorporated on July 5, 2018 under the OBCA for the purposes of effecting an amalgamation with Payfare Inc. (“**Payfare**”). The head and registered office of HWCC Subco is located at 235 Yorkland Blvd., Suite 802, Toronto, Ontario M2J 4Y8, Canada.

HWCC Subco is authorized to issue an unlimited number of Common Shares, of which one HWCC Subco Share is issued and outstanding as of the date hereof.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview and History of HWCC

On January 5, 2017, 1,475,000 HWCC Shares were issued at a price of \$0.10 per HWCC Share for aggregate gross proceeds of \$147,500.00.

On May 3, 2017, HWCC completed an IPO of 6,249,999 HWCC Shares at a price of \$0.20 per HWCC Share for total gross proceeds of \$1,249,999.80 pursuant to the HWCC prospectus dated March 24, 2017.

On May 9, 2017, the HWCC Shares were listed on the TSXV under the stock symbol “HOPE.P”.

On June 29, 2017, Anthony Chang resigned as a director and CFO of HWCC and Bill Hong Ye was appointed as CFO. The board of directors of HWCC was reconstituted to be comprised of three directors.

On November 20, 2017, HWCC entered into a letter of intent with Payfare providing for the reverse takeover of HWCC by Payfare, which was intended to constitute HWCC’s Qualifying Transaction. Also on November 20, 2017, trading in the HWCC Shares was halted in connection with the proposed qualifying transaction with Payfare.

On July 27, 2018, HWCC Subco entered into an amalgamation agreement with Payfare.

On March 22, 2019, HWCC announced that the proposed transaction with Payfare was conditionally approved by the Exchange.

On March 28, 2019, HWCC announced the termination of the proposed Qualifying Transaction with Payfare.

On April 8, 2019, HWCC announced that it disputed the claims made by Payfare in the March 27, 2019 notice of termination. In connection with this, HWCC announced that it had filed a notice of action against Payfare for, amongst other things, breach of contract, seeking damages including expenses incurred by HWCC in connection with the proposed Payfare qualifying transaction.

On April 8, 2019, HWCC also announced that the HWCC Shares were anticipated to resume trading on the TSXV on April 9, 2019.

On May 10, 2019, trading in the HWCC Shares was suspended in accordance with the Exchange Policies for failing to complete a Qualifying Transaction within 24 months of listing.

On June 12, 2019, HWCC announced that it had entered into a settlement agreement with full and final mutual releases with Payfare.

On August 6, 2019, HWCC announced the approval of shareholders of potential transfer of Listing of HWCC to the NEX board of the TSXV and potential cancellation of 1/2 of seed shares held by insiders, as well as election of Judith Hong Wilkin to the board of HWCC. Ms. Wilkin was appointed as secretary of HWCC replacing Mr. Bill Hong Ye.

On February 6, 2020, HWCC entered into a letter of intent with Loc8 Corp. (“**Loc8**”) providing for the reverse takeover of HWCC by Loc8, which was intended to constitute HWCC’s Qualifying Transaction.

On June 18, 2020, HWCC announced the termination of the letter of intent with Loc8. In connection with the termination of the letter of intent, HWCC also announced that trading in the HWCC Shares had been halted since May 10, 2019 and would remain halted until HWCC completed a Qualifying Transaction in accordance with the policies of the TSXV.

On January 7, 2021, HWCC announced the resignation of Bill Hong Ye as a director and officer of HWCC. Sheldon Kales was appointed as CEO and CFO of HWCC replacing Bill Hong Ye. Sheldon Kales was also appointed Secretary of HWCC replacing Judith Hong Wilkin. HWCC’s board was reduced to three directors being Sheldon Kales, Peiwei Ni and Judith Hong Wilkin and the audit committee of HWCC was reconstituted to be comprised of these three directors.

On February 3, 2021, HWCC entered into a letter of intent with FWT providing for the reverse takeover of HWCC by FWT, which was intended to constitute HWCC’s Qualifying Transaction.

On July 8, 2021, the HWCC Shareholders approved, at the annual and special meeting of the HWCC shareholders, certain provisions included in a new CPC Policy that became effective January 1, 2021. As a result of the provisions approved by the HWCC Shareholders, HWCC Shares held in the CPC Escrow Agreement are no longer subject to cancellation due to HWCC not completing a Qualifying Transaction within 24 months of listing on the TSXV. Additionally, on completion of a Qualifying Transaction, the release period for the shares subject to the CPC Escrow Agreement is reduced from 36 to 18 months. Further, the HWCC shares are no longer required to be moved to the NEX Tier of the TSXV and restrictions on the use of proceeds raised by HWCC have been amended to those set out in the amended CPC Policy. HWCC received TSXV final approval for the above noted transition matters on August 10, 2021.

Narrative Description of the Business

HWCC has never commenced commercial operations and has no assets other than cash. HWCC has not carried on any business other than the identification and evaluation of business or assets with a view to completing a Qualifying Transaction.

Financing

Neither HWCC nor any Non-Arm's Length Party to HWCC are proceeding with any manner of financing in conjunction with the Qualifying Transaction. For information regarding the QT Financings, see "Part III – Information Concerning FWT – General Development of the Business – Overview and History" and "Part III – Information Concerning FWT – Description of Securities – QT Financings".

Selected Consolidated Financial Information

Since incorporation, HWCC has incurred the following costs in carrying out the IPO, in seeking, evaluating and negotiating potential Qualifying Transactions, and in meeting the disclosure obligations imposed upon it as a reporting issuer listed for trading on the TSXV.

The following tables set forth selected historical financial information for HWCC for the years ended January 31, 2021 and 2020, for the six month period ended July 31, 2021, and selected balance sheet data for such years and period. The financial statements of HWCC have been prepared in accordance with IFRS and are denominated in Canadian dollars. Such information is derived from HWCC's financial statements and should be read in conjunction with (i) the HWCC Financial Statements; and (ii) the HWCC MD&A, attached to this Filing Statement as Schedule "A" and Schedule "B", respectively.

| Balance Sheet Data | As at July 31, 2021 (unaudited) (\$) | As at January 31, 2021 (\$) | As at January 31, 2020 (\$) |
|--------------------------------------|---|--------------------------------|--------------------------------|
| Cash and cash equivalents | 679,745 | 757,173 | 854,997 |
| Total assets | 679,745 | 757,173 | 854,997 |
| Total liabilities | 110,701 | 40,846 | 19,013 |
| Shareholder's Equity (deficiency) | 569,044 | 716,327 | 835,984 |

| Income Statement Data | 6 month period ended July 31, 2021 (unaudited) (\$) | 12 month period ended January 31, 2021 (\$) | 12 month period ended January 31, 2020 (\$) |
|--------------------------|---|---|---|
| Total income | 23 | 1,924 | 303,085 ⁽¹⁾ |
| Total expenses | 147,306 | 121,581 | 213,501 |
| Net income (loss) | (147,283) | (119,657) | 89,584 |

Notes:

- (1) A \$300,000 settlement fee was received from Payfare in connection with a settlement agreement entered into between Payfare and HWCC on June 12, 2019. Additionally, the balance of retainer for \$90,577.58, was deposited into a GIC account with a one-year term and an annual interest rate of 1.27% maturing on June 19, 2020, which was subsequently renewed as a cashable GIC.

Management's Discussion and Analysis

The HWCC MD&A for the years ended January 31, 2021 and 2020 and the six months ended July 31, 2021 are attached hereto as Schedule "B". The HWCC MD&A should be read in conjunction with the HWCC's audited financial statements for the years ended January 31, 2021 and 2020 and the unaudited interim condensed consolidated financial statements for the six months ended July 31, 2021, where necessary.

DESCRIPTION OF THE SECURITIES

Common Shares

HWCC is authorized to issue an unlimited number of Common Shares, of which 7,724,999 HWCC Shares are issued and outstanding as of the date hereof. A total of 772,499 HWCC Shares are reserved for issuance under HWCC's stock option plan.

The holders of HWCC Shares are entitled to dividends if, as and when declared by the HWCC Board, to receive notice of and one vote per HWCC Share at meetings of the shareholders of HWCC and, upon liquidation, dissolution or winding up of HWCC, to share ratably in such assets of HWCC as are distributable to the holders of HWCC Shares. All HWCC Shares which are to be outstanding upon completion of the Amalgamation will be fully paid and non-assessable.

This summary does not purport to be complete and reference is made to the HWCC notice of articles and articles for a complete description of these securities and the full text of their provisions.

STOCK OPTION PLAN

Stock Options Granted

HWCC board of directors adopted a stock option plan of HWCC (the "**Stock Option Plan**") as of February 17, 2017 and the Stock Option Plan was first approved by HWCC shareholders on June 28, 2018 and was last approved by HWCC shareholders on July 8, 2021. As of the date of this Filing Statement, there are 772,499 incentive stock options granted to HWCC directors under the Stock Option Plan.

Summary of the HWCC Option Plan

The Stock Option Plan provides that the board of directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company, or any subsidiary of the Company, options to purchase common shares. The Stock Option Plan provides that options may be granted to purchase a number of common shares equal to a maximum of 10% of the common shares issued and outstanding from time to time. As the number of issued and outstanding common shares increases or decreases, the number of options available to be granted proportionately adjusts. The CPC Policy provides that the number of common shares reserved for issuance may not exceed 10% of the common shares outstanding as at the closing of the initial public offering of HWCC (the "**IPO**"). Accordingly, the maximum number of common shares reserved under the Stock Option Plan is currently 772,500 common shares. At such time as HWCC completes its Qualifying Transaction, the Stock Option Plan will revert to a 10% rolling plan which will allow HWCC to reserve that number of common shares that does not exceed 10% of the issued and outstanding common shares at any given time.

Option grants are subject to the following limitations: (i) the number of common shares that may be reserved for issuance to any one person under options shall not exceed five percent (5%) of the outstanding common shares (or two percent (2%) of the issued and outstanding common shares in the case of an optionee who is a consultant or who is engaged to provide investor relations activities); (ii) the number of common shares issuable to insiders, at any time, under all security based compensation arrangements, shall not exceed ten percent (10%) of the issued and outstanding common shares; and (iii) the number of common shares issued to insiders, within any one year period, under all security based compensation arrangements, shall not exceed ten percent (10%) of the issued and outstanding common shares.

Pursuant to the Stock Option Plan, the options vest in accordance with a vesting schedule as determined by the board of directors. The board of directors determines the price per common share and the number of common shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the TSXV or such other stock exchange on which

the common shares are listed. The price per common share set by the board of directors shall not be less than the price of the common shares permitted under the rules and policies of the TSXV.

Options may be exercisable for up to five years from the date of grant, but the board of directors has the discretion to grant options which are exercisable for a different period of up to 10 years if permitted under the applicable rules and policies of the TSXV.

Options under the Stock Option Plan are non-assignable except to the legal personal representative of a deceased optionee.

Options granted after the completion of the Qualifying Transaction must be exercised within 90 days of termination of employment or cessation of position with HWCC (or 30 days for any optionee engaged in investor relation activities), provided that if the cessation of office, directorship, consulting arrangement or employment was by reason of death, the option must be exercised within 12 months, unless expired earlier.

Options granted prior to the completion of the Qualifying Transaction to any optionee who does not continue as a director, officer, consultant or employee after the completion of the Qualifying Transaction will expire on the date that is the later of (i) 12 months after the completion of a Qualifying Transition and (ii) 90 days after the optionee ceases to be a director, officer, consultant or employee.

Subject to the exceptions set out in the Stock Option Plan, the board of directors, or a committee thereof, may at any time or from time to time, in its sole discretion amend, suspend or discontinue the Stock Option Plan at any time without shareholder approval, provided that no such amendment shall be made without the approval of the TSXV, and no such amendment shall be made if it alters or impairs any option previously granted to an optionee under the Stock Option Plan unless with the consent of the optionee.

The full text of the Stock Option Plan is attached as Schedule "A" to HWCC's information circular dated May 28, 2018 for HWCC's shareholders meeting held on June 28, 2018 available on SEDAR.com under HWCC's profile. The summary of the Stock Option Plan set forth above is subject to and qualified in its entirety by the provisions of such plan.

Notwithstanding the terms of the Stock Option Plan described above, the CPC Policy imposes certain restrictions on incentive stock options during the period that HWCC remains a CPC. Such restrictions shall remain in place until the TSXV issues the Final Exchange Bulletin (such bulletin indicating that the Resulting Issuer will not be considered a CPC). Under the CPC Policy, HWCC, while it remains a CPC, is limited to granting incentive stock options to only directors, officers and technical consultants of HWCC. In addition, the total number of common shares reserved under option for issuance pursuant to the Stock Option Plan may not exceed 10% of the common shares to be outstanding at the closing of the IPO. The maximum number of common shares reserved under option for issuance to any individual officer or director may not exceed 5% of the issued and outstanding common shares to be outstanding at the closing of the IPO. The maximum number of common shares reserved under option for issuance to all technical consultants may not exceed 2% of the issued and outstanding common shares to be outstanding after the closing of the IPO. In addition, while HWCC is a CPC, it is prohibited from granting incentive stock options to any person providing investor relations activities, promotional or market making services. The exercise price per common shares under any incentive stock option granted by HWCC while it is a CPC may not be less than the greater of \$0.20 and the Discounted Market Price (as defined under TSXV policies). Any common shares acquired pursuant to the exercise of incentive stock options prior to the completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

On completion of the Amalgamation, the Stock Option Plan will be terminated and replaced by the Resulting Issuer Option Plan and all outstanding stock options granted under the Stock Option Plan will be governed under the Resulting Issuer Option Plan.

PRIOR SALES

HWCC has not issued any securities within the 12 months before the date of this Filing Statement.

TRADING PRICE AND VOLUME

The HWCC Shares are listed on the TSXV under the symbol "HOPE.P". The closing price of the HWCC Shares on May 10, 2019, being the last day the HWCC Shares traded on the Exchange was \$0.25. The TSXV issued a bulletin on May 10, 2019 announcing that trading in the shares of HWCC would be suspended for HWCC's failure to complete a Qualifying Transaction within 24 months of its listing. Upon completion of the Qualifying Transaction, it is anticipated that the Resulting Issuer Shares will be listed on the TSXV under the symbol "FWTC".

The HWCC Shares were listed and posted for trading on the TSXV from May 9, 2017 to November 20, 2017 and from April 8, 2019 to May 10, 2019. The following table sets out trading information for the HWCC Shares on the TSXV for the periods indicated:

| Period | High (\$) | Low (\$) | Volume |
|---|-----------|----------|---------|
| April 8, 2019 to May 10, 2019 ⁽¹⁾ | N/A | N/A | N/A |
| November 20, 2017 to April 7, 2019 ⁽²⁾ | N/A | N/A | N/A |
| November 1 to November 20, 2017 | 0.205 | 0.200 | 122,500 |
| October 2017 | 0.250 | 0.200 | 82,000 |
| September 2017 | 0.205 | 0.200 | 122,500 |
| August 2017 | 0.275 | 0.270 | 25,000 |
| July 2017 | N/A | N/A | 0 |
| June 2017 | N/A | N/A | 0 |
| May 9 to May 30, 2017 | 0.390 | 0.220 | 225,500 |

Notes:

- (1) Trading in the HWCC Shares was halted on May 10, 2019 as a result of HWCC failing to complete a Qualifying Transaction within 24 months of its listing. Trading of the HWCC Shares remain halted as of the date of this Filing Statement.
- (2) Trading in the HWCC Shares was halted on November 20, 2017 after announcement of the proposed Qualifying Transaction with Payfare in accordance with Exchange rules. On April 8, 2019 trading in the HWCC Shares resumed following termination of the Payfare transaction.

ARM'S LENGTH PARTY TRANSACTION

The Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction within the meaning of the CPC Policy.

LEGAL PROCEEDINGS

On April 8, 2019, HWCC filed a notice of action against Payfare in respect to Payfare's non-compliance with the amalgamation agreement entered into on November 20, 2018 and restated on March 4, 2019 between HWCC, HWCC Subco and Payfare as well as Payfare's breach of contract.

On June 12, 2019, HWCC entered into a settlement agreement with full and final mutual releases with Payfare in connection with the claims made by HWCC. In connection with the settlement, HWCC received a settlement fee of \$300,000.00 with a remaining balance of retainer for \$90,577.58, which total amount was deposited into a GIC account with a one-year term and annual interest rate of 1.27%, which matured on June 19, 2020. The GIC has been renewed as a cashable GIC at a lower interest rate.

HWCC is neither a party to, nor is any of its property the subject matter of, any other legal proceedings, nor are any such proceedings known to HWCC to be contemplated by any party.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of HWCC are MNP LLP located at 50 Burnhamthorpe Road West, Suite 900, Mississauga, ON L5B 3C2.

The transfer agent and registrar for the HWCC Shares is TSX Trust Company at its principal office at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 1S3.

MATERIAL CONTRACTS

HWCC has not entered into any material contracts and will not enter into any material contracts prior to the Completion of the Qualifying Transaction, other than:

1. the QT Agency Agreement;
2. the Warrant Indenture;
3. the CPC Escrow Agreement;
4. the Definitive Agreement;
5. the Amalgamation Agreement; and
6. the service agreement with TSX Trust Company for transfer agent and registrar services.

Copies of these agreements are available for inspection at the head office of HWCC, at 235 Yorkland Blvd., Suite 802, Toronto, Ontario M2J 4Y8, Canada, during ordinary business hours until the Completion of the Qualifying Transaction and for a period of 30 days thereafter.

PART III – INFORMATION CONCERNING FWT

CORPORATE STRUCTURE

Name and Incorporation

Forward Water Technologies Inc. was incorporated pursuant to the provisions of the OBCA on October 11, 2012. FWT subsequently filed articles of amendment on April 26, 2018, February 1, 2021 and March 25, 2021, 2021 for the following purposes:

- April 26, 2018: to amend the authorized share capital. The new share capital created replaced the previous classes of shares with a new class of shares designated as Class A shares. The Class A shares hold voting rights (on a one share per vote basis), rights to dividends (if declared by the FWT Board) and rights to the distribution of the assets of the corporation upon its liquidation, dissolution or winding up.
- February 1, 2021: to split the Class A Shares on a 1:1000 basis; and
- March 25, 2021: to reclassify the Class A Shares as Common Shares.

FWT is not a “reporting issuer” under applicable securities legislation and its securities are not listed for trading on any stock exchange. The principal and registered head office of FWT is located at 1086 Modeland Road, Sarnia, Ontario, N7S 6L2, Canada.

Intercorporate Relationships

FWT has no subsidiaries as of the date of this Filing Statement.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview & History of FWT

Incorporated on October 11, 2012, FWT has its registered office in Sarnia, Ontario with additional operations in Toronto, Ontario.

FWT has developed a low-cost wastewater treatment process that can effectively manage waste streams that are currently disposed of using energy intensive high-cost processes. FWT extracts clean water through a membrane utilizing a forward osmosis (“**FO**”) method that uses a proprietary draw solute. 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. In 2019, FWT completed a full commercial design of modular transportable containerized equipment and is now prepared to deliver this equipment to end users.

FWT was incorporated by GreenCentre Canada to commercialize the FO technology, which was invented at Queen’s University in Kingston, Ontario and further developed by GreenCentre Canada, a not-for-profit technology accelerator based in Kingston, Ontario with an emphasis on sustainable chemistry applications and processes. FWT is further supported by ongoing research and development at Queen’s University.

Three Year History

On April 26, 2018, FWT entered into a technology sub-license agreement with GreenCentre Canada (the “**GCC Agreement**”). Pursuant to the GCC Agreement, FWT obtained an exclusive, worldwide license to certain GreenCentre Canada intellectual property, which allows FWT (i) to engage in the design, manufacture, distribution and sale of certain FWT products that incorporate GreenCentre Canada intellectual property; (ii) to use the licensed rights under a license agreement between PARTEQ Research

and Development Innovations and GreenCentre Canada, only to the extent required for (i) above; and (iii) to use the GreenCentre intellectual property to create improvements in certain products and processes in exchange for payment to GreenCentre Canada of an annual earned royalty of 5% of net sales, subject to a maximum cumulative cap of \$1 Million, and a minimum of \$25,000 annually, with the first payment due on March 31, 2021. FWT also has a right to sub-license the rights to the GreenCentre Canada technology to equipment, hardware and software manufacturers, in order to manufacture components of products. Pursuant to an amendment letter dated May 12, 2021, the first minimum royalty payment under the GCC Agreement of \$25,000 due March 31, 2021 was deferred up to September 30, 2021. The term of the GCC Agreement began on April 30, 2018 and expires on expiry of the last to expire of the patents of the GreenCentre Canada technology, as such patents are set out under the GCC Agreement.

On April 27, 2018, FirstLine Venture Partners Corporation and Sustainable Chemistry Alliance each purchased roughly one-third of the equity of FWT for \$500,000 each, joining GreenCentre Canada as shareholders of FWT. FirstLine Venture Partners Corporation is an independent venture capital investment fund with a focus on early stage Canadian innovations that show potential for significant long-term growth. Sustainable Chemistry Alliance is an investment fund that collaborates with Bioindustrial Innovation Canada, a not-for-profit business accelerator based in Sarnia, Ontario focused on enabling Ontario and Canada to become a global leader in converting renewable resources. The three FWT shareholders also entered into a shareholders' agreement providing for each to have a nominee on FWT's board of directors, with the initial nominees being Ernesto Springolo (GreenCentre Canada), Wayne Maddever (Sustainable Chemistry Alliance), and John Koehle (FirstLine Venture Partners Corporation).

Pursuant to a research agreement dated August 8, 2018 (the "**Jessop Agreement**"), FWT engaged Professor Philip Jessop, a professor in the Department of Chemistry at Queen's University, as FWT's Executive Research Director. In that role, Dr. Jessop agrees to provide FWT with his expertise in designing and guiding research to support FWT's technology development within the laboratories of Queen's University. As compensation for his services under the Jessop Agreement, on February 12, 2020, the directors of FWT granted Dr. Jessop the equivalent of 300,000 Common Shares, roughly equivalent to 3% of the equity of FWT.

On March 29, 2019, FWT issued convertible debentures to FirstLine Venture Partners Corporation and Sustainable Chemistry Alliance, each in the principal amount of \$300,000. See "*Part III – Information Concerning FWT – Management's Discussion and Analysis*".

During the summer and fall of 2019, FWT demonstrated the ability to scale its technology to commercial volumes through the successful operation of a pilot plant in Airdrie, Alberta. FWT was able to showcase its ability to treat waste water using exceptionally low thermal and electrical energy inputs compared to traditional methods, reducing the waste volume and associated costs of disposal by 60% or more and/or limiting the energy needed to evaporate the waste to 100% solids if required.

On September 24, 2019, FWT issued convertible debentures to FirstLine Venture Partners Corporation and Sustainable Chemistry Alliance, each in the principal amount of \$200,000. See "*Part III – Information Concerning FWT – Management's Discussion and Analysis*".

On January 29, 2020, Andrew Pasternak was elected to the FWT Board, replacing Ernesto Springolo as the nominee for GreenCentre Canada.

On August 20, 2020, FWT entered into an exclusive license agreement (the "**Goldfinch Agreement**") with Goldfinch Engineering Systems PVT Limited ("**Goldfinch Engineering**") to provide for the further development and commercialization of FWT's FO technology. The Goldfinch Agreement provides Goldfinch Engineering with an exclusive license for the use of FWT's FO technology within the industrial wastewater treatment sector in India, provided certain minimum royalty conditions to maintain exclusivity are met. To date, Goldfinch Engineering has established contracts with three end-users for site demonstrations.

On February 3, 2021, FWT entered into a binding letter of intent with HWCC that provided for the business combination and reverse take-over of HWCC by FWT, on terms that are consistent with those described in this Filing Statement.

On March 18, 2020, FWT issued non-convertible debentures to FirstLine Venture Partners Corporation and Sustainable Chemistry Alliance, each in the principal amount of \$250,000, along with FWT Warrants, which were subsequently exercised on April 28, 2021 and April 5, 2021, respectively, for 116,000 FWT Shares each. See *“Part III – Information Concerning FWT – Management’s Discussion and Analysis”*.

On May 27, 2021, FWT entered into an engagement agreement (the **“WD Agreement”**) with WD Numeric Corporate Services Inc. (**“WD Numeric”**). In accordance with the WD Agreement, WD Numeric agrees to provide FWT with bookkeeping and accounting services on an ongoing basis as well as fractional CFO services in order to satisfy all regulatory requirements. The WD Agreement references the Qualifying Transaction and the support needed to fulfil the financial reporting requirements of the Filing Statement.

On June 2, 2021, FWT entered into the Definitive Agreement. See *“Part I – Information Concerning the Amalgamation”* and *“Part I – Information Concerning the Amalgamation – Definitive Agreement”*.

On June 4, 2021, FWT entered into the QT Agency Agreement and completed the QT Financing (First Tranche). *“Part I – Information Concerning the Amalgamation – The QT Financings”*.

On July 26, 2021, FWT completed the Second Tranche of the QT Financing pursuant to the QT Agency Agreement. *“Part I – Information Concerning the Amalgamation – The QT Financings”*.

NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

FWT’s sole business is the commercialization of its proprietary FO technology. FWT’s technology can reduce the volumes of challenging waste streams having extraordinarily high levels of dissolved salts while at the same time returning fresh water for re-use or surface releases.

Currently, FWT utilizes a fully automated and scalable engineering skid, capable of treating cubic meters of feed sources from client-based streams. FWT is also currently in the process of constructing its first field unit for pre-commercial trials. FWT is focused on the large scale implementation of its technology in industrial waste water, oil and gas, mining, agriculture and ultimately municipal water supply and re-use market sectors.

By 2024, it is projected that the industrial wastewater technology market size will reach US\$15 billion annually, with the North American market accounting for the largest region at US\$5.4 billion.¹ By 2030, the global deficit for fresh water will reach a 40% gap between water supply and water demand.²

¹ Tiseo, Ian. “Global industrial wastewater treatment market value by region 2019-2024”; available online: <https://www.statista.com/statistics/1099424/market-size-industrial-wastewater-treatment-global-by-region/>

² UNEP IRP – Policy Options for Decoupling Economic Growth from Water Use and Water Pollution March 2016.

Market Opportunities

Industrial Wastewater

By 2030, the global deficit for fresh water will reach a 40% gap between water supply and water demand, with implications for a majority of the world's population.³ There are billions of litres of industrial wastewater produced annually by the oil and gas, mining and refining, steel and manufacturing industries, among others.⁴ While much of this wastewater is treated on site, a significant portion of it is removed from the site and disposed of by methods such as deep well injection or incineration. These last two methods are not only expensive but in the case of deep well injection are coming under critical view with regard to increased seismic activity in areas in which the practice is significant.

Although wastewater management is a worldwide problem and FWT is exploring opportunities for growth with its channel partners, data addressing the market size is most readily available in Ontario, where provincial data regarding transport and disposal is maintained. FWT commissioned two extensive studies by market research groups in 2017, which included primary research and interviews with waste generators and haulers as well as access to the Ontario Hazardous Waste Information Network. Data was examined for wastewater that is removed from the generator site and treated or disposed of elsewhere. The studies highlighted market opportunities in Canada and the US.

In 2016, research revealed that two million cubic meters of wastewater was generated in Ontario, half of which FWT is capable of processing. When adding oil and gas industry volumes to the estimates, research reveals that the total addressable North American market for industrial wastewater is approximately 14.7 million cubic meters. Taken along with an average disposal cost of \$137/m³, the total value of the North American market was assessed to be \$2 billion.⁵

Similarly, the addressable North American market for oil and gas wastewater was estimated to be 1.9 billion cubic meters. Taken along with an average disposal cost of \$65/m³, the North American market value with respect to the oil and gas sector is assessed at \$ 4.2 billion.⁶

Oil and Gas Wastewater

The oil and gas industry generates significant amount of wastewater that is difficult to process. Currently, the industry is in a challenging situation with uncommonly-low oil prices, making alternative oil recovery systems uneconomical. The large amounts of contaminated wastewater from oil and gas operations pose a significant environmental hazard. Projected approved bitumen extraction projects will result in over 529 million m³ per year of water being removed from the Athabasca River, with the majority ending up in tailings ponds.⁷ Over 80% of bitumen reserves in Alberta are in-situ operations and, while markedly more efficient over recent years, they still require about 0.2 m³ (1.3 bbl) of ground water for every 1 m³ (6.3 bbl) of bitumen production.⁸ Moreover, future water restrictions may include voluntary and mandatory reductions, thus increasing the need for re-use. The wastewater produced from these operations is very difficult and expensive to treat using currently available technologies. Further, with the shift to zero liquid discharge (ZLD), providing low energy and low cost treatment alternatives to evaporation would aid in enabling zero discharge goals. The global volume of produced water disposed by re-injection was approximately 7.4

³ UNEP IRP, "Policy Options for Decoupling Economic Growth from Water Use and Water Pollution", March 2016

⁴ UNICEF, "Reimagining WASH; Water Security for All", March 2021

⁵ Christine Burow, Christine Burow Consulting, "Industrial Wastewater Market in Ontario Market Research Report", Kitchener ON, Canada, October 2017

⁶ Bas von Berkel, BerQ RNG, "Forward Water Final Presentation", Oakville, ON, Canada, September 2016

⁷ <http://www.neb-one.gc.ca/nrg/sttstc/crdIndptrlmpdct/rprt/archive/pprntsndchllngs20152006/pprntsndchllngs20152006-eng.pdf>; p.38

⁸ Canadian Association of Petroleum Producers, The Facts on Oil Sands, 2014, <https://www.nrcan.gc.ca/energy/publications/18750>

million cubic meters/day in 2012 (Figure 1).⁹

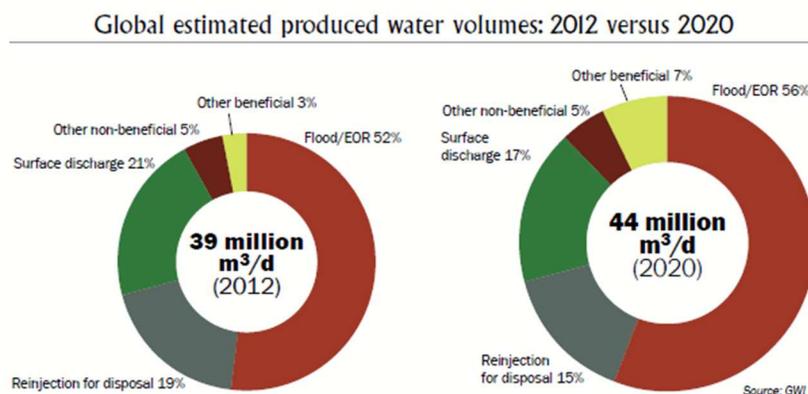


Figure 1. Global estimated produced water volumes 2012 vs. 2020: 15% of total = 6.6 M m³/day

One of the fastest growing sources of wastewater currently being disposed by re-injection is from the use of hydraulic fracturing in shale gas and oil production. In addition, a unique feature of hydraulically fractured wells is that they have relatively high depletion rates, meaning wells must be continuously drilled to maintain high production levels. This ensures that a long-term market for wastewater treatment exists in the shale plays of North America.

Areas such as the Douvrenay Shale Formation in Western Canada have produced water disposal costs of approximately \$50 to \$200/m³ with a total water usage estimated at 14,000,000 m³ in 2018.¹⁰ Furthermore, both fresh water acquisition and wastewater disposal costs in US-based fields typically account for between 10% to 50% of total drilling costs (\$5M to \$10M per well).¹¹

Based on the USGS Produced Water Database, a significant percentage of wells fall below the 15% total dissolved solid (“TDS”) level and, as such, reside within FWT’s optimal addressable market.¹²

Within the Canadian oil and gas wastewater treatment market, two avenues exist:

1. **Operators:** Approximately 50% of the market is directly handled by the producers who buy and operate treatment units. This is most commonly seen with the larger integrated producers.
2. **Service providers:** Approximately 50% of the market is handled by the service companies, which buy and operate treatment units. FWT’s current channel partner, Terrapure, is targeting expansion into the western Canadian oil and gas market and was the site of FWT’s commercial demonstration scale project. Therefore, commercial units will be sold to Terrapure as a FWT channel partner who will operate the units in the field.

Brine Management

The petrochemical industry commonly stores hydrocarbons in underground caverns. The levels of hydrocarbon in these caverns are controlled by brine, which is stored in open ponds on the surface. Precipitation in the open ponds causes dilution of the brine as well as pond overflow, necessitating frequent removal of excess brine by waste haulage companies at considerable expense. FWT has demonstrated

⁹ Global Water Intelligence

¹⁰ Canadian Discovery, October 2019

¹¹ Gabriel Collins, “Trash or Treasure: How is Produced Water’s Economic Value Evolving in the Permian Basin?,” Produced Water Society Seminar 2019, 7 February 2019, Sugar Land, TX)

¹² James Otten, USGS: Produced Water Brine and Stream Water Salinity

that it can successfully extract excess water from these diluted brines and return full saturated brine to the pond.

Lithium Extraction

Approximately 80% of the world's lithium is produced from brines, which are extracted out of ancient aquifers.¹³ Areas such as Chile, Bolivia and the US are leading areas of lithium extraction by these methods. As the lithium concentration in these brines is extremely low, current practice is to pump the brine into large surface ponds and allow evaporation to take place over 18-24 months in order to concentrate the lithium and allow effective recovery. These operations often take place in water challenged regions and evaporated water is lost when it could otherwise be put to productive use, such as in agriculture. FWT's FO technology can effectively concentrate these brines without evaporating the water, thus enhancing the lithium extraction process while returning clean water to the aquifer or making it available for productive use.

Food and Beverage

Many food and beverage products are sold in concentrated form, including fruit juices and flavour concentrates. Typically, these products are created with evaporation techniques that involve heat, which alters the flavour profile through its effect on proteins. FWT's technology allows the concentration of these products without the use of heat thus maintaining the flavour profile. An example of this would be to maintain the flavour of fresh orange juice at the cost of frozen orange juice concentrate. This specific area of the food and beverage market represents a \$40 billion market opportunity.¹⁴ FWT is currently in the process of modifying its draw solution chemistry to meet the requirements for the food industry.

Business Delivery Models

Based on the results of certain commercial demonstrations, trials and engineering calculations, FWT determines that two standardized FWT system modules with capacity of 50m³ and 500m³ per day, respectively, would meet most market needs. As these are standardized, more than one module may be deployed for a specific application to meet volume demand, as well as provide a degree of redundancy. Customer needs will vary for different situations; as such, FWT has three business models for delivering its technology to market:

1. **Build / Own / Operate:** FWT's most profitable delivery model is build-own-operate, which is common in industries related to auxiliary operations, including waste management and industrial gas supply, that are not core to the given business. Typically, a volumetric service charge provides the income stream and the costs associated with this model are operational, rather than capital-related, which simplifies the decision-making process for the customer.
2. **Build / Sell / Service:** FWT's sale of systems is also anticipated to be a significant component of its revenue. In addition to the potential for substantial profit margins on these systems and equipment, associated royalties from annual service contracts will also contribute to FWT's revenue stream.
3. **License:** FWT will license its FO technology where appropriate to suit the market or customer needs. FWT has negotiated a license agreement with Goldfinch Engineering for the Indian market. This agreement includes an up-front payment and ongoing royalties. Other examples include large corporations with in-house manufacturing and operational capabilities. Royalties based on volumes of water treated would be a typical income stream under these agreements.

FWT is headquartered at 1086 Modeland Rd., Sarnia, Ontario in leased premises where it operates both laboratory and pilot facilities. Key personnel consist of C. Howie Honeyman (CEO) and Wayne Maddever

¹³ Michael Cronwright, CSA Global An Overview of Lithium: Geology to Markets, GSSA-African Exploration Showcase; November 15, 2019

¹⁴ The Business Research Company, Flavoring Syrup and Concentrate Manufacturing Market Global Briefing 2019, June 2019

(COO), with support from Leonard Seed (Director of Engineering). Laboratory staff are contracted under an arrangement with Bioindustrial Innovation Canada.

Market Channel / Strategic Partners

FWT has certain existing relationships with key partners and is also developing additional partnerships where appropriate. An overview of these partnerships is as follows.

Goldfinch Engineering

Goldfinch Engineering Systems PVT Ltd. is an Indian engineering company with extensive experience in wastewater treatment including FO. FWT has negotiated and executed an exclusive license and technology transfer agreement for India which consists of a US\$1,000,000 technology transfer agreement as well as ongoing royalties. Minimum royalty conditions to maintain exclusivity are in place.

Terrapure Environmental

With a strong presence across Canada, and approximately \$300,000,000 per year in sales, Terrapure Environmental delivers environmental solutions to the most challenging waste management problems using a fleet of mobile equipment and a network of fixed facilities. Terrapure has access to hundreds of diverse waste streams, and has the technical and financial acumen to provide support throughout the project.

FWT and Terrapure currently have an informal agreement to jointly explore opportunities in the Canadian wastewater market. In addition, discussions to install a first commercial unit at an Ontario Terrapure site is ongoing and water samples are currently being tested.

Tervita

Tervita is a Western Canadian based wastewater treatment company. Currently, FWT is testing samples for landfill runoff in order to minimize the volumes that Tervita must haul from these sites. The target is installation of a FWT unit at specific Tervita sites.

WTS

WTS is a US based wastewater consulting company with offices in several states covering the US market. Currently WTS and FWT have a letter of intent in place to explore opportunities for FWT's technology, with two projects currently under consideration.

Aquaporin

Aquaporin is a Denmark based producer of the FO membranes used by FWT in its systems. As Aquaporin does not manufacture systems, it has signed a letter of intent with FWT to exchange sales leads on a worldwide basis.

Tetra Technologies Inc.

Tetra is a US\$500,000,000 engineering company that provides water and fluid management technologies for the oil and gas industry. It is also involved with lithium extraction from brines. Currently, FWT has tested a number of samples from different Tetra sites and FWT views Tetra as a potential channel to these US markets.

Suppliers

FWT systems can be constructed by conventional fabricators that are familiar with chemical processing systems. FWT has a key supplier in the form of membrane manufacturer, Aquaporin. While not limited to

the use of Aquaporin, the companies have agreed to collaborate on opportunities as Aquaporin does not supply systems and only supplies membranes.

Intellectual Property

The table below identifies all intellectual property that FWT has access to on a global and exclusive basis. The intellectual property is either licensed, jointly assigned to Queen's University, GreenCentre Canada and/or FWT, or assigned directly to FWT.

| Title | Date Filed / Priority | US Application Number | US Status | Jurisdictions Issued / Allowed | Other Jurisdictions Applied |
|--|-----------------------|---------------------------------|-----------------------------|--|--|
| Water with Switchable Ionic Strength | February 10, 2011 | US 16/279,221 | Pending | AU, CA, EU, CN, HK, IL, JP, MX | US, BR, IN, SA, SP |
| Systems and Methods for Use of Water with Switchable Ionic Strength | December 15, 2011 | US 10377647 | Granted | AU, BR, CA, EU, CN, IL, IN, JP, MX, SP, SA | |
| A Switchable FO Systems and Process Thereof | August 11, 2015 | US 15/751,753 | In process of reinstatement | | AU, BR, CA, EU, CN, IL, IN, JP, MX, SP, SA |
| Forming a Treated Switchable Polymer and Use Thereof in a Forward Osmosis System | August 24, 2018 | PCT/CA2019/051166 17/271,069 | Pending | | EU, CA |

FWT Research & Development Activities

Industrial Process Development

The advantages that the trimethylamine (TMA) based draw system provides to enable an effective and efficient forward osmosis system are apparent from current application studies. From this experience and information, FWT will complete equipment construction for a fully mobile demonstration plant (est. 10 m³/d scale) using the TMA/CO₂ draw system in fiscal year 2022. This equipment will be used for on-site verification with multiple developing clients.

However, there are several potential avenues for further improvements. FWT will be actively exploring these areas in the near term. The specific items that will be focused on include:

- advanced process development for CO₂ gas dispersion;
- absorber and condenser design improvements; and
- membrane module integration.

All of these investigations are intended to improve overall efficiencies which will ultimately result in lower capital and operational costs. This work will be completed using the engineering skid resources in Sarnia, Ontario.

Developing Alternative Draw Agents

FWT has verified that the current approach to draw agents is not limited to TMA and CO₂ but can be accomplished using other amines. Moreover, when those amines are carefully selected, the resultant FO process can be used in a wide array of markets sectors, notably in food and beverage production. In addition, the use of other amines would overcome any intellectual property barriers that may present themselves.

To investigate this alternative draw materials pathway, FWT has demonstrated that two broad materials

design approaches can be used, including:

- Large molecular polyamines; and
- Polymeric amines.

Both approaches have been verified in laboratory experiments at Queen's University and at FWT's Sarnia operations. In the case of the polymeric amines, FWT has captured the intellectual property around the approach and has also engaged a Japanese manufacturing partner to develop the material required. FWT intends to design early-stage pilot equipment to scale both of these approaches during fiscal years 2022 and 2023. In particular, the polymeric amines may have significance in the food and beverage market as there is minimal risk of taste or odour impact during processing and polymeric materials themselves are often considered "generally regarded as safe" (GRAS).

Research and Development Team

C. Howie Honeyman, Ph.D. (President and Chief Executive Officer)

Mr. Honeyman has over 20 years of experience commercializing new technologies, having worked in senior or executive positions for both large multi-national companies including Cabot Corporation and more recently several innovation-based start-ups, such as E Ink and Natrix Separations Inc. Mr. Honeyman has also served as the Chief Technology Officer for GreenCentre Canada. Mr. Honeyman's experience in developing and commercializing new technologies includes e-paper displays while at E Ink and high capacity high through-put membranes for bioprocessing as a Senior Vice President of Natrix Separations Inc., the latter was acquired by MilliporeSigma Canada Co. Mr. Honeyman is also the inventor of record on over 50 US patents. Mr. Honeyman holds a Ph.D. in Chemistry from the University of Toronto.

Wayne Maddever, Ph.D., P.Eng. (Chief Operating Officer)

Dr. Maddever has over 35 years of experience working in senior executive management positions with technically based businesses in start-up, turnaround or acquisition situations where his skills at change management have aided in the commercialization of new technologies. Dr. Maddever's experience in both private and public companies, both domestically and internationally, spans a broad variety of industries, including bio- and advanced materials, precision manufacturing, recycling, waste to energy and medical devices. Dr. Maddever is currently Portfolio Manager at Bioindustrial Innovation Canada and a Fellow of the Canadian Academy of Engineering. Dr. Maddever also holds a number of patents in several fields. Dr. Maddever holds a Ph.D. in Materials Science Engineering from the University of Toronto.

Leonard Seed, P.Eng. (Director of Engineering and Operations)

Mr. Seed has over 18 years of experience developing and commercializing new water and wastewater treatment technologies, primarily in a start-up environment. He is named as an inventor on over seven patents and has authored several publications. Mr. Seed is a Professional Engineer and holds an MSc in Environmental Engineering from the University of Guelph.

Professor Philip Jessop, Ph.D (Executive Research Director)

Dr. Jessop was appointed to the role of Executive Research Director of FWT in 2018. Dr. Jessop has over 20 years of experience working in the field of green chemistry. Since 2003, Dr. Jessop has been a professor and Canada Research Chair of Green Chemistry at the Department of Chemistry, Queen's University in Kingston, Canada. Prior to 2003, Dr. Jessop was a professor at the University of California-Davis. Dr. Jessop is also the Technical Director of GreenCentre Canada and serves as Chair of the Editorial Board for the journal of Green Chemistry. Dr. Jessop's distinctions include the NSERC Polanyi Award (2008), Killam Research Fellowship (2010), Canadian Green Chemistry & Engineering Award (2012), Eni Award (2013), Fellowship in the Royal Society of Canada (2013), a Canada Research Chair Tier 1 (2013 to 2020), and the NSERC Brockhouse Prize (2019). Dr. Jessop holds a Ph.D. in Chemistry from the University of British Columbia.

Competition

There are five basic approaches to the treatment of high salinity wastewater for the purpose of removal of TDS, and they can be described as follows (also summarized in Figure 2 below):

1. **Disposal:** This is a very common method for dealing with high TDS wastewater streams, but can be very costly and may face an uncertain regulatory future.
2. **Distillation and Crystallization:** Utilizing the evaporation of water from a wastewater stream, this method leaves behind any dissolved solids. The approach is extremely energy intensive but can be used for waste streams comprised up to ~16 wt% TDS. Under this method, wastewater streams are generally evaporated to a point prior to initial solids formation.
3. **Crystallization:** This method is also based on the evaporation of water, but under this method, all water is removed, leaving behind solid salts and no liquid discharge (ZLD). This method is typically capital intensive, partially owing to a high mechanical energy requirement.
4. **Non-thermal methods:** These methods include reverse osmosis, other forward osmosis technologies and alternative methods such as electrodialysis.
5. **Reverse Osmosis:** This method is typically utilized in the desalination of sea water for the production of drinking water, and can be applied to wastewater streams with TDS levels limited to below 4.5%wt TDS. Fouling is a significant issue due to the high-pressure requirement limiting its utility to certain applications.

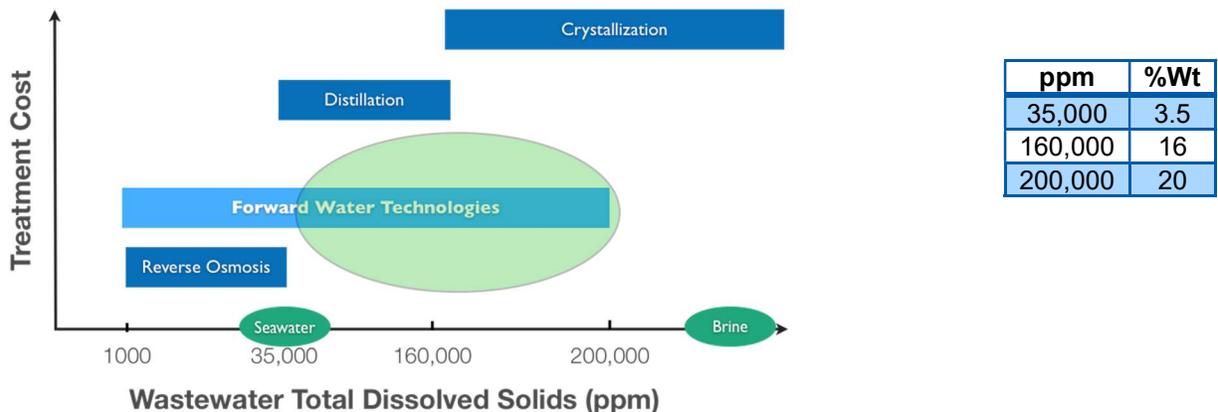


Figure 2: High level competitive treatment technologies.

There are a number of alternative technologies and approaches that are in competition with FWT's FO system. Figure 3 indicates FWT's advantages over these alternative technologies, which include:

- wide TDS treatment range; >20% wt TDS feeds;
- lower operational energy needs; < 60 kWh/m³ (feed);
- construction requires only standard equipment and materials; and
- improved rejection of organic and inorganic impurities compared to electro-separation methods.

Competition can be divided into three major categories: (i) disposal, (ii) thermal-based membrane separation, and (iii) non-thermal based separation. The following sections discuss the key points of difference of these methods as compared to FWT's FO technology.

1. Transport and Disposal of Wastewater

Transport and disposal of wastewater is a heavily employed process and FWT's incumbent benchmark in judging the merits of its FO system. FWT's FO technology can be applied to all levels of TDS. In addition to significant costs associated with this method (e.g., ranging between \$50/m³ and \$200/m³), safety, emissions, environmental, and water waste as a result of reinjection into deep-well sites may all face regulatory challenges in future.

2. Thermal Distillation

Systems based on distillation are used to recover fresh water through the evaporation of a waste stream, leaving behind any dissolved solids, and require high temperature and pressure differentials. These systems are traditionally very energy intensive but can be used for waste streams up to ~16 wt% TDS. Typically, the systems will concentrate the waste stream to a point immediately preceding solids formation, which would otherwise require the use of high mechanical energy input crystallizers. Recently, Altela launched its AltelaRain system that, through very efficient heat transfer, vapourizes and condenses water similar to the water cycle seen in nature.¹⁵ This system offers significant energy reductions (25%) over conventional distillation units; however, the energy requirement is at least double that required for FWT's optimized FO system. Similar to the Altela Rain system, MemSys' memDist units offer a reduction in energy cost over conventional distillation methods. The system consists of a hydrophobic membrane through which only vapour is allowed to pass.¹⁶ The vapour pressure difference between each side of the membrane is the driving force of this system, which is accelerated by negative pressure and control of the temperature differences across the membrane. The memDist system can operate over a large range of TDS levels; however, as the TDS content increases, a higher temperature must be used to maintain water vapour transport, requiring increased energy. An additional benefit of FWT over distillation-based processes, or any process that requires heating the feed stream, is that precipitation and scaling of divalent salts such as calcium carbonate cannot occur, as heating the feed stream is not a process requirement.

3. Non-Thermal Methods

Saltworks Technologies

Saltworks' Desalter, a Canadian technology, relies on the use of electro-dialysis reversal and waste/solar heat to crystallize salt from high TDS solutions; however, at higher TDS levels, the electrical power consumption can increase by up to 23 times.¹⁷ Similarly, at low TDS concentrations, high current densities are required, making the system less effective.¹⁸ The system operates by separating ions based on charge, not through a pressure or size difference, resulting in a performance restriction; only ions, and not organic or colloidal materials, are removed.¹⁹ This inability to deal with non-ionic impurities and narrow TDS operating window limits the use of Saltworks' Desalter technology for treating a wide variety of input streams. The Desalter could be coupled to FWT's system, where the FO output brine would then be treated using the Saltmaker evaporative system, giving a full TDS treatment path from a low TDS waste steam to ZLD.

Forward Osmosis

There are several FO companies in competition with FWT, including Oasys Water, Inc., Fluid Technology Solutions, Inc., Modern Water Inc. and Trevi Systems, Inc. The following sets out the key competitive

¹⁵ N.A Godshell, "AltelaRain Produced Water Treatment Technology", International Petroleum Environmental Conference, November 2006, Houston, Texas

¹⁶ <http://www.memsys.eu/technology.html> accessed on June 17, 2015

¹⁷ T. Sirivedhin, J. McCue, L. Dallbauman, Journal of Membrane Science, 2004, 243, 335-343

¹⁸ <http://www.eetcorp.com/heapm/heapmmore.htm> accessed on June 17, 2015

¹⁹ <http://www.saltworkstech.com/wp-content/uploads/2015/05/Saltworks-Electrodialysis-101.pdf> accessed on June 17, 2015

aspects of these businesses relative to FWT.

*Oasys Water*²⁰

The Oasys system operates using carbonated ammonia as the draw solution, generated through the carbonation of ammonia gas, which has considerable materials incompatibilities, such as being corrosive to stainless steel and can also contaminate FO reject water as it readily crosses over membranes (e.g. reverse salt flux, RSF) owing to its molecular size being comparable to that of water. The thermo-regeneration for the carbonated ammonia system also requires 30% to 40% more energy than FWT's system based on modeling studies.²¹ The carbonated ammonia system is also less effective at reducing wastewater volume compared to the trimethylamine system as osmotic pressure of a saturated ammonium bicarbonate solution is roughly half of a saturated trimethylammonium bicarbonate solution (100 bar vs 210 bar, respectively).^{22,23} The operational considerations with using ammonia and the increased energy requirements for the Oasys system demonstrate the less ideal nature of the technology when compared to FWT's system.

*Fluid Technology Solutions (FTS)*²⁴

FTS, whose membranes FWT has previously evaluated with its draw solution, operate a FO system for deployment in the oil and gas sector based on a sodium chloride draw solution. In this case the 6% w/w NaCl draw solution is diluted to 4.5% w/w and then cycled through an RO system for reconstitution to a 6% solution. Although this allows for a closed loop system, it comes at the additional price of pumping and operating with increased pressure, as well as being limited to a maximum draw solution concentration of 7% w/w due to the use of RO. This maximum concentration of draw solution limits the application of the Green Machine to low TDS feed streams, unlike FWT's draw solution that can treat streams with TDS levels as high as 18% to 20%, as illustrated in Figure 2.

*Modern Water*²⁵

Modern Water, based in the United Kingdom, operates desalination systems based on a hybrid FO-RO or FO-ultrafiltration combination, using simple salts (e.g. MgSO₄, MgCl₂, NaCl, Na₂SO₄ and CaCl₂) as the osmotic draw agents.²⁶ Under these methods, seawater, for example, is introduced into a FO system using draw solutions, resulting in dilution. This system is limited by the fate of these dilute draw solutions. In the case of the FO-RO hybrid system, the re-concentration of the draw solution is performed by the RO step, which is ultimately regulated by the pressures required to reconstitute the diluted draw to a concentrated solution. Likewise, for the use of the FO-ultrafiltration combination, the recovery of the draw solute is governed by the pore size of the ultrafiltration membranes and the pressure required to reconstitute the draw solution. Nonetheless, Modern Water has commercialized several pilot plants for the desalination of seawater, brackish water and treated sewage effluent, as well as coupling their FO system with evaporative cooling systems, for overall energy reduction when compared to RO systems alone.²⁷ Modern Water's desalination plant in Oman treated 5.5% TDS, which is the limit it is able to treat when coupled to an RO recovery unit, and much lower than the operating range of FWT's system.²⁸ Modern Water also offers an all membrane brine concentrator (AMBC), a pressure-driven membrane based system that can concentrate

²⁰ <http://oasyswater.com/>

²¹ C. Boo, Y.F. Khalil, M. Elimelech, *Journal of Membrane Science*, 2015, 473, 302-309

²² Weast, R.C. (ed.) *Handbook of Chemistry and Physics*. 69th ed. Boca Raton, FL: CRC Press Inc., 1988-1989, p. B-69

²³ J. Qin, G. Danasamy, W.C.L. Lay, K. Kekre. *American Journal of Water Resources*, 2013, 1, 51-55

²⁴ <http://ftsh2o.com/>

²⁵ <http://www.modernwater.com/>

²⁶ US patent US20120279921A1 – Solvent Removal

²⁷ http://www.modernwater.com/assets/downloads/Factsheets/MW_Factsheet_Evaporative%20cooling_highres.pdf

²⁸ http://www.modernwater.com/assets/downloads/Factsheets/MW_Factsheet_AI_Najdah_HIGHRES.pdf

streams up to 14% TDS, which is considerably lower than the operating range of FWT's system.²⁹

Trevi Systems³⁰

Trevi Systems, also a forward osmosis platform, uses a retrograde thermo-solute draw solution, comprised of glycol copolymers, to generate osmotic pressures necessary for economical dewatering solutions of less than 6% TDS.³¹ The retrograde thermo-solutes are recoverable by using waste heat to induce a phase separation of the polymer at temperatures between 40°C and 90°C. The polymer then coalesces for facile removal. Although an innovative system, the osmotic pressures generated only reach 96 bar at 70% loading of the polymer. The trimethylammonium system can reach pressures of 210 bar at current maximum draw solute concentrations, allowing for FWT's system to treat a much larger range of TDS waste streams. Trevi has recently completed a pilot trial in Kuwait and is being introduced to industrial sites in China.

Reverse Osmosis

Reverse osmosis (“**RO**”) operates by applying considerable pressure (>60 bar⁶) to the feed solution and forcing fresh water, against the natural osmotic pressure gradient, through a salt-excluding membrane. The majority of RO technologies are used for the desalination of seawater, with 69% of the market share in 2019.³² RO can only be applied to wastewater streams with TDS levels below 45,000 ppm and is not effective at concentrating systems to 70,000 ppm, due to the high-pressure requirements at higher TDS levels.³³ Membrane fouling and scaling are significant issues when running RO systems and the requirement of pre-treating the feed stream with inhibitors limits the versatility of the system. FO systems inherently reduce the concern for scaling and fouling due to the configuration, which operates along the natural osmotic pressure gradient thus lowering the electrical energy duty needed for operation.³⁴ Additionally, RO membranes are designed to have extremely high sodium chloride rejections (>99%); however, other inorganic compounds such as silica and boron are rejected to a lower extent and organic compounds range from >99.7% to as low as 20% rejection depending on the species in question. FWT's process has shown TDS rejections of >99% using genuine produced and flowback water samples that could not be treated by RO, as well as total organic carbon (TOC) rejections of 70% in the case of the flowback water sample. Moreover, FWT's process yielded high rejection of other inorganic species, such as 94% rejection of boron and 85% rejection of silica with the flowback water.

²⁹ <http://www.modernwater.com/membrane-processes/membrane-brine-concentration>

³⁰ <https://www.trevisystems.com/>

³¹ <http://www.desalination.com/wdr/49/12/retrograde-draw-solution-key-new-fo> accessed on June 17, 2015; US patent US20120267308A1 – Recovery of retrograde soluble solute for forward osmosis water treatment; <http://trevisystems.com/technology/system-process/> accessed on June 17, 2015

³² E. Jones et al., *Science of the Total Environment* 657 (2019) pp. 1343-1356

³³ RPSEA Project 07122-12 Technical Assessment of Produced Water Treatment Technologies 1st Edition

³⁴ <http://www.modernwater.com/assets/downloads/Papers/IDA%20World%20Congress%20-%20FO%20Desal%20A%20Commercial%20Reality.pdf>

| | Technology Basis | Low TDS | Medium TDS | High TDS | Waste Heat Use | Materials of Construction | Impurity Rejection |
|-----------------|-------------------------------|---------|------------|----------|----------------|---------------------------|--------------------|
| TWT | FO | | | | | | |
| Disposal | N/A | | | | N/A | N/A | N/A |
| MemSys | Membrane Distillation | | | | | | |
| Distillation | Mechanical Vapour Compression | | | | | | |
| Saltworks | Evaporator Crystallizer | | | | | | |
| Reverse Osmosis | RO | | | | N/A | | |
| Oasys | FO | | | | | | |
| FTS | FO | | | | | | |
| Modern Water | FO – RO | | | | N/A | | |
| Trevi | FO | | | | | | |

■ = Meets criteria
■ = Meets some criteria
■ = Does not meet criteria

Figure 3: Overview comparison of competitive treatment technologies. Low TDS (< 7%wt); Medium TDS (7 – 10%wt); High TDS (>10%wt). Oasys Water has ceased operations as of December 2017.

| | FWT | Disposal | Distillation | MemSys | Saltworks | Oasys |
|-------------------------|--------------------------------------|-----------|-----------------------------|-----------------------------|-------------------------|------------------------------------|
| Technology | FO | Transport | Mech. Vapour Compression | Membrane Distillation | Evaporator Crystallizer | FO |
| Chemistry | NR ₃ H ⁺ Based | N/A | Vaporization / Condensation | Vaporization / Condensation | Electro-Thermal | NH ₄ ⁺ Based |
| Energetics | | | | | | |
| Robustness | | | | | | |
| Pre-treatment | | | | | | |
| CAPEX | | | | | | |
| OPEX | | | | | | |
| Treatment Time | | | | | | |
| Footprint | | | | | | |
| Regulatory Hurdles | | | | | | |
| Addressable Market Size | | | | | | |

■ = Good
■ = Intermediate
■ = Poor

Figure 4: High level comparison of technologies/methods suitable for treatment of high TDS (e.g. > 7 wt% or 70,000 ppm) wastewater. Trevi Systems has had early reports of being able to treat high TDS but no details are currently available.

Results from the commercial scale SDTC/AI trial carried out by FWT in 2019 has demonstrated superior results in several critical parameters compared to traditional evaporation and the most commercial scale

FO operations as shown by Oasys. These results are shown in Figure 5:

| Metric | Achieved | Target | Traditional Evaporation | OASYS (as published) |
|------------------------------------|---|--|-------------------------|--|
| Volume Processed (Feed) Total | >10,000 L w/ some at 18m ³ /day pace | 10,000 L at 15m ³ /day pace | N/A | 5-24 m ³ /day pace in pilot |
| Volume Reduction | 70% | 70% | Up to 100% | 70% |
| Energy /m ³ Clean Water | 55-72 kWh | <90 kWh | 600kWh | 275 kWh (180 kWh in later reports) |
| Clean Water* | 450 uS/cm | <1000 uS/cm | N/A | <1000 us/cm** |

Figure 5 Comparative results for key competitive high TDS treatment technologies based on FWT commercial scale field trials. (*achieved at a steady state; 1000 uS/cm is <500 ppm or 0.05% TDS NaCl; **after RO polishing step that FWT does not require)

Summary: Through a comprehensive evaluation of the competitive landscape, it is evident that FWT's process provides an innovative alternative or complementary technology for the treatment of very challenging high salinity waste streams. FWT provides a novel thermo-chemical treatment technology that has a very wide operating window but at a fraction of the cost of distillation-based technologies. Based on initial trials, a 60% reduction in energy will be achieved over distillation-based systems and a >30% improvement over Oasys, the closest technology competitor to FWT. This reduced energy demand will not only allow FWT to capture market share from the competing processes but will also permit cost effective treatment of wastewater currently being disposed offsite and expand the overall market for treatment technologies. The significant reduction in thermal demands for FO, especially in the case of FWT make mobile commercial units more feasible as the cost and footprint requirements of the operational heat thermal input become much more reasonable. Lastly, the FWT process is complementary to established processes such as ZLD as they can utilize the FWT concentrated output stream as feed water.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected historical financial information for FWT as at and for the periods ended June 30, 2021, March 31, 2021 and March 31, 2020. The financial statements of FWT have been prepared in accordance with IFRS and are denominated in Canadian dollars. Such information is derived from FWT's financial statements and should be read in conjunction with such financial statements included elsewhere in this Filing Statement including those financial statements attached hereto as Schedule "C".

| Balance Sheet Data | As at June 30, 2021 \$ | As at March 31, 2021 \$ | As at March 31, 2020 \$ |
|-----------------------------------|---------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | \$4,976,870 | \$147,236 | \$336,959 |
| Total assets | \$5,848,773 | \$1,097,763 | \$2,082,537 |
| Total liabilities | \$7,915,646 | \$3,364,363 | \$2,848,867 |
| Shareholder's equity (deficiency) | \$(2,066,873) | \$(2,266,600) | \$(766,330) |

| Income Statement Data | For the three months ended June 30, 2021 \$ | For year ended March 31, 2021 \$ | For year ended March 31, 2020 \$ |
|-----------------------|--|-------------------------------------|-------------------------------------|
| Total other income | \$34,326 | \$476,900 | \$678,115 |
| Total expenses | \$600,311 | \$1,977,170 | \$1,959,932 |
| Net loss | \$565,985 | \$1,500,270 | \$1,281,817 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

The FWT MD&A for (i) the years ended March 31, 2021 and 2020; and (ii) the unaudited condensed interim financial statements for the three months ended June 30, 2021 and 2020 are attached as Schedule "D" and should be read in conjunction with the FWT Financial Statements and the notes thereto.

DESCRIPTION OF SECURITIES

Common Shares

FWT is authorized to issue an unlimited number of Common Shares, of which 11,232,000 are issued and outstanding as at the date hereof. Each FWT Share is entitled to one vote per share, to receive an equal share of any dividends and distributions (whether payable in cash or otherwise) as may be declared from time to time, and, in the event of any liquidation, dissolution or winding-up of FWT (whether voluntary or involuntary), to receive in equal amounts per share the assets of FWT.

Options

FWT has adopted a stock option plan dated April 27, 2018 (the "**FWT Option Plan**"), which permits the board of directors of FWT to grant options to purchase up to 10% of the issued number of common shares outstanding at the date of the grant. The FWT Option Plan provides for the grant of options to purchase FWT Class "A" Shares to key employees, directors and consultants of FWT or any of its subsidiaries or affiliates.

Options may be exercisable for up to five years from the date of grant, but the Board has the discretion to grant options that are exercisable for a shorter period. Unless otherwise determined by the Board every option awarded will be subject to certain vesting provisions in accordance with the terms of the FWT Option Plan.

Options under the FWT Option Plan are non-assignable. Except as may otherwise be expressly provided in the applicable option agreement, an optionee whose relationship with FWT has terminated for any reason (other than as a result of the death or disability of the optionee) may exercise his options, to the extent exercisable on the date of such termination, on the date of termination or at any time on or before the 90th day following the date of termination, but not thereafter and in no event after the date the option would otherwise have expired; provided, however, that (i) if such relationship is terminated for cause, such option shall terminate on the day immediately before the date of such termination and (ii) if such relationship is terminated without the consent of FWT, such option shall terminate on the day of such termination. Except as may otherwise be expressly provided in the applicable option agreement, if an optionee dies while he is an employee of or consultant to FWT, the options that were granted to him or her as an employee or consultant may be exercised, to the extent exercisable on the date of his death, by his or her legal representative on the date of death or at any time before the 90th day following the date on which the optionee dies, but not thereafter and in no event after the date the option would otherwise have expired.

There are currently no options outstanding under the FWT Option Plan.

On June 4, 2021, FWT Shareholders resolved to terminate the FWT Option Plan, subject to the closing of the Definitive Agreement.

Debentures

On March 29, 2019 and September 24, 2019, FWT borrowed an aggregate of \$1 million from its two largest shareholders, Sustainable Chemistry Alliance and FirstLine Ventures Partners Corporation, as follows:

- convertible debenture dated March 29, 2019 issued to FirstLine Ventures Partners Corporation in the principal amount of \$300,000 together with interest accrued and compounded annually at 8% per annum;
- convertible debenture dated March 29, 2019 issued to Sustainable Chemistry Alliance in the principal amount of \$300,000 together with interest accrued and compounded annually at 8% per annum;
- convertible debenture dated September 24, 2019 issued to FirstLine Ventures Partners Corporation in the principal amount of \$200,000 together with interest accrued and compounded annually at 8% per annum; and
- convertible debenture dated September 24, 2019 issued to Sustainable Chemistry Alliance in the principal amount of \$200,000 together with interest accrued and compounded annually at 8% per annum,

Together, the FWT Convertible Debentures have an aggregate principal and interest amount of \$1,156,666 assuming an Effective Date of June 30, 2021, and the parties to the FWT Convertible Debentures have agreed that the FWT Convertible Debentures are convertible into 1,652,380 FWT Shares at \$0.70 per FWT Share even if the Effective Date occurs after June 30, 2021.

Subsequently, FWT borrowed an additional \$250,000 from each of Sustainable Chemistry Alliance and FirstLine Ventures Partners Corporation pursuant to secured non-convertible debentures with an interest rate of 8% per annum as well as providing for FWT Warrants, which were subsequently exercised on April 5, 2021 and April 28, 2021, respectively, for 116,000 FWT Shares to each of Sustainable Chemistry Alliance and FirstLine Ventures Partners Corporation. Pursuant to the FWT Non-Convertible Debentures, FWT has granted the holders a continuing and specific security interest in all of the assets, property and undertaking of FWT, both present and future.

Subscription Receipts

On June 4, 2021, in connection with the QT Financing (First Tranche), FWT issued 5,170,000 Subscription Receipts, and on July 26, 2021, in connection with the QT Financing (Second Tranche), FWT issued 1,300,000 Subscription Receipts for a combined total of 6,470,000 FWT Subscription Receipts. See *“Part III – Information Concerning FWT – Consolidated Capitalization – QT Financings”*.

Broker Warrants

On June 4, 2021, in connection with the QT Financing (First Tranche), FWT issued 343,600 QT Broker Warrants, and on July 26, 2021, in connection with the QT Financing (Second Tranche), FWT issued 34,000 QT Broker Warrants for a combined total of 377,600 QT Broker Warrants. 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.

Advisory Warrants

On June 4, 2021, in connection with the Qualifying Transaction, FWT issued 200,000 RCC Advisory

Warrants, each exercisable for one FWT Share at a price of \$1.00 for a period of 24 months from the date of issuance.

CONSOLIDATED CAPITALIZATION

The following table sets forth FWT's share and loan capital as at the date indicated below, as more particularly described in the FWT Financial Statements, which are attached hereto at Schedule "C".

| Designation of Security | Amount Authorized | Amount Outstanding as at March 31, 2021 | Amount Outstanding as at the date of the Filing Statement ⁽¹⁾ |
|--------------------------------------|------------------------|---|--|
| FWT Shares ⁽²⁾ | Unlimited | 10,800,000 ⁽³⁾ | 56,160,000 ⁽⁴⁾ |
| Warrants | 232,000 ⁽³⁾ | 232,000 ⁽³⁾ | Nil ⁽⁴⁾ |
| FWT Convertible Debentures | \$1,000,000 | \$1,000,000 ⁽⁵⁾ | \$1,000,000 ⁽⁵⁾⁽⁶⁾ |
| FWT Non-Convertible Debentures | \$500,000 | \$500,000 ⁽⁵⁾ | \$500,000 ⁽⁵⁾ |
| Finder's Fee Cash ⁽⁷⁾ | \$220,640 | - | \$220,640 |
| Finder's Fee Shares ⁽⁷⁾ | 220,640 | - | 1,103,200 |
| Finder's Fee Warrants ⁽⁷⁾ | 110,320 | - | 551,600 |
| Subscription Receipts | 6,470,000 | - | 32,350,000 |
| FWT QT Broker Warrants | 377,600 | - | 1,888,000 |
| RCC Advisory Shares ⁽⁸⁾ | 200,000 | - | 1,000,000 |
| RCC Advisory Warrants ⁽⁸⁾ | 200,000 | - | 1,000,000 |

Notes:

- (1) All figures in this column reflect the Exchange Ratio.
- (2) On March 15, 2021, FWT filed articles of amendment to re-classify the existing Class A Shares as Common Shares.
- (3) This number has been updated to reflect the articles of amendment that FWT filed on February 1, 2021, which split FWT's existing share capital on a 1:1,000 basis (the "FWT Share Split"). Prior to the FWT Share Split, 10,800 FWT Shares and 232 warrants were issued and outstanding.
- (4) On April 5, 2021, Sustainable Chemistry Alliance exercised 116,000 warrants for 116,000 FWT Shares. On April 28, 2021, FirstLine Venture Partners Corporation exercised 116,000 warrants for 116,000 FWT Shares.
- (5) Accrued interest not included.
- (6) The parties to the FWT Convertible Debentures have agreed that the FWT Convertible Debentures are convertible into 1,652,380 FWT Shares (or 8,261,900 Resulting Issuer Shares after taking into effect the Exchange Ratio) at the time of the Effective Date, regardless of when the Effective Date occurs.
- (7) Pursuant to an advisory agreement dated October 27, 2020 between the FWT and WD Capital, FWT agreed to pay WD Capital a finder's fee for arranging a suitable shell equivalent to 4% of the total valuation attributed to FWT in the letter of intent later signed with HWCC. The finder's fee is payable at the closing of the Qualifying Transaction, 50% in cash and 50% in the securities issued pursuant to the QT Financings.
- (8) Issued to the Lead Agent in connection with the RCC Advisory Agreement.

QT Financings

In connection with the Qualifying Transaction, on June 4, 2021, FWT completed the first tranche of a brokered private placement offering of 5,170,000 subscription receipts ("FWT Subscription Receipts") at an issue price of \$1.00 per FWT Subscription Receipt for aggregate gross proceeds of \$5,170,000, and on July 26, 2021, FWT completed the second tranche of 1,300,000 FWT Subscription Receipts for a combined total of 6,470,000 FWT Subscription Receipts. Each FWT Subscription Receipt entitles the holder to receive one unit of FWT (each, a "Unit"). Each Unit will be comprised of one FWT Share and one-half of one

Underlying QT FWT Warrant. Each Underlying QT FWT Warrant is exercisable into one FWT Share at a price of \$1.25 for a period of two years following the completion of the Amalgamation. Upon completion of the Amalgamation, each FWT Subscription Receipt will be automatically converted, for no additional consideration, into one FWT Share and one-half of one Underlying QT FWT Warrant which securities will be exchanged into Resulting Issuer Shares and Resulting Issuer Warrants on economically equivalent terms upon completion of the Amalgamation.

The gross proceeds of the QT Financings have been deposited into an interest-bearing escrow account (the “**Escrowed Funds**”) through TSX Trust Company (the “**Subscription Receipt Agent**”). The Escrowed Funds will be released from escrow to FWT upon satisfaction of the Escrow Release Conditions.

PRIOR SALES

The following table sets forth the number and price at which securities of FWT have been sold within the 12 months period prior to the date of this Filing Statement.

| Date | Number of FWT Securities | Type | Issue Price Per Security |
|-------------------------------|-----------------------------|------------------------|--------------------------|
| July 26, 2021 | 1,300,000 ⁽¹⁾⁽²⁾ | Subscription Receipts | \$1.00 |
| July 26, 2021 | 34,000 | FWT QT Broker Warrants | N/A |
| June 4, 2021 | 5,170,000 ⁽¹⁾⁽²⁾ | Subscription Receipts | \$1.00 |
| June 4, 2021 | 200,000 | RCC Advisory Shares | \$1.00 |
| June 4, 2021 | 200,000 | RCC Advisory Warrants | N/A |
| June 4, 2021 | 343,600 | FWT QT Broker Warrants | N/A |
| April 28, 2021 ⁽³⁾ | 116,000 | FWT Shares | \$0.0001 |
| April 5, 2021 ⁽³⁾ | 116,000 | FWT Shares | \$0.0001 |

Notes:

- (1) 5,170,000 Subscription Receipts were issued pursuant to the QT Financing (First Tranche). An additional 1,300,000 Subscription Receipts were issued pursuant to the QT Financing (Second Tranche).
- (2) The following number of Subscription Receipts were issued to Non-Arm’s Length parties to FWT:
 - (i) 40,000 to Charles Howard Honeyman;
 - (ii) 1,000,000 to FirstLine Venture Partners Corporation;
 - (iii) 1,000,000 to Sustainable Chemistry Alliance.
 - (iv) 5,000 to Janice Margaret & James Philip Honeyman;
 - (v) 15,000 to Janice Margaret Honeyman; and
 - (vi) 30,000 to Wayne John Maddever.
- (3) Issued pursuant to the exercise of the FWT Warrants that were issued in connection with the FWT Non-Convertible Debentures.

EXECUTIVE COMPENSATION

Compensation Philosophy and Objectives

The objectives of FWT’s executive compensation policy are: (i) to attract and retain individuals of high caliber to serve as officers of FWT; (ii) to motivate performance in order to achieve FWT’s strategic objectives; and (iii) to align the interests of executive officers with the long-term interests of FWT Shareholders.

Overview

The board of directors, on the recommendation of management, of FWT is responsible for setting the overall compensation strategy of FWT and evaluating and making determinations for the compensation of its directors and executive officers. The board of directors, on the recommendation of management, annually reviews and determines base salary.

Each executive officer receives a base salary. The salary of the executive officers of FWT is believed to be similar to salaries provided in comparable companies. No personal benefits are granted to the executive officers of FWT.

FWT does not offer any group benefit plans, including medical, dental, life, accidental death and dismemberment and long term disability coverage.

While FWT reimburses its executive officers for expenses incurred in the course of performing their duties as executive officers of FWT, FWT has not provided any compensation that would be considered a perquisite or personal benefit to its executive officers.

Summary Compensation Table

The following table sets out information concerning the compensation during the financial year ended March 31, 2021 and March 31, 2020 by FWT’s Chief Executive Officer (“**CEO**”), Chief Operating Officer (“**COO**”) along with the compensation of the directors of the board and senior management personnel. The role of Chief Financial Officer (“**CFO**”) at FWT is performed by a professional services provider, WD Numeric.

| Name and Principal Position ⁽¹⁾ | Year Ended March 31 | Salary \$ | Share-Based Awards | Options-Based Awards | Non-equity incentive plan compensation | | All other compensation | Total compensation |
|--|---------------------|-----------|------------------------|----------------------|--|---------------------------|------------------------|--------------------|
| | | | | | Annual incentive plans | Long-term incentive plans | | |
| C. Howie Honeyman, Chief Executive Officer and President | 2021 | \$180,000 | Nil | Nil | Nil | Nil | \$5,000 ⁽³⁾ | \$185,000 |
| | 2020 | \$180,000 | 500,000 ⁽²⁾ | Nil | Nil | Nil | \$5,000 ⁽³⁾ | \$185,000 |
| Wayne Maddever, Chief Operating Officer and Director | 2021 | Nil | Nil | Nil | Nil | Nil | Nil | Nil ⁽⁴⁾ |
| | 2020 | Nil | Nil | Nil | Nil | Nil | Nil | Nil ⁽⁴⁾ |
| John Koehle, Director | 2021 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | 2020 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Andrew Pasternak, | 2021 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| | 2020 | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

| Name and Principal Position ⁽¹⁾ | Year Ended March 31 | Salary \$ | Share-Based Awards | Options-Based Awards | Non-equity incentive plan compensation | | All other compensation | Total compensation |
|--|---------------------|-----------|--------------------|----------------------|--|---------------------------|------------------------|--------------------|
| | | | | | Annual incentive plans | Long-term incentive plans | | |
| Director and Chair | | | | | | | | |

Notes:

- (1) During the years ended March 31, 2021 and 2020, FWT did not have anyone occupying the role of Chief Financial Officer. FWT entered into the WD Agreement with WD Numeric on May 27, 2021. In accordance with the WD Agreement, Michael Willetts, via WD Numeric, agreed to provide FWT with bookkeeping and accounting services on an ongoing basis as well as fractional CFO services in order to satisfy all regulatory requirements. The anticipated compensation payable to WD Numeric, after the Qualifying Transaction, will range between \$80-\$120 per hour for ongoing bookkeeping and accounting services, for approximately 37-45 hours per month.
- (2) On February 12, 2020, Mr. Honeyman was issued 500 FWT Shares, which on February 1, 2021 were split on a 1:1000 basis pursuant to articles of amendment. On April 26, 2021, Mr. Honeyman transferred 10,318 FWT Shares to FirstLine Venture Partners Corporation and 10,318 FWT Shares to Sustainable Chemistry Alliance.
- (3) Mr. Honeyman receives a flat health payment of \$5,000 per year and RRSP matching.
- (4) Bioindustrial Innovation Canada invoices FWT for Mr. Maddever's services as Chief Operating Officer.

Incentive Plan Awards

None.

Pension Plan Benefits

FWT does not have in place any defined benefits or defined compensation plans for Named Executive Officers that provide for payment or benefits at, following or in connection with retirement.

Management Contracts

All FWT management functions are performed by directors and senior officers, other than the CFO role, which is performed by WD Numeric. See "*Part III – Information Concerning FWT – General Development of the Business*".

Directors' Compensation

The following table sets out all amounts of compensation provided to the directors of FWT for FWT's most recently completed financial year.

| Name | Fees Earned (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All other compensation (\$) | Total (\$) |
|------------------|------------------|-------------------------|--------------------------|---|--------------------|-----------------------------|------------|
| John Koehle | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Wayne Maddever | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Andrew Pasternak | Nil | Nil | Nil | Nil | Nil | Nil | Nil |

NON-ARM'S LENGTH TRANSACTIONS

Except as disclosed below, there has been no acquisition of assets or services or provision of assets or services in any transaction within the five years before the date of this Filing Statement, or in any proposed transaction, where FWT or any subsidiary of FWT has obtained such assets or services from:

- (a) any director, officer or promoter of FWT;
- (b) a securityholder disclosed in this Filing Statement as a principal securityholder, either before or after giving effect to the Qualifying Transaction; or
- (c) an Associate or Affiliate of any of the persons or companies referred to in paragraphs (a) or (b) above.

On March 29, 2019 and September 24, 2019, FWT issued the FWT Convertible Debentures, and on March 18, 2020, FWT issued the FWT Non-Convertible Debentures. See "*Part III – Information Concerning FWT – Description of Securities*".

LEGAL PROCEEDINGS

There are no legal proceedings material to FWT to which FWT is a party to or of which any of its property is the subject matter, and there are no such proceedings known to FWT to be contemplated.

MATERIAL CONTRACTS

The following contracts are, or will be, material contracts to FWT prior to the Completion of the Qualifying Transaction:

1. the Subscription Receipt Agreement;
2. the QT Agency Agreement;
3. the Warrant Indenture;
4. the Definitive Agreement;
5. the Amalgamation Agreement;
6. the GCC Agreement;
7. the WD Agreement; and
8. the Goldfinch Agreement.

Copies of these agreements may be inspected during regular business hours at the office of FWT's legal counsel, Gowling WLG (Canada) LLP, 100 King Street West, Suite 1600, Toronto, Ontario M5X 1G5 until the Completion of the Qualifying Transaction and for a period of 30 days thereafter.

PART IV – INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented on a post-Qualifying Transaction basis and is reflective of the projected business, financial and share capital position of the Resulting Issuer. This section only includes information respecting the Resulting Issuer that is materially different from information provided earlier in this Filing Statement. Following the Completion of the Qualifying Transaction, the Resulting Issuer will carry on the business currently carried on by FWT. See the various headings under “Information Concerning HWCC” and “Information Concerning FWT” for additional information regarding HWCC and FWT, respectively. Also see the Pro Forma Financial Statements of the Resulting Issuer attached hereto as Schedule “E”.

CORPORATE STRUCTURE

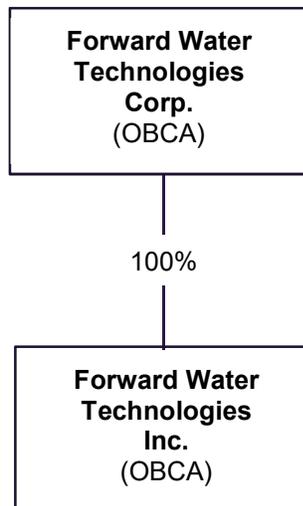
Name and Incorporation

Upon the completion of the Amalgamation, it is anticipated that HWCC will file articles of amendment to change its name to “*Forward Water Technologies Corp.*”, or such other name as may be determined in the sole discretion of the Board. The Resulting Issuer will be governed under the *Business Corporations Act* (Ontario).

The Resulting Issuer’s head and registered office will be located at 1086 Modeland Road, Sarnia, Ontario, N7S 6L2.

Intercorporate Relationships

Following the Qualifying Transaction, the Resulting Issuer will hold 100% of the corporation resulting from the amalgamation of FWT and HWCC Subco (“**Amalco**”), which is to be called “*Forward Water Technologies Inc.*”, or such other name as may be determined in the sole discretion of the Amalco board of directors, and Amalco will be a wholly-owned subsidiary of the Resulting Issuer. The chart below represents the proposed structure of the Resulting Issuer after the Qualifying Transaction:



DESCRIPTION OF THE BUSINESS

Following the Closing, the Resulting Issuer will continue to carry on the business of FWT. See “*Part III – Information Concerning FWT – General Development of the Business*” and “*Part III – Information Concerning FWT – Narrative Description of the Business*”.

Stated Business Objectives

One of the principal business objectives for the Resulting Issuer will be the introduction of operating commercial equipment on customer sites under the business models outlined above under “*Part III – Information Concerning FWT – Narrative Description of the Business – Business Delivery Models*”. To help achieve this objective, the Resulting Issuer intends to utilize part of the available funds over the next 12 months after Completion of the Qualifying Transaction to pursue market opportunities as described above under “*Part III – Information Concerning FWT – Narrative Description of the Business – Market Opportunities*”.

Important to achieving this objective will be the development of a transportable demonstration unit, which is contemplated below in the table labelled “*Principal Use of Available Funds*”, to take to client sites for the purpose of a physical demonstration of FWT’s wastewater treatment process. In advance of this, FWT has submitted proposals to two prospective clients – Tervita and Imperial Oil – for such activity, which is reflected in milestones 4 and 6 below. When appropriate, the continued use of available funds will support the development and fabrication of additional commercial equipment.

Another objective will be to further develop and adapt FWT’s technology for other industries, as outlined above under “*Part III – Information Concerning FWT – Narrative Description of the Business – Market Opportunities*”. In particular, the Resulting Issuer sees opportunity in the food and beverage sector, as reflected in milestone 3 below.

Milestones

Within 12 months following the Completion of the Qualifying Transaction, the Resulting Issuer anticipates working towards the following milestones, with the costs related to each reflected in the below table labelled “*Principal Use of Available Funds*”.

| No. | Milestone and Significant Events | Target Date |
|-----|--|---|
| 1 | Hire VP Engineering | October 2021 |
| 2 | Manufacture of Mobile Demonstration Unit | October 2021 - February 2022 ⁽¹⁾ |
| 3 | Manufacture of Food and Beverage Skid | October 2021 - February 2022 ⁽¹⁾ |
| 4 | First Commercial Contract | February 2022 |
| 5 | Manufacture On-site Commercial Unit | February 2022 - May 2022 ⁽¹⁾ |
| 6 | Second Commercial Contract | June 2022 |
| 7 | Intellectual Property filings | Ongoing |

Notes:

(1) Time range reflects time required to engineer and fabricate.

DESCRIPTION OF THE SECURITIES

Following the Qualifying Transaction, the authorized capital of the Resulting Issuer will continue to be the same as the current authorized capital of HWCC: an unlimited number of Common shares. See “*Part II – Information Concerning HWCC - Description of Securities*” of this Filing Statement. See “*Part IV – Information Concerning the Resulting Issuer Fully Diluted Share Capital*” of this Filing Statement for the total issued and outstanding share capital of the Resulting Issuer and securities convertible into Resulting Issuer Shares.

PRO-FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the pro forma share and loan capital of the Resulting Issuer, after giving effect to the Qualifying Transaction, based on the unaudited Pro Forma Consolidated Financial Statements attached hereto as Schedule “E”.

| Designation of Security | Amount authorized or to be authorized | Amount outstanding after giving effect to the Qualifying Transaction |
|--|---|---|
| Resulting Issuer Shares | Unlimited | 105,600,099 |
| Resulting Issuer Warrants ⁽¹⁾ | 16,175,000 ⁽²⁾ | 16,175,000 |
| Resulting Issuer QT Broker Warrants | 1,888,000 ⁽³⁾ | 1,888,000 |
| Resulting Issuer Warrants underlying Resulting Issuer QT Broker Warrants | 944,000 | 944,000 |
| FWT Non-Convertible Debentures | \$500,000 ⁽⁴⁾ | \$500,000 |
| RCC Advisory Warrants | 200,000 ⁽⁵⁾ | 1,000,000 |
| Finder’s Fee Warrants | 110,320 | 551,600 |
| Options to be issued under the Resulting Issuer Option Plan | 10% of the issued and outstanding Common Shares at the Completion of the Qualifying Transaction, being 10,560,010 Resulting Issuer Shares | 772,499 |
| Promissory note to GreenCentre Canada | \$300,000 ⁽⁶⁾ | \$300,000 |

Notes:

- (1) Subscribers of the QT Financing (First Tranche) are expected to receive a total of 12,925,000 Resulting Issuer Warrants exercisable at \$0.25 per Resulting Issuer Share. Subscribers of the QT Financing (Second Tranche) are expected to receive a total of 3,250,000 Resulting Issuer Warrants exercisable at \$0.25 per Resulting Issuer Share.
- (2) The Warrant Indenture authorizes both warrants underlying the Subscription Receipts and the QT Broker Warrants.
- (3) Each Resulting Issuer QT Broker Warrant can be exercised at \$0.20 for a period of 24 months from the closing date of the Qualifying Transaction for one Resulting Issuer Share and one-half of one Resulting Issuer Warrant, with each whole Resulting Issuer Warrant entitling the holder thereof to purchase one Resulting Issuer Share at a price of \$0.25 for a period of 24 months following the closing date of the Qualifying Transaction.
- (4) This amount includes FWT’s: (i) secured debenture dated March 18, 2020 issued to FirstLine Venture Partners Corporation in the principal amount of \$250,000, and (ii) secured debenture dated March 18, 2020 issued to Sustainable Chemistry Alliance in the principal amount of \$250,000. Each of these debentures bear interest accrued and compounded annually at 8% per annum.
- (5) RCC Advisory Warrants were issued to the Lead Agent in connection with the RCC Advisory Agreement, each such RCC Advisory Warrant being exercisable at a price of \$1.00, at any time before the date that is 24 months after the date of issuance, and which will be exchanged for Resulting Issuer RCC Advisory Warrants on the Closing, exercisable on the same terms as the RCC Advisory Warrants without any further action on the part of the holder thereof.

- (6) In April 2018, FWT issued a \$300,000 loan payable to its original shareholder, GreenCentre Canada, payable upon FWT obtaining \$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 loan payable is carried at amortized cost and, as disclosed in the Pro Forma Financial Statements, is recorded at an amount of \$244,246 on June 30, 2021.

FULLY DILUTED SHARE CAPITAL

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Qualifying Transaction.

| | Number of Securities ⁽¹⁾ | Percentage of Total After Giving Effect to the Proposed Qualifying Transaction | |
|---|-------------------------------------|--|-----------|
| | | (Non-Diluted) | (Diluted) |
| Resulting Issuer Shares issued to former holders of HWCC Shares | 7,724,999 | 7.3% | 6.1% |
| Resulting Issuer Shares issued to former holders of FWT Shares | 56,160,000 | 53.2% | 44.2% |
| Resulting Issuer Shares issued to subscribers under the QT Financing (First Tranche) | 25,850,000 | 24.5% | 20.4% |
| Resulting Issuer Shares issued to subscribers under the QT Financing (Second Tranche) | 6,500,000 ⁽²⁾ | 6.2% | 5.1% |
| Resulting Issuer Shares reserved for issuance pursuant to the FWT Convertible Debentures | 8,261,900 | 7.8% | 6.5% |
| Resulting Issuer Shares to be issued pursuant to the Finder's Fee | 1,103,200 | 1.0% | 0.9% |
| Total Resulting Issuer Shares (Non-Diluted) | 105,600,099 | 100.0% | - |
| Securities Reserved for Future Issue: | | | |
| Number of Resulting Issuer Shares to be issued pursuant to existing HWCC options | 772,499 | - | 0.6% |
| Number of Resulting Issuer Shares to be issued upon exercise of the Underlying QT FWT Warrants | 16,175,000 ⁽²⁾ | - | 12.7% |
| Resulting Issuer Shares reserved for issuance upon exercise of the RCC Advisory Warrants | 1,000,000 | - | 0.8% |
| Resulting Issuer Shares reserved for issuance upon exercise of Resulting Issuer QT Broker Warrants | 1,888,000 | | 1.5% |
| Resulting Issuer Shares reserved for issuance upon exercise of the Resulting Issuer Warrants underlying the Resulting Issuer QT Broker Warrants | 944,000 | - | 0.7% |

| | Number of Securities ⁽¹⁾ | Percentage of Total After Giving Effect to the Proposed Qualifying Transaction | |
|--|-------------------------------------|--|-----------|
| | | (Non-Diluted) | (Diluted) |
| Resulting Issuer Shares reserved for issuance upon exercise of Resulting Issuer Warrants to be issued pursuant to the Finder's Fee | 551,600 | - | 0.4% |
| Total Resulting Issuer Shares (Fully-Diluted) | 126,931,198 | - | 100.0% |

Notes:

- (1) All figures reflect the Exchange Ratio.
- (2) Each Resulting Issuer QT Broker Warrant consists of one Resulting Issuer Share and one-half of one Resulting Issuer Warrant.

ESTIMATED AVAILABLE FUNDS AND PRINCIPAL PURPOSES

Estimated Available Funds

Upon Completion of the Qualifying Transaction, the Resulting Issuer is expected to have approximately \$6,154,244 in Available Funds, which includes the following:

| Estimated Funds Available | Amount (\$) |
|--|--------------------|
| Estimated working deficiency of FWT as at September 30, 2021 | \$(122,755) |
| Estimated working capital of HWCC as at September 30, 2021 | \$525,000 |
| Net proceeds from the QT Financings ⁽¹⁾ | \$5,751,999 |
| Total Estimated Available Funds | \$6,154,244 |

Notes:

- (1) Following completion of the QT Financing (First Tranche) with gross proceeds of \$5,170,000 and the completion of the QT Financing (Second Tranche) with gross proceeds of \$1,300,000, less aggregate Agents' legal fees and other expenses (\$119,761), Agents' cash commission (\$377,600.00) and the Finder's Fee (\$220,640).

Dividend Policy

It is not contemplated that any dividends will be paid in the immediate or foreseeable future following Completion of the Qualifying Transaction. There are no restrictions in the Resulting Issuer's articles or elsewhere which could prevent the Resulting Issuer from paying dividends subsequent to the Completion of the Qualifying Transaction. The Resulting Issuer Board will determine if and when to declare and pay dividends in the future from funds properly applicable to the payment of dividends based on the Resulting Issuer's financial position at the relevant time. Holders of the Resulting Issuer Shares will be entitled to an equal share in the dividends declared and paid on the Resulting Issuer Shares on a per share basis.

Principal Purposes of Funds

Based on information available as at the date of this Filing Statement, the following table sets forth the principal purposes for which the estimated funds available to the Resulting Issuer upon Completion of the Qualifying Transaction and the current estimated amounts to be used for each such principal purpose:

| Principal Use of Available Funds | Amount (\$) |
|---|--------------------|
| Qualifying Transaction costs | \$720,000 |
| Mobile demo unit | \$992,000 |
| On-site commercial unit | \$992,000 |
| Research and development | \$240,000 |
| Sales and marketing | \$483,000 |
| Intellectual property filings | \$132,000 |
| Selling, general and administrative expenses | \$643,600 |
| Working capital and other corporate purposes ⁽¹⁾ | \$1,352,061 |
| Minimum annual royalty under GCC Agreement ⁽²⁾ | \$25,000 |
| Debt repayment (FWT Non-Convertible Debentures) ⁽³⁾⁽⁴⁾ | \$574,583 |
| Total⁽⁵⁾ | \$6,154,244 |

Note:

- (1) The unallocated funds do not include expected positive cash inflows from operations.
- (2) Intended payment to GCC, a Non-Arm's Length Party.
- (3) Intended payment to SCA and FLVP, both Non-Arm's Length Parties.
- (4) Includes \$500,000 principal plus \$74,583, representing approximately interest accrued to September 30, 2021.
- (5) FWT and HWCC anticipate that these funds will be sufficient for these uses for a 12 month period following the date of completion of the Qualifying Transaction.

In order to advance the business objectives, FWT must demonstrate the advantages of its processes at a reasonable commercial scale. To do so, FWT will build a mobile and transportable demonstration unit. Based on on-going business development activities, FWT has identified the scale at which this should be completed and has used that information to complete and estimate a capital expenditure budget to support that activity. Incidentally this is the tactical development pathway FWT's client, Goldfinch Engineering, has deployed in India. Once demonstrated to be an effective commercial tool, FWT will utilize the funding as working capital to build a full commercial unit.

FWT will also initiate a robust sales and marketing program, hire individuals to support the effort and execute on the proposed research and development. See "*Part IV – Information Concerning the Resulting Issuer – Stated Business Objectives*".

Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds is necessary in order for the Resulting Issuer to achieve its objectives as set out in this Filing Statement.

PRINCIPAL SECURITYHOLDERS

To the knowledge of management of HWCC and FWT, no person or company is anticipated to own of record or beneficially, directly or indirectly, or exercise control or direction over more than 10% of any class of voting securities of the Resulting Issuer upon completion of the Amalgamation, other than FirstLine Venture Partners Corporation, GreenCentre Canada and Sustainable Chemistry Alliance. Following the Qualifying Transaction, it is anticipated that FirstLine Venture Partners Corporation will own 26,644,295 Resulting Issuer Shares, representing 25.2% of the outstanding Resulting Issuer Shares, GreenCentre Canada will own approximately 16,298,400 Resulting Issuer Shares, representing 15.4% of the outstanding Resulting Issuer Shares, and Sustainable Chemistry Alliance will own 26,644,295 Resulting Issuer Shares, representing 25.2% of the outstanding Resulting Issuer Shares.

| Name | Resulting Issuer Shares upon completion of the QT Financings and Qualifying Transaction | Common Shares owned of Record and/or Beneficially | Percentage (%) of each class known to be owned |
|---|---|---|--|
| GreenCentre Canada ⁽¹⁾ | 16,298,400 | Of Record and Beneficially Owned | 15.4% |
| FirstLine Venture Partners Corporation ⁽²⁾ | 26,644,295 | Of Record and Beneficially Owned | 25.2% |
| Sustainable Chemistry Alliance ⁽³⁾ | 26,644,295 | Of Record and Beneficially Owned | 25.2% |
| Total⁽⁴⁾ | 69,586,990 | | 65.9% |

Notes:

- (1) On a fully-diluted basis, GreenCentre Canada would own 16,298,400 Resulting Issuer Shares, equal to 12.8%.
- (2) On a fully-diluted basis, FirstLine Venture Partners Corporation would own 29,144,295 Resulting Issuer Shares, equal to 23.0%.
- (3) On a fully-diluted basis, Sustainable Chemistry Alliance would own 29,144,295 Resulting Issuer Shares, equal to 23.0%.
- (4) On a fully-diluted basis, total is 74,586,990 Resulting Issuer Shares, equal to 58.8%.

GreenCentre Canada (“**GCC**”) is a not for profit technology accelerator based in Kingston, Ontario with an emphasis on sustainable chemistry applications and processes. GCC is incorporated under the *Canada Not-for-profit Corporations Act* and is governed by its board of directors. GCC was founded by Queen’s University through PARTEQ Research and Development Innovations, a not-for-profit corporation formed to help Queen’s University researchers commercialize their intellectual property arising from university research. GCC’s mission is to accelerate promising chemistry solutions that advance both the economy and the environment in unison. GCC currently receives its funding from the Federal and Ontario governments as well as certain participants in the chemical industry and remains affiliated with Queen’s University. GCC’s board of directors are primarily individuals in the chemical industry. From September 2010 to August 2021, Andrew Pasternak served as the Director of Commercialization at GCC, and since August 2021, Andrew Pasternak has served as the Executive Director at GCC. Andrew Pasternak has been a director of FWT since August 2020 and is a proposed director of the Resulting Issuer.

FirstLine Venture Partners Corporation (“**FLVP**”) is an independent venture capital investment fund with a focus on early stage Canadian innovations that show potential for significant long-term growth. Further, FLVP seeks out Canadian entrepreneurs developing valuable environmental and medical technologies and innovations. FLVP is incorporated under the *Business Corporations Act* (British Columbia) and is owned and controlled by Andrea Koehle Jones, Michael Koehle, and John Koehle, residents of Bowen Island, British Columbia, Vancouver, British Columbia, and Toronto, Ontario, respectively. John Koehle has been a director of FWT since January 2020 and is a proposed director of the Resulting Issuer.

Sustainable Chemistry Alliance (“**SCA**”) is an investment fund that collaborates with Bioindustrial Innovation Canada (“**BIC**”). BIC is a not-for-profit business accelerator based in Sarnia, Ontario focused on enabling Ontario and Canada to become a global leader in converting renewable resources. Both are incorporated under the *Canada Not-for-profit Corporations Act* and the same individuals who form the board of directors of SCA also form the board of directors of BIC. BIC offers advisory services and manages funding for government programs linking academia and industry. Part of the funding for SCA’s investment in FWT has been provided by a federal government agency responsible for fostering innovation and business growth. Wayne Maddever is currently the portfolio manager at BIC. He has been a director of FWT since May 2018 and Chief Operating Officer at FWT since August 2019 and is a proposed director of the Resulting Issuer.

DIRECTORS, OFFICERS AND PROMOTERS

The following table lists the names, municipalities of residence of the proposed directors and officers of the Resulting Issuer upon Completion of the Qualifying Transaction, their proposed positions and offices to be held with the Resulting Issuer, and their principal occupations or employment and the number of securities of the Resulting Issuer which will be beneficially owned, directly or indirectly, or over which control or direction will be exercised by each following the Qualifying Transaction.

Immediately after the completion of the Amalgamation, the directors of the Resulting Issuer will expand the size of the Board, in accordance with section 124(2) of the OBCA, to include six members. The new member of the Board will be Gerald Goldberg. Concurrently Sheldon Kales will resign from the Board and will be replaced by Lea Ray.

| Name and Municipality of Residence | Principal Occupations for the Last Five Years | Period or periods during which each proposed director has served as a director of FWT | Proposed Position With the Resulting Issuer | Number and Percent of Issued Shares | Number and Percent of Issued Warrants | Number and Percent of Issued Options |
|---|---|---|---|-------------------------------------|---------------------------------------|--------------------------------------|
| C. Howie Honeyman <i>Toronto, Ontario</i> | President and Chief Executive Officer of FWT since July 2015 | Not applicable | Chief Executive Officer, President and Director | 2,596,820 (2.5%) | 100,000 | Nil |
| Michael Willetts ⁽¹⁾ <i>Toronto, Ontario</i> | CFO at Eccomelt LLC since 2021; Fractional CFO at WD Numeric Corporate Services Inc. since 2020; Vice President, Financial Planning from 2019 to 2020; Director of Finance at BionX International Corporation from 2017 to 2019; Finance Director at Armtec from 2012 to 2017 | Not applicable | Chief Financial Officer | Nil | Nil | Nil |
| Wayne Maddever <i>Burlington, Ontario</i> | Partner at BBP Consulting Inc. since November 2003; Chief Operating Officer of FWT since August 2019 | May 9, 2018 to present | Chief Operating Officer and Director | 150,000 (0.1%) | 75,000 | Nil |
| Andrew Pasternak <i>Toronto, Ontario</i> | Executive Director at GreenCentre Canada since August 2021, Director of Commercialization at GreenCentre Canada from September 2010 to August 2021 | January 29, 2020 to present | Chair and Director | Nil | Nil | Nil |
| John Koehle ⁽²⁾ <i>Toronto, Ontario</i> | Principal and Managing Director at FirstLine Venture Partners since May 2004; Managing Director at FirstLine Foundation since December 2018 | May 9, 2018 to present | Director | Nil | Nil | Nil |
| Lea Ray ⁽²⁾ <i>Toronto, Ontario</i> | Director at RFA Bank of Canada since March 2015 and chairman of the board since January 2019. | Not applicable | Director | Nil | Nil | Nil |
| Gerald (Gerry) Goldberg ⁽²⁾ <i>Toronto, Ontario</i> | Senior partner at the accounting firm Schwartz Levitsky Feldman LLP prior to 2019; CFO of Canada | Not applicable | Director | Nil | Nil | Nil |

| Name and Municipality of Residence | Principal Occupations for the Last Five Years | Period or periods during which each proposed director has served as a director of FWT | Proposed Position With the Resulting Issuer | Number and Percent of Issued Shares | Number and Percent of Issued Warrants | Number and Percent of Issued Options |
|------------------------------------|--|---|---|-------------------------------------|---------------------------------------|--------------------------------------|
| | Computational Unlimited Corp. (formerly Capricorn Business Acquisitions Inc.) from October 2017 to September 2021 and director from December 2016 to September 2021; and CEO of Aion Therapeutics Inc. (formerly, Osoyoos Cannabis Inc.) from October 2018 to August 2020 and director from February 2018 to August 2020; CEO of Canada House Wellness Group Inc. (formerly Abba Medix Group Inc.) from April 2016 to December 2017 and director from April 2016 to December 2018. | | | | | |

Notes:

- (1) Pursuant to an engagement agreement dated May 27, 2021, WD Numeric Corporate Services Inc. (“**WD Numeric**”) provides accounting services to FWT and will continue providing accounting services to the Resulting Issuer. Michael Willetts is a Fractional CFO at WD Numeric and it is anticipated that he will be appointed by the Resulting Issuer’s board of directors as the Resulting Issuer’s CFO.
- (2) The Audit Committee of the Resulting Issuer is expected to be comprised of Lea Ray (chair), Gerald Goldberg and John Koehle.

As a group, the directors and officers of the Resulting Issuer will hold approximately 2,746,820 Resulting Issuer Shares, representing 2.6% of all issued and outstanding Resulting Issuer Shares.

Biographies of Management and Directors

The following is a brief description of each of the proposed board members and members of management for the Resulting Issuer (including details with regard to their principal occupations for the last five years):

C. Howie Honeyman, age 56, Chief Executive Officer, President and Director

Mr. Honeyman has served as CEO of FWT since 2015 and President since 2016. Mr. Honeyman has over 20 years of experience commercializing new technologies, having worked in senior or executive positions for both large multi-national companies including Cabot Corporation and more recently several innovation based start-ups, such as E Ink and Natrix Separations Inc. Mr. Honeyman has also served as the Chief Technology Officer for GreenCentre Canada. Mr. Honeyman’s experience in developing and commercializing new technologies includes e-paper displays while at E Ink and high capacity high throughput membranes for bioprocessing as a Senior Vice President of Natrix Separations Inc., the latter was acquired by MilliporeSigma Canada Co. Mr. Honeyman is also the inventor of record on over 50 US patents. Mr. Honeyman holds a Ph.D. in Chemistry from the University of Toronto.

Wayne Maddever, age 72, Chief Operating Officer and Director

Dr. Maddever has served as director of FWT since 2020. Dr. Maddever has over 35 years of experience working in senior executive management positions with technically based businesses in start-up, turnaround or acquisition situations where his skills at change management have aided in the commercialization of new technologies. Dr. Maddever’s experience in both private and public companies,

both domestically and internationally, spans a broad variety of industries, including bio- and advanced materials, precision manufacturing, recycling, waste to energy and medical devices. Dr. Maddever is currently Portfolio Manager at Bioindustrial Innovation Canada and a Fellow of the Canadian Academy of Engineering. Dr. Maddever also holds a number of patents in several fields. Dr. Maddever holds a Ph.D. in Materials Science Engineering from the University of Toronto.

Michael Willetts, age 57, Chief Financial Officer

Mr. Willetts joined FWT in May 2021, acting as Chief Financial Officer, under contract between FWT and WD Numeric. Mr. Willetts has over 25 years of experience as a financial leader in the automotive, construction products, manufacturing and SaaS industries for large multinationals, mid-market businesses and startups, including both public and private companies. Mr. Willetts started his career as a professional engineer in the automotive industry before receiving a Master of Business Administration in accounting and finance from the University of Windsor. Currently, Mr. Willetts is Chief Financial Officer for Eccomelt LLC, a clean tech business in aluminum recycling, and fractional CFO at WD Numeric where he provides consulting services to GetSwift Technologies Ltd., a SaaS business.

Andrew Pasternak, age 53, Director and Chair

Dr. Pasternak has served as director of FWT since 2020. Dr. Pasternak has over 24 years of experience directing early-stage companies with technology commercialization and product development activities in a wide variety of fields including chemistry, biotechnology, medical devices, drug discovery and instrumentation. Dr. Pasternak has managed multi-disciplined teams in both large and start-up company environments, directing commercial efforts that have resulted in numerous strategic partnerships, high margin service contracts and licensing agreements. Dr. Pasternak is currently the Executive Director at GreenCentre Canada. Dr. Pasternak previously served as the Director of Commercialization at GreenCentre Canada from September 2010 to August 2021. Dr. Pasternak has also previously directed research and commercialization at MDS Sciex Inc., Covalon Technologies Ltd, Protana Inc. and Transition Therapeutics Inc. Dr. Pasternak holds a Ph.D. in Bio-Chemical Engineering from Northwestern University as well as an MBA from the Rotman School of Business (University of Toronto). Dr. Pasternak is an accredited Professional Director and serves as a board member in several early stage and volunteer organizations.

John Koehle, age 52, Director

Mr. Koehle has served as director of FWT since 2019. Mr. Koehle has over 8 years of experience supporting the commercialization of early-stage companies. Mr. Koehle's experience includes working in industries such as environmental, transportation, information technology, food, and medical. Mr. Koehle is also the Principal and Managing Director of FirstLine Venture Partners Corporation, a privately held venture capital firm. Over the past 15 years, he has served on numerous boards in both corporate and not-for-profit sectors. Mr. Koehle holds a B.A.Sc. in Mechanical Engineering from the University of Waterloo.

Lea M. Ray, age 55, Director

Ms. Ray has over 14 years of experience working as a director on both public and private sector boards. Ms. Ray's experience includes serving as the Board Chair and Audit Committee Chair of both RFA Bank of Canada and Aleafia Health Inc. (TSXV). Ms. Ray has also served as the Audit Committee Chair of Patriot One Technologies Inc. (TSX), Pro-Demnity Insurance Company, the Workplace Safety and Insurance Board (Ontario), Tarion Warranty Corporation, and the Rouge Valley Health System. Ms. Ray is a certified director of the Institute of Corporate Directors and holds a CA designation from the Canadian Institute of Chartered Accountants, as well as a Bachelor of Commerce degree from the University of Windsor.

Gerald (Gerry) Goldberg, age 78, Director

Mr. Goldberg has over 40 years of experience working as an accountant. Mr. Goldberg is currently the Chief Executive Officer of Golden Hills Financial Inc. Mr. Goldberg was previously a senior partner at the accounting firm Schwartz Levitsky Feldman LLP and has served as the Chief Executive Officer of Canada House Wellness Group Inc. and Osoyoos Cannabis Inc. Mr. Goldberg has also previously served as the Chief Financial Officer of Capricorn Business Acquisitions Inc. Mr. Goldberg's experience also includes serving as a board member to both Toronto Stock Exchange and TSXV listed companies, including PineTree Capital Ltd. (TSX), Prime City One Capital Corp. (formerly Scorpio Capital Corp.) (TSXV), Jite Technologies Inc. (TSXV), and Harborside Inc. (formerly Grasslands Entertainment Inc.) (TSXV). Mr. Goldberg has also previously served as a board member of companies listed on the Canadian Securities Exchange. Mr. Goldberg holds a CPA from the Canadian Institute of Charter Accountants as well as a Certificate in the Theory of Accounting from the University of South Africa.

Work Commitment to the Resulting Issuer

All proposed executive officers of the Resulting Issuer will work as employees on a full-time basis for the Resulting Issuer. Each executive officer of the Resulting Issuer will enter into non-competition and non-disclosure agreements with the Resulting Issuer. The directors will devote their time and expertise as required by the Resulting Issuer.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of HWCC and FWT, as of the date of this Filing Statement and within the ten years before the date of this Filing Statement, no proposed director, officer or promoter is or has been a director, officer or promoter of any person or company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities legislation, for a period of more than 30 consecutive days; or
- (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Gerald Goldberg was the Interim Chief Executive Officer of Canadian House Wellness Group Inc. ("**Canada House**") when a management cease trader order (the "**MCTO**") was issued by the Ontario Securities Commission on September 13, 2017. The MCTO was issued in respect of Canada House's failure to file its audited financial statements and management discussion and analysis for the year ended April 30, 2017 before the August 28, 2017 filing deadline. The MCTO was lifted effective November 22, 2017.

Penalties or Sanctions

To the knowledge of HWCC and FWT, no proposed director, officer or promoter of the Resulting Issuer has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable security holder making a decision about the Qualifying Transaction.

The foregoing information, not being within the knowledge of HWCC and FWT, has been furnished by the respective directors and executive officers.

Personal Bankruptcies

To the knowledge of HWCC and FWT, no director, officer or promoter of the Resulting Issuer, or a personal holding company of any of them, has, within the ten years prior to the date of this Filing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements, or compromise with creditors or had a receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

Some of the individuals proposed for appointment as directors or officers of the Resulting Issuer upon the completion of the Amalgamation are also directors, officers and/or Promoters of other reporting and non-reporting issuers. To the knowledge of the directors and officers of HWCC and FWT, there are no existing conflicts of interest between the Resulting Issuer and any of the individuals proposed for appointment as directors or officers upon completion of the Amalgamation, as of the date of this Filing Statement.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

| Name | Name of Reporting Issuer | Position | Market | From | | To | |
|----------------|--|-----------------------------|--------------------|----------|------|---------|------|
| | | | | MM | YY | MM | YY |
| Wayne Maddever | ChroMedX Corp. (nka Relay Medical Corp.) | President, CEO and Director | CSE ⁽¹⁾ | November | 2013 | July | 2016 |
| Lea M. Ray | Patriot One Technologies Inc. | Director | TSX ⁽²⁾ | February | 2020 | Present | |
| | Aleafia Health Inc. | Director | TSXV | October | 2018 | August | 2021 |
| | Street Capital Group Inc. | Director | TSX ⁽²⁾ | June | 2015 | October | 2019 |

| Name | Name of Reporting Issuer | Position | Market | From | | To | |
|-------------------------|---|--|---------------------------|----------|------|-----------|------|
| | | | | MM | YY | MM | YY |
| Gerald (Gerry) Goldberg | Baymount Incorporated (formerly, Academy Capital Corp.) | Director | NEX ⁽³⁾ | July | 2004 | Present | |
| | Canada Computational Unlimited Corp. (formerly, Capricorn Business Acquisitions Inc.) | Chief Financial Officer and Director | NEX ⁽³⁾ | May | 2008 | September | 2021 |
| | FSD Pharma Inc. | Director | CSE ⁽¹⁾ Nasdaq | May | 2018 | May | 2021 |
| | PsyBio Therapeutics Corp. (formerly, Leo Acquisitions Corp.) | Director | TSXV | November | 2010 | April | 2021 |
| | Aion Therapeutic Inc. (formerly, Osoyoos Cannabis Inc.) | Chief Executive Officer, Director and Executive Chairman | CSE ⁽¹⁾ | February | 2018 | August | 2020 |
| | Skylight Health Group Inc. (formerly, CB2 Insights Inc.) | Director | TSXV | August | 2019 | January | 2020 |
| | Gilla Inc. | Director | OCT.BB ⁽⁴⁾ | June | 2016 | November | 2019 |
| | Prime City One Capital Corp. (formerly, Scorpio Capital Corp.) | Chief Executive Officer | TSXV | October | 2005 | March | 2019 |
| | Gravitas Financial Inc. (formerly, Searchgold Resources Inc.) | Director | CSE ⁽¹⁾ | May | 2016 | March | 2019 |

| Name | Name of Reporting Issuer | Position | Market | From | | To | |
|------|--|--------------------------------------|-----------------------|----------|------|----------|------|
| | | | | MM | YY | MM | YY |
| | Canada House Wellness Group Inc. (formerly, Abba Medix Group Inc.) | Chief Executive Officer and Director | CSE ⁽¹⁾ | April | 2016 | January | 2018 |
| | PineTree Capital Ltd. | Director | TSX ⁽²⁾ | April | 2010 | April | 2016 |
| | Vaxil Bio Ltd. (formerly, Emerge Resources Corp.) | Director | TSXV | August | 2013 | May | 2015 |
| | Keyuan Petrochemicals, Inc. | Director | OCT.BB ⁽⁴⁾ | July | 2010 | June | 2012 |
| | Harborside Inc. (formerly Grasslands Entertainment Inc.) | Director | TSXV | December | 2008 | December | 2011 |
| | Ever-Glory International Group Inc. | Director | AMEX ⁽⁵⁾ | April | 2010 | August | 2011 |
| | Water Ways Technologies (formerly Sagittarius Capital Corporation) | Director | TSXV | April | 2007 | August | 2009 |
| | China Wind Systems, Inc. | Director | OCT.BB ⁽⁴⁾ | March | 2008 | April | 2009 |
| | Jite Technologies Inc. | Director | TSXV | June | 2006 | October | 2006 |

Notes:

- (1) The Canadian Securities Exchange.
- (2) The Toronto Stock Exchange.
- (3) The NEX board of the TSXV.
- (4) The over-the-counter bulletin board exchange.
- (5) The American Stock Exchange.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Disclosure of the executive compensation practices for FWT is set forth in “*Part III – Information Concerning FWT – Executive Compensation*”. It is anticipated that the Resulting Issuer will continue the executive compensation practices of FWT upon completion of the Amalgamation. See “*Part III – Information Concerning FWT – Executive Compensation*” for a discussion of the annual compensation entitlements for a discussion of expected annual compensation for services in all capacities to the Resulting Issuer for the 12 months following completion of the Amalgamation in respect of individuals who are expected to be acting in capacities of Chief Executive Officer and Chief Financial Officer of the Resulting Issuer.

It is anticipated that from time to time (including on Closing) stock options will be granted under the Resulting Issuer Option Plan to: provide an incentive to the participants; to achieve the longer-term objectives of the Resulting Issuer; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Resulting Issuer; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Resulting Issuer. The Resulting Issuer has no other forms of compensation.

Director Compensation

Upon Completion of the Qualifying Transaction, the directors of the Resulting Issuer will determine how much, if any, compensation will be paid to directors for services rendered to the Resulting Issuer by them in that capacity. Such incentives may be in the form of an annual director’s fee and/or in the form of incentive stock options pursuant to the Resulting Issuer Option Plan.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director, officer, promoter, member of management, nominee for elections as director of the Resulting Issuer, nor any of their Associates or Affiliates, is or has been indebted to HWCC or FWT or is expected to be indebted to the Resulting Issuer following the Completion of the Qualifying Transaction.

INVESTOR RELATIONS ARRANGEMENTS

The Resulting Issuer has not entered into, and does not presently intend to enter into, any written or oral agreement or understanding with any person to provide promotional or investor relations services, or to engage in activities for the purposes of stabilizing the market, either now or in the future.

OPTIONS

Summary of the Resulting Issuer Option Plan

Under the Resulting Issuer Option Plan, the number of shares that may be reserved for issuance will not exceed, in the aggregate, 10% of the outstanding shares on each date on which that option is granted (the “**Grant Date**”). At all times the Resulting Issuer will reserve and keep available the number of shares necessary to satisfy the requirements of the Resulting Issuer Option Plan.

Under the Resulting Issuer Option Plan, the Board may grant options to employees, directors or consultants (“**Eligible Persons**”) of the Resulting Issuer or any subsidiary. This will provide the Resulting Issuer with the advantages of the incentives inherent in equity ownership on the part of Eligible Persons including a greater concern for the success of the Resulting Issuer and encouragement to remain with the Resulting Issuer and any subsidiaries. Additionally, Eligible Persons may be granted options on more than one occasion under the Resulting Issuer Option Plan.

The Board will have the authority to determine the terms and conditions applicable to the exercise of those options including: the number of shares issuable under the option, the option exercise price, the option expiry date, the vesting conditions, the nature and duration of the restrictions to be imposed on the sale or exercise of the option, and the period in which a termination or expiry of the participant's rights can occur. However, the Board may not amend the Resulting Issuer Option Plan or any option if an amendment materially impairs an option or is materially adverse to its holder unless the consent of the participant has been obtained.

The Board will set the option exercise price, but it will not be less than the fair market value of a share on the Grant Date. The fair market value price will be the last closing price of the shares on the TSXV or, if not listed on the TSXV but listed on another stock exchange or market, the last closing price of the shares on the stock exchange or market before the grant of the option. If the shares are not listed on any stock exchange or market, the value of a share will be determined by the Board, taking into account any appropriate considerations at the relevant time.

The option expiry date will be set by the Board on the Grant Date of each option. It will be no later than five years after the Grant Date.

Under the Resulting Issuer Option Plan, an option will vest and become exercisable as to 1/3 of the shares issuable under the option on each of the following dates: the Grant Date; the first anniversary of the Grant Date; and the second anniversary of the Grant Date.

As of the termination date under the Resulting Issuer Option Plan, a participant immediately ceases to be eligible to receive further grants of options, and any unvested portion of any option held by that participant will immediately expire. Any number of shares that have been issued on the exercise of an option will be returned to the pool of shares available for options under the Resulting Issuer Option Plan. Options will also become part of the pool of available shares upon being terminated without having been exercised in whole or in part.

ESCROWED SECURITIES

There are two classes of escrow to which certain HWCC Shares will be subject: (i) CPC Escrow Shares and (ii) Value Escrow Shares. The CPC Escrow Shares are subject to an escrow that continues as part of the initial public offering of HWCC, while the Value Escrow Shares are subject to an escrow as a result of the Qualifying Transaction.

CPC Escrow Shares are the HWCC Shares held in escrow pursuant to Section 10 of the CPC Policy. HWCC obtained approval of disinterested shareholders at the HWCC Meeting and TSXV approval for an amendment to the CPC Escrow Agreement. As a result, the CPC Escrow Agreement was restated and amended on August 5, 2021, which provides the following release schedule:

| Release Dates | Percentage of Total Escrowed Securities to be Released |
|---|--|
| Date of Final QT Exchange Bulletin | 25% |
| Date 6 months following Final QT Exchange Bulletin | 25% |
| Date 12 months following Final QT Exchange Bulletin | 25% |
| Date 18 months following Final QT Exchange Bulletin | 25% |
| TOTAL | 100% |

The following table sets out, as of the date hereof and to the knowledge of HWCC and FWT, the name and municipality of residence of the securityholders whose HWCC Shares will continue to be subject to the CPC

Escrow Agreement. A total of 1,475,000 HWCC Shares are held in escrow pursuant to the CPC Escrow Agreement.

| Name and Municipality of Residence of Shareholder | Designation of Class | Prior to Giving Effect to the Qualifying Transaction | | After Giving Effect to the Qualifying Transaction | |
|---|----------------------|--|---------------------|---|---------------------|
| | | Number of Securities held in Escrow | Percentage of Class | Number of Securities to be held in Escrow | Percentage of Class |
| Bill Hong Ye Toronto, Ontario | Common shares | 375,000 | 4.9% | 375,000 | 0.4% |
| Sheldon Kales Toronto, Ontario | Common shares | 600,000 | 7.8% | 600,000 | 0.6% |
| Peiwei Ni Toronto, Ontario | Common shares | 100,000 | 1.3% | 100,000 | 0.1% |
| Anthony Chang Toronto, Ontario | Common shares | 75,000 | 1.0% | 75,000 | 0.08% |
| Andy Chau Toronto, Ontario | Common shares | 25,000 | 0.3% | 25,000 | 0.03% |
| Yaping Zhang Toronto, Ontario | Common shares | 300,000 | 3.9% | 300,000 | 0.3% |

Terms of the Escrow for the Value Escrow Shares

All Resulting Issuer Shares, other than Resulting Issuer Shares classified under Seed Share Resale Restrictions (as defined in Exchange policy 5.4), being issued under the Definitive Agreement are Value Securities (as defined in Exchange policy 5.4) of which it is anticipated that an aggregate of 72,333,810 Resulting Issuer Shares and 5,175,000 Resulting Issuer Warrants will be subject to the release schedule applicable under the QT Escrow Agreement (being a Tier 2 Value Security Escrow Agreement) in accordance with the following timeline:

| % of Securities Released from Escrow | Release Date |
|--------------------------------------|--|
| 10% | Date of Final Exchange Bulletin |
| 15% | Date 6 months following Final Exchange Bulletin |
| 15% | Date 12 months following Final Exchange Bulletin |
| 15% | Date 18 months following Final Exchange Bulletin |
| 15% | Date 24 months following Final Exchange Bulletin |
| 15% | Date 30 months following Final Exchange Bulletin |
| 15% | Date 36 months following Final Exchange Bulletin |

The following table sets out, as of the date hereof and to the knowledge of HWCC and FWT, the name and municipality of residence of the securityholders whose Resulting Issuer Shares and Resulting Issuer Warrants at the completion of the Amalgamation will be placed in escrow pursuant to the terms of the QT Escrow Agreement:

| Name and Municipality of Residence of Shareholder | Designation of Class | Prior to Giving Effect to the Qualifying Transaction | | After Giving Effect to the Qualifying Transaction | |
|--|----------------------|--|---------------------|---|---------------------|
| | | Number of Securities held in Escrow | Percentage of Class | Number of Securities to be held in Escrow | Percentage of Class |
| GreenCentre Canada Kingston, Ontario | Common shares | Nil | Nil | 16,298,400 | 15.4% |
| | Warrants | Nil | Nil | Nil | Nil |
| Sustainable Chemistry Alliance Sarnia, Ontario | Common shares | Nil | Nil | 26,644,295 | 25.2% |
| | Warrants | Nil | Nil | 2,500,000 | 15.5% |
| FirstLine Venture Partners Corporation Port Moody, British Columbia | Common shares | Nil | Nil | 26,644,295 | 25.2% |
| | Warrants | Nil | Nil | 2,500,000 | 15.5% |
| C. Howie Honeyman Toronto, Ontario | Common shares | Nil | Nil | 2,596,820 | 2.5% |
| | Warrants | Nil | Nil | 100,000 | 0.6% |
| Wayne John Maddever Burlington, Ontario | Common shares | Nil | Nil | 150,000 | 0.1% |
| | Warrants | Nil | Nil | 75,000 | 0.5% |

Seed Share Resale Restrictions

To the knowledge of HWCC or FWT, as of the date of this Filing Statement, the following Resulting Issuer Shares are anticipated to be subject to restrictions on resale after giving effect to the Qualifying Transaction, pursuant to the Exchange's "Seed Share Resale Restrictions":

| Designation of class | Aggregate number of securities subject to resale restrictions | Percentage of Class | Expiry date of the resale restrictions |
|---|---|---------------------|--|
| Resulting Issuer Shares (issued to former FWT Shareholders) | 1,438,090 | 1.4% | See Note 1 |

Notes:

- (1) The 1,438,090 Resulting Issuer Shares issued to former FWT Shareholders are subject to a tier 2 value security agreement as follows: 10% released upon Completion of the Qualifying Transaction, 15% released 6 months from Completion of the Qualifying Transaction, 15% released 12 months from Completion of the Qualifying Transaction, 15% released 18 months from Completion of the Qualifying Transaction, 15% released 24 months from Completion of the Qualifying Transaction, 15% released 30 months from Completion of the Qualifying Transaction and 15% released 36 months from Completion of the Qualifying Transaction.

Lock-Up Agreements and Other Resale Restrictions

In addition to the Resulting Issuer Shares that are subject to the CPC Escrow Agreement and the QT Escrow Agreement, directors, senior officers and insiders of the Resulting Issuer, other than Sheldon Kales, immediately prior to the completion of the Qualifying Transaction will enter into a lock-up agreements with the Agents whereby such shareholders will agree not to transfer their shares for a period of 180 days from the completion of the Qualifying Transaction.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The Resulting Issuer's auditor will be KPMG LLP located at 150 Elgin Street, Suite 1800, Ottawa, Ontario, K2P 2P8.

The transfer agent and registrar for the Resulting Issuer will be TSX Trust Company at its principal office at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 1S3.

PART V – RISK FACTORS

Where used in this “Risk Factors” section, “FWT” refers to either Forward Water Technologies Inc. or the Resulting Issuer as the context may require. The current business of FWT will be the business of the Resulting Issuer upon Completion of the Qualifying Transaction. Accordingly, risk factors relating to FWT’s current business will be risk factors relating to the Resulting Issuer’s business and references to FWT in these risk factors should, where the context requires, be read to include the risks of the Resulting Issuer. Due to the nature of FWT’s business, the legal and economic climate in which it operates and its present stage of development, FWT is subject to significant risks. The risks presented below should not be considered to be exhaustive and may not be all of the risks that the Resulting Issuer and FWT may face. FWT’s future development and operating results may be very different from those expected as at the date of this Filing Statement. Additional risks and uncertainties not presently known to FWT or that FWT currently considers immaterial may also impair the business and operations of the Resulting Issuer and cause the trading price of the Resulting Issuer Shares to decline. If any of the following or other risks occur, the Resulting Issuer’s business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of the Resulting Issuer Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Readers should carefully consider all such risks and other information elsewhere in this Filing Statement before making an investment in FWT or the Resulting Issuer and should not rely upon forward-looking statements as a prediction of future results. Risk factors relating to FWT include, but are not limited to, the factors set out below.

Risks Related to the QT Financings and Qualifying Transaction

Completion of the Qualifying Transaction and Exchange approval

The completion of the Qualifying Transaction is subject to several conditions precedent. There can be no assurance that the Qualifying Transaction will be completed on the terms set out in the Definitive Agreement, as negotiated, or at all. In the event that any of the conditions precedent are not satisfied or waived, the Qualifying Transaction may not be completed. In addition, there is no guarantee that the Resulting Issuer will be able to satisfy the requirements of the Exchange such that it will issue the Final Exchange Bulletin. There is no certainty that these conditions will be satisfied on a timely basis or at all.

If the Qualifying Transaction is not completed, HWCC and FWT will each remain liable for significant consulting, accounting, legal and other costs relating to the Qualifying Transaction and will not realize anticipated benefits of the Qualifying Transaction. If the Qualifying Transaction is not completed and the HWCC Board decides to seek another Qualifying Transaction, there can be no assurance that it will be able to find a party that will agree to equivalent or more attractive terms than those of the Definitive Agreement.

Termination of the Definitive Agreement in certain circumstances

Each of HWCC and FWT has the right to terminate the Definitive Agreement in certain circumstances. Accordingly, there is no certainty, nor can the parties provide any assurances that the Definitive Agreement will not be terminated by HWCC or FWT before the completion of the Qualifying Transaction. Certain costs related to the Qualifying Transaction, such as legal and accounting fees, must be paid by HWCC and FWT regardless if the Qualifying Transaction is completed.

The Qualifying Transaction will have a dilutive effect on the ownership interest of HWCC Shareholders

The issuance of Resulting Issuer Shares pursuant to the Qualifying Transaction if it is completed will have a very significant dilutive effect on the ownership interest of the current HWCC Shareholders.

Potential undisclosed liabilities associated with the Amalgamation

Upon completion of the Amalgamation, Amalco will be a wholly-owned subsidiary of the Resulting Issuer and will continue to have the liabilities that existed prior to completion of the Amalgamation. There may be liabilities of HWCC that FWT failed to discover or was unable to accurately assess or quantify in its due diligence. There may be liabilities of FWT that HWCC failed to discover or was unable to accurately assess or quantify in its due diligence.

The pending Qualifying Transaction may divert the attention of management of FWT

The Qualifying Transaction could cause the attention of management of FWT to be diverted from its day-to-day operations. These disruptions could be exacerbated by a delay in completion of the Qualifying Transaction and could have an adverse effect on the business, operating results or prospects of FWT regardless of whether the Qualifying Transaction is ultimately completed, or of the Resulting Issuer if the Qualifying Transaction is completed.

Tax consequences

The transactions described herein may have tax consequences in Canada, or elsewhere, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein and this Filing Statement is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

Additional Funding Requirements and Risks

Resulting Issuer may raise funds in the future through equity or debt. The sale of additional equity may result in additional dilution to Resulting Issuer Shareholders and such securities may have rights, preferences or privileges senior to those of the Resulting Issuer Shares. To the extent that Resulting Issuer relies upon debt financing, it will incur the obligation to repay the funds borrowed with interest and may become subject to covenants and restrictions that restrict operating flexibility.

Global financial conditions are subject to volatility. This may impact Resulting Issuer's ability to obtain equity, debt or bank financing in the future on terms commercially reasonable to Resulting Issuer or at all and may adversely impact its operations. Continued volatility and market turmoil, caused by a variety of issues that are outside of Resulting Issuer's control (such as the COVID-19 pandemic) could have a material adverse effect on its business, financial condition, results of operations and cash flows if it is not able to secure sufficient funding.

Use of Net Proceeds and Available Funds

Resulting Issuer currently intends to use the net proceeds received from the QT Financings as described herein. However, the Resulting Issuer Board and management will have discretion in the actual application of the net proceeds, and may elect to allocate net proceeds differently from that described herein if they believe it would be in Resulting Issuer's best interests to do so. Shareholders may not agree with the manner in which the Resulting Issuer Board or management chooses to allocate and spend the net proceeds. The failure by the Resulting Issuer Board or management to apply these funds effectively could have a material adverse effect on Resulting Issuer's business, financial condition, results of operations, cash flows or prospects.

Dividend Risk

Resulting Issuer does not anticipate paying dividends in the near future. The declaration of dividends will be at the discretion of the Resulting Issuer Board, even if Resulting Issuer has sufficient funds, net of its liabilities, to pay such dividends. The declaration of any dividend will depend on Resulting Issuer's financial

results, cash requirements, future prospects and other factors deemed relevant by the Resulting Issuer Board at the applicable time.

Risk Factors Relating to the Business of the Resulting Issuer

The risks and uncertainties described below are not exhaustive. Additional risks not presently known or currently deemed immaterial may also impair the Resulting Issuer's business operation.

The Resulting Issuer may not be able to develop, manufacture, market, commercialize, sell or distribute its technology and products

If the Resulting Issuer cannot successfully develop, manufacture, market, commercialize, sell or distribute its technology and products, or if the Resulting Issuer experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Resulting Issuer may not be able to develop market-ready commercial products or technology at acceptable costs, which would adversely affect the Resulting Issuer's ability to effectively enter the market. A failure by the Resulting Issuer to achieve a low-cost structure through economies of scale or improvements in manufacturing or distribution processes would have a material adverse effect on the Resulting Issuer's commercialization plans and the Resulting Issuer's business, prospects, results of operations and financial condition.

Proprietary Protection

FWT and the Resulting Issuer's success will depend to a significant degree on the protection of its proprietary intellectual property. The unauthorized reproduction or other misappropriation of FWT's intellectual property by third parties could result in both the loss of its intellectual property value and the loss of business. FWT and the Resulting Issuer will rely upon a combination of patents, copyright, trade secrets and trademark laws to protect its proprietary rights. The steps that FWT and the Resulting Issuer will take to protect these proprietary rights, however, may not be adequate to deter misappropriation of proprietary information or to protect FWT and the Resulting Issuer if misappropriation occurs. FWT and the Resulting Issuer may not be able to detect unauthorized use of its proprietary information and take appropriate steps to enforce its intellectual property rights. If FWT or the Resulting Issuer resort to legal proceedings to enforce its intellectual property rights, the proceedings could be burdensome and expensive and could involve a high degree of risk.

Sales cycle risk

The sales cycle of FWT's technology is lengthy and unpredictable. In addition, the sale of FWT's technology is influenced by various economic factors including interest rates and general fluctuations in the business cycle. While potential customers are evaluating FWT's technology, FWT may incur unexpected expenses. The result of these unexpected expenses could cause fluctuations of the quarterly operating results.

Limited operating history

FWT does not have any history of earnings or profitability. FWT has recently completed its full commercial design and has not yet begin to deliver its equipment to end users. The likelihood of success of the Resulting Issuer must be considered in light of the problems, expenses, difficulties, complication and delays frequently encountered in connection with the establishment of any business. The Resulting Issuer will have limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that the Resulting Issuer will be able to generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

Negative cash flow

FWT has a limited history of operations, and no history of earnings, cash flow or profitability; FWT has had negative operating cash flow since its incorporation, and is expected to continue to have predominately negative operating cash flows for the first 16 months after the Qualifying Transaction. FWT has not currently entered into a significant amount of near-term commercial projects. The Resulting Issuer will have limited sources of operating cash flow and no assurance that additional funding will be available for further research and development of the technology. No assurance can be given that the Resulting Issuer will ever attain positive cash flow or profitability.

Debt financing

From time to time, the Resulting Issuer may rely on debt financing for a portion of its business activities, including capital and operating expenditures. There are no assurances that the Resulting Issuer will be able to comply at all times with any covenants under its debt arrangements, if applicable; nor are there assurances that the Resulting Issuer will be able to secure new financing that may be necessary to finance its operations and capital growth program. Any failure of the Resulting Issuer to secure financing or refinancing, to obtain new financing or to comply with applicable covenants under its borrowings could have a material adverse effect on the Resulting Issuer's financial results. Further, any inability of the Resulting Issuer to obtain new financing may limit its ability to support future growth.

Risks relating to attracting and retaining qualified management and technical personnel

The Resulting Issuer will be dependent upon the continued availability and commitment of its key management personnel, whose contributions to immediate and future operations of the Resulting Issuer are of significant importance. The loss of any such key management personnel could negatively affect business operations. From time to time, the Resulting Issuer may also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. In addition, the Resulting Issuer may retain third party specialized technical personnel to assess and execute on opportunities. These individuals may have conflicts of interest or scheduling conflicts, which may delay or inhibit the Resulting Issuer's ability to employ such individuals' expertise. Recruiting and retaining qualified personnel is critical to the Resulting Issuer's success and there can be no assurance that the Resulting Issuer will be able to recruit and retain such personnel. If the Resulting Issuer is not successful in recruiting and retaining qualified personnel, the Resulting Issuer's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on its profitability, results of operations and financial condition and the trading price of its securities.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Resulting Issuer is subject to could have a significant impact on the Resulting Issuer's business. There can be no assurance that the Resulting Issuer will be able to comply with any future laws, rules, regulations and policies. Failure by the Resulting Issuer to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Resulting Issuer's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Resulting Issuer's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Global financial conditions may destabilize

Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the Resulting Issuer's ability to obtain equity or debt financing or make other suitable

arrangements to finance its projects. In the event of increased levels of volatility or a rapid destabilization of global economic conditions, the Resulting Issuer's profitability, results of operations and financial condition and the trading price of its securities could be adversely affected.

Changes in general business and economic conditions

The Resulting Issuer's future performance will be affected by a range of economic, competitive, governmental, operating and other business factors, many of which cannot be controlled, such as general economic and financial conditions in the industry or the economy at large. Many industries, including the wastewater treatment industry, are impacted by global market conditions. Some of the key impacts of previous financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange markets and a lack of market liquidity. A slowdown in the financial markets or other economic conditions, including, but not limited to, consumer spending, increased unemployment rates, deteriorating business conditions, inflation, deflation, volatile fuel and energy costs, increased consumer debt levels, lack of available credit, changes in interest rates and changes in tax rates may adversely affect the Resulting Issuer's growth and profitability potential.

Members of the Resulting Issuer's board of directors service on other public company boards

Certain of the proposed directors and officers of the Resulting Issuer serve, and may in future serve, as directors or officers of, or have significant shareholdings in, other companies involved in the wastewater treatment industry and, to the extent that such other companies may engage in transactions or participate in the same ventures in which the Resulting Issuer participates, or in transactions or ventures in which the Resulting Issuer may seek to participate, the directors and officers of the Resulting Issuer may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such conflicts of the directors and officers may result in a material adverse effect on the Resulting Issuer's profitability, results of operations and financial condition and the trading price of its securities.

Conflict of interest

There may be occasions when potential conflicts of interest arise between directors and officers and the interests of securityholders. On any issue involving conflicts of interest, FWT and the Resulting Issuer will be guided by their good faith judgment.

Reliance on Key Personnel

FWT strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. FWT's success will depend in large measure on certain key personnel, including C. Howie Honeyman and Wayne Maddever. The loss of the services of such key personnel could have a material adverse effect on FWT's business and prospects as FWT may not be able to find suitable individuals to replace them on a timely basis. The contributions of the existing management team to FWT's immediate and near term operations are likely to be of central importance.

Competition

The industry FWT operates in is intensely competitive. Many of these competitors have substantial financial backing and established reputation. Failure to compete against other similar companies could have a material adverse effect on FWT's business, financial condition and results of operations.

Ability to Achieve and Manage Growth

The growth of FWT's operations may place a strain on managerial, financial and human resources and FWT's ability to continue FWT's rate of growth will depend on a number of factors, including the availability of working capital, existing and emerging competition, the ability to maintain sufficient profit margins and to recruit and train additional qualified personnel and the ability to expand FWT's markets.

Litigation Risk

FWT may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which FWT becomes involved be determined against it, such a decision could adversely affect FWT's ability to continue operating and the market price for its Common Shares and could use significant resources. Even if FWT is successful in any litigation, litigation can redirect significant resources and may also create a negative perception of FWT's brand.

The COVID -19 pandemic may significantly impact the Resulting Issuer

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, which has resulted in the governments around the world enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, "shelter-in-place" rules, self-imposed quarantine periods and social distancing, have caused material disruptions to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. Governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic on FWT (and, in the future, the Resulting Issuer) is unknown at this time, as is the efficacy of the various government interventions.

Given the unpredictable nature of the COVID-19 pandemic, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by the COVID-19 pandemic and economic downturn, could in the future have an adverse effect (which effect could be material) on FWT's and Resulting Issuer's operations.

The extent to which the COVID-19 pandemic impacts business' financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation impedes the ability to predict the ultimate adverse impact of the COVID-19 pandemic. Nevertheless, the COVID-19 pandemic and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to future operations of FWT and the Resulting Issuer.

Risk Factors Relating to the Resulting Issuer Shares

An Active Trading Market for the Resulting Issuer Shares may not Develop

An active trading market may not develop following completion of the Qualifying Transaction or, if developed, may not be sustained. The lack of an active market may impair an investor's ability to sell its shares at the time it wishes to sell them or at a price that it considers reasonable. The lack of an active market may also reduce the fair market value of the Resulting Issuer Shares. An inactive market may also impair Resulting Issuer's ability to raise capital at times in the future.

Share Price Volatility Risk

In the event of listing of the Resulting Issuer Shares on a stock exchange, external factors outside of its control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward stocks, may have a significant impact on the market price of the Resulting Issuer Shares. Global stock markets have experienced extreme price and volume fluctuations from time to time. There can be no assurance that an active or liquid market will develop or be sustained for the Resulting Issuer Shares.

Expiry of Lock-up or Escrow Restrictions

Although Resulting Issuer Shares issued in connection with the Qualifying Transaction will be freely tradable, Resulting Issuer Shares held by certain directors, executive officers and control persons of the Resulting Issuer will be subject to escrow pursuant to the policies of the stock exchange and/or lock-up agreements with the Agents. Sales of a substantial number of the Resulting Issuer Shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the Resulting Issuer Shares, and may make it more difficult for investors to sell their Resulting Issuer Shares at a favourable time and price.

Resulting Issuer will not have any Control over the Research and Reports that Securities or Industry Analysts Publish about Resulting Issuer or its Business.

The trading market for the Resulting Issuer Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Resulting Issuer or its business. Resulting Issuer will not have any control over these analysts. If one or more of the analysts who covers the Resulting Issuer should downgrade the Resulting Issuer Shares or change their opinion of our business prospects, the Resulting Issuer's share price would likely decline. If one or more of these analysts ceases coverage of the Resulting Issuer or fails to regularly publish reports on the Resulting Issuer, it could lose visibility in the financial markets, which could cause its share price or trading volume to decline.

Increased Costs of Being a Publicly Traded Company

Following completion of the Qualifying Transaction, as a publicly traded company, Resulting Issuer will incur significant legal, accounting and filing obligations that are not presently being incurred. Securities legislation and the rules and stock exchange policies require publicly listed companies to, among other things, adopt corporate governance policies and related practices and to continuously prepare and disclose material information. These obligations can significantly increase legal, financial and securities regulatory compliance costs, can be time consuming or costly and/or can increase the demand on systems and resources.

The value assigned to FWT may be incorrect

The valuation placed on FWT for the purposes of the Qualifying Transaction has been determined by negotiation among HWCC and FWT. There can be no assurance that the number of Resulting Issuer Shares will not, in the fullness of time, prove to be excessive. If the market determines that the number of Resulting Issuer Shares is excessive, the market price of the Resulting Issuer Shares will be adversely affected.

PART VI – GENERAL MATTERS

AUDITOR, TRANSFER AGENT AND REGISTRAR

On Completion of the Qualifying Transaction, the auditor of the Resulting Issuer is expected to be KPMG LLP located at 150 Elgin Street, Suite 1800, Ottawa, Ontario, K2P 2P8.

TSX Trust Company located at 100 Adelaide Street West, Suite 301, Toronto, Ontario, M5H 1S3 will be transfer agent and registrar for the Resulting Issuer on Completion of the Qualifying Transaction.

SPONSORSHIP AND AGENT RELATIONSHIPS

The Exchange has granted FWT's request for an exemption from the sponsorship requirements of Exchange policy 2.2 – *Sponsorship and Sponsorship Requirements*.

EXPERTS

No experts, including individuals or companies who are named as having prepared or certified a part of this Filing Statement or prepared or certified a report or valuation described or included in this Filing Statement have, or will have immediately following completion of the Amalgamation, any direct or indirect interest in the Resulting Issuer or FWT.

OTHER MATERIAL FACTS

Neither HWCC nor FWT is aware of any other material facts relating to HWCC, FWT or the Resulting Issuer or to the Qualifying Transaction that are not disclosed under the preceding items and are necessary in order for this Filing Statement to contain full, true and plain disclosure of all material facts relating to HWCC, FWT and the Resulting Issuer, assuming Completion of the Qualifying Transaction, other than those set forth herein.

BOARD APPROVAL

The contents and the filing of this Filing Statement have been approved by the Board. Where information contained in this Filing Statement rests particularly within the knowledge of a person other than HWCC, HWCC has relied upon information furnished by such person.

CERTIFICATE OF HOPE WELL CAPITAL CORP.

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of Hope Well Capital Corp., assuming Completion of the Qualifying Transaction.

DATED October 6, 2021.

(signed) "*Sheldon Kales*"

Sheldon Kales
Chief Executive Officer

(signed) "*Sheldon Kales*"

Sheldon Kales
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Peiwei Ni*"

Peiwei Ni
Director

(signed) "*Judith Hong Wilkin*"

Judith Hong Wilkin
Director

CERTIFICATE OF FORWARD WATER TECHNOLOGIES INC.

The foregoing, as it relates to Forward Water Technologies Inc. ("**FWT**"), constitutes full, true and plain disclosure of all material facts relating to the securities of FWT.

DATED October 6, 2021.

(signed) "*C. Howie Honeyman*"

C. Howie Honeyman
Chief Executive Officer

(signed) "*Michael Willetts*"

Michael Willetts
Chief Financial Officer

On behalf of the Board of Directors

(signed) "*Andrew Pasternak*"

Andrew Pasternak
Director

(signed) "*John Koehle*"

John Koehle
Director

ACKNOWLEDGMENT – PERSONAL INFORMATION

“**Personal Information**” means any information about an identifiable individual, and includes information contained in any items in the attached filing statement that are analogous to Items 4.2, 11, 12.1, 15, 17.2, 18.2, 23, 24, 26, 31.3, 32, 33, 34, 35, 36, 37, 38, 40 and 41 of Exchange Form 3B2, as applicable.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to Exchange Form 3B2; and
- (b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated: October 6, 2021

Hope Well Capital Corp.

By: (signed) “Sheldon Kales”

Name: Sheldon Kales

Title: Chief Executive Officer

Forward Water Technologies Inc.

By: (signed) “C. Howie Honeyman”

Name: C. Howie Honeyman

Title: Chief Executive Officer

Schedule "A"
HWCC FINANCIAL STATEMENTS

HOPE WELL CAPITAL CORP.*

Annual Consolidated Financial Statements

(Expressed in Canadian dollars)

For Years Ended January 31, 2021 and 2020

*Hope Well Capital Corp. is in no way affiliated with or related to Hopewell Capital Corporation, a separate pre-existing business engaged in the field of venture capital across Canada, or the Hopewell Group of Companies' multi-faceted real estate and logistics group.

To the Shareholders of Hope Well Capital Corp.:

Opinion

We have audited the consolidated financial statements of Hope Well Capital Corp. and its subsidiary (the "Corporation"), which comprise the consolidated statements of financial position as at January 31, 2021 and January 31, 2020, and the consolidated statements of operations and comprehensive (loss) income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at January 31, 2021 and January 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Isabella Lee.

Mississauga, Ontario

May 17, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

HOPE WELL CAPITAL CORP.*

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

| As at January 31, | 2021 | 2020 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 757,173 | \$ 854,997 |
| Total assets | \$ 757,173 | \$ 854,997 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 40,846 | \$ 19,013 |
| Total liabilities | 40,846 | 19,013 |
| Equity: | | |
| Share capital (note 4) | 1,083,704 | 1,083,704 |
| Contributed surplus (note 4) | 281,321 | 281,321 |
| Deficit | (648,698) | (529,041) |
| Total equity | 716,327 | 835,984 |
| Total liabilities and equity | \$ 757,173 | \$ 854,997 |

Nature of operations (Note 1)

Subsequent events (Note 9)

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

On behalf of the Board:

Signed "Sheldon Kale" Director

Signed "Peiwei Ni" Director

HOPE WELL CAPITAL CORP.*

Consolidated Statements of Operations and Comprehensive (Loss) Income

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

| | 2021 | 2020 |
|--|---------------------|------------------|
| Other Income: | | |
| Interest Income | \$ 1,924 | \$ 3,085 |
| Lawsuit Settlement (note 1) | - | 300,000 |
| Expenses: | | |
| TSXV filing fees and others | (27,803) | (22,201) |
| Professional fees | (93,778) | (191,300) |
| Net (loss) income and comprehensive (loss) income | \$ (119,657) | \$ 89,584 |
| (Loss) earning per share | | |
| Basic | \$ (0.019) | \$ 0.015 |
| Diluted | \$ (0.019) | \$ 0.015 |
| Weighted average number of shares outstanding | | |
| Basic | 6,249,999 | 6,249,999 |
| Diluted | 6,249,999 | 6,249,999 |

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

HOPE WELL CAPITAL CORP.*

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

| | Number of Common Share | Share Capital | Contributed Surplus | Deficit | Total |
|----------------------------------|---------------------------|---------------------|------------------------|---------------------|-------------------|
| Balance, February 1, 2019 | 7,724,999 | \$1,083,704 | \$ 281,321 | \$ (618,625) | \$ 746,400 |
| Net income for the year | - | - | - | 89,584 | 89,584 |
| Balance, January 31, 2020 | 7,724,999 | 1,083,704 | 281,321 | (529,041) | 835,984 |
| Net loss for the year | - | - | - | (119,657) | (119,657) |
| Balance, January 31, 2021 | 7,724,999 | \$ 1,083,704 | \$ 281,321 | \$ (648,698) | \$ 716,327 |

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

HOPE WELL CAPITAL CORP.*

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Net (loss) income for the year | \$ (119,657) | \$ 89,584 |
| Change in non-cash operating working capital: | | |
| Accounts payable and accrued liabilities | 21,833 | (99,883) |
| Cash used in operating activities | (97,824) | (10,299) |
| Decrease in Cash and cash equivalents | (97,824) | (10,299) |
| Cash and cash equivalents, beginning of year | 854,997 | 865,296 |
| Cash, end of year | 361,587 | 461,335 |
| Cash equivalents, end of year | 395,586 | 393,662 |
| Cash and cash equivalents, end of year | \$ 757,173 | \$ 854,997 |

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

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

1. Nature of operations

Hope Well Capital Corp. (the "**Corporation**" or "**HWCC**") was incorporated under the Business Corporations Act (Ontario) on December 1, 2016 with the intent of being classified as a Capital Pool Company ("**CPC**") as defined in Policy 2.4 of the TSX Venture Exchange (the "**TSXV**").

On May 3, 2017, the Corporation completed its initial public offering pursuant to a prospectus dated March 24, 2017 by issuing 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000. The common shares of the Corporation were listed on the TSXV on May 9, 2017 under the symbol "HOPE.P" and the Corporation was classified as a CPC.

The Corporation has no assets other than cash and cash equivalents. The Corporation proposes to identify and evaluate potential acquisitions of businesses (for a "Qualifying Transaction"), and once identified and evaluated, to negotiate an acquisition or participation.

The Corporation's continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business within twenty-four months of listing on the TSXV. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing.

On May 10, 2019, the TSXV suspended trading of the Corporation's shares in accordance with the TSXV policy as the Corporation was not able to identify a Qualifying Transaction within the time limitations permissible under the policies of the TSXV, which was by May 9, 2019. The trading of the Corporation's shares on the TSXV will remain suspended until the Corporation completes a qualifying transaction, or the applicable Exchange policy has been amended. The Corporation continues to pursue its search for a Qualifying Transaction.

Hope Well Capital Corp. has its wholly owned subsidiary, 2644246 Ontario Limited. ("Hope Well Sub"), which was incorporated on July 5, 2018, and is inactive. These consolidated financial statements include the financial statements of the Corporation and its wholly owned subsidiary.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

1. Nature of operations (continued)

The address of the Corporation's registered office, as of the year end date, was Suite 3000, 77 King Street West, Toronto, Ontario. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 17, 2021.

Termination of Payfare Transaction

On November 17, 2017, the Corporation entered into a letter of intent for a business combination (the "**Payfare Transaction**") with Payfare Inc. ("**Payfare**"), that would have resulted in a reverse take-over of HWCC on the TSXV. If completed, the Payfare Transaction was intended to constitute the "Qualifying Transaction" of the Corporation under Policy 2.4 - Capital Pool Companies (the "**CPC Policy**") of the TSXV. Subsequently, the Corporation and its wholly owned subsidiary, 2644246 Ontario Limited entered into an amalgamation agreement with Payfare on July 27, 2018, which was amended and restated on September 27, 2018, further amended on November 20, 2018 and further amended and restated on March 4, 2019 (the "**Amalgamation Agreement**").

On March 6, 2019, the TSXV conditionally approved the listing of the resulting issuer on closing of the Payfare Transaction between the Corporation and Payfare.

On March 15, 2019, the Corporation received a notification from Payfare with a copy of a non-binding letter of intent from an unidentified party to purportedly acquire all outstanding securities of Payfare for a cash and stock transaction (the "**Alternative Offer**"). Payfare claimed that the Alternative Offer was a "Superior Merger Proposal" under the Amalgamation Agreement and terminated the Payfare Transaction with the Corporation on March 27, 2019.

The Corporation disputed Payfare's claims and commenced a legal action against Payfare with respect to Payfare's non-compliance with the Amalgamation Agreement claiming, among other things, breach of contract, seeking damages including expenses incurred by the Corporation in connection with the Payfare Transaction.

The Corporation's shares resumed trading on the TSXV on April 9, 2019 and continued seeking for a target for its qualifying transaction in accordance with the rules of the TSXV.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

1. Nature of operations (continued)

On June 12, 2019, the Corporation entered into a settlement agreement with full and final mutual releases with Payfare in connection with claims made by the Corporation against Payfare and counterclaims made by Payfare against the Corporation in a court action regarding the disputes on Payfare's termination of the proposed Payfare Transaction. The parties settled the disputes without admission of liability. Therefore, settlement fee of \$300,000 was received.

Termination of Proposed Qualifying Transaction with Loc8

On February 6, 2020, the Corporation entered into a letter of intent, as amended as of March 11, 2020 (the "Loc8 LOI") for a business combination (the "Loc8 Transaction") with Loc8 Corp. ("Loc8"), a corporation existing under the laws of Ontario that would have resulted in a reverse take-over of HWCC on the TSXV.

Prior to, and as a condition of closing of the Loc8 Transaction and subject to TSXV approval, HWCC would consolidate its outstanding shares (the "Consolidation") on the basis of 1.20 pre-Consolidation common shares for one post-Consolidation common share (a "Post-Consolidation Share"). The Corporation also expected to change its name to "Deepspatial AI Corp." or such other similar name approved by the directors of HWCC and Loc8 and acceptable to the applicable regulatory authorities.

In conjunction with the Loc8 Transaction, Loc8 and HWCC entered into an engagement letter with Mackie Research Capital Corporation on February 11, 2020 to conduct a brokered private placement (the "Loc8 Financing") led by Mackie Research Capital Corporation to raise gross proceeds of a minimum of \$2,000,000 and a maximum of \$3,000,000 through the issuance of subscription receipts of Loc8.

Pursuant to the terms of the LOI, completion of the Loc8 Transaction would be subject to a number of conditions, including completion of a minimum raise of \$2,000,000 in the Loc8 Financing, receipt of all required regulatory approvals, including the approval of the TSXV of the Loc8 Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the TSXV and all requirements under the TSXV rules relating to completion of a qualifying transaction, and the execution of a definitive agreement.

On June 17, 2020, Loc8 and the Corporation terminated the Loc8 LOI and the LOC8 Transaction, primarily due to the delay of the completion of the audit of Loc8's financial statements.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

1. Nature of operations (continued)

The Corporation will seek out other potential targets for its qualifying transaction. Trading in the common shares of the Corporation has been halted since May 10, 2019. Trading will remain halted until, among other things, the Corporation completes a qualifying transaction in accordance with the policies of the TSXV.

Impact of COVID 19

During the period, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The proposed transaction with Loc8 was terminated partly because Loc8 experienced significant delays in completing its audit due to the COVID 19 restrictions in India. At this time, the Corporation is proceeding with its proposed qualifying transaction during the pandemic. However, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Significant accounting policies

a) Statement of compliance

The significant accounting policies applied in the Corporation's consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of January 31, 2021.

b) Basis of measurement

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

2. Significant accounting policies (continued)

c) *Functional and presentation currency*

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

d) *Financial instruments*

IFRS 9 includes requirements for recognition and measurement, impairment, derecognition, and general hedge accounting.

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit or loss (“**FVTPL**”), or fair value through other comprehensive income (“**FVOCI**”). Financial liabilities are classified in the following measurement categories: fair value through profit or loss, or amortized cost.

Financial Assets

The Corporation's financial assets consist of cash and cash equivalents and measured at FVTPL.

i. Amortized cost

Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

ii. Fair value through profit or loss

Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net profit or loss.

Classification

The Corporation determines that classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

2. Significant accounting policies (continued)

Impairment of financial assets

Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

Financial Liabilities

The Company's financial liabilities consist of accounts payable and accrued liabilities and are measured at amortized cost.

i. Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

2. Significant accounting policies (continued)

Financial instruments recorded at fair value

IFRS 9 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value.

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At January 31, 2021, the Corporation's financial instruments consisted of cash and cash equivalents and accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying value due to the relatively short-term maturity of these instruments. Cash and cash equivalents are measured at fair value and was classified within Level 1 of the fair value hierarchy on the consolidated Statements of Financial Position.

e) Deferred Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustments to taxes payable in respect of previous years.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

2. Significant accounting policies (continued)

e) *Deferred Taxes (continued)*

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) *Share Capital*

Common shares are classified as equity. Costs directly attributable to the issuance of shares are recognized as a deduction from equity.

g) *Basic and Diluted (Loss) Income per Share*

Basic (loss) income per share is computed by dividing the net (loss) income applicable to common shares by the weighted average number of common shares outstanding for the relevant period.

Diluted (loss) income per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted (loss) income per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

2. Significant accounting policies (continued)

h) Share-based Payments

Equity-settled share-based payments for directors, officers, employees and consultants are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements.

The Corporation applies a fair value based method of accounting to all share-based payments. Employee and director stock options are measured at the fair value of each tranche on the grant date and recognized in the respective reporting period. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

i) Use of estimates and key judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

j) IFRS 23

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If any entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistent with the tax treatment used or planned to be used in its income tax filings. If any entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 will be effective for annual periods beginning on or after January 1, 2019. There is no impact to the Company's consolidated financial statements on adoption of IFRIC 23.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

3. Cash and cash equivalents

Once the Corporation has been classified as a Capital Pool Company, the proceeds raised from the issuance of capital stock may only be used to identify and evaluate assets or businesses for future investments, with the exception that not more than the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation or \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenditures of the Corporation. These restrictions apply until completion of a Qualifying Transaction by the Corporation as defined under the policies of the TSXV.

4. Share capital

Authorized Unlimited Common Shares

The Corporation is authorized to issue an unlimited number of common shares, and on April 30, 2017, the Corporation issued 1,475,000 common shares at \$0.10 per share for total proceeds of \$147,500.

On May 3, 2017, the Corporation completed its initial public offering (the "**Offering**") pursuant to the Prospectus through its agent, Mackie Research Capital Corporation (the "**Agent**") of 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000.

As consideration for its role as agent, the Corporation granted to the Agent a non-transferable option to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019. In addition, the Agent received a cash commission in an amount equal to 10% of the gross proceeds of the initial public offering, a work fee of \$15,000 and reimbursement of certain expenses.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

4. Share capital (continued)

Authorized Unlimited Common Shares (continued)

Upon closing of the initial public offering, the Corporation also granted 772,500 incentive stock options to its directors and officers which are exercisable for a period of five years at an exercise price of \$0.20 per share. On June 29, 2017, the Corporation received the resignation from a director and officer, and the 270,375 options granted to this director and officer expired on September 29, 2017 without being exercised in accordance with the terms of the stock option plan. On November 6, 2017, the Corporation granted a total of 270,374 options to two directors, exercisable at a price of \$0.21 per share until November 6, 2022.

Escrow shares

All the 1,475,000 common shares issued prior to the Offering and all common shares that may be acquired from treasury of the Corporation by non-arm's length parties, as defined in the policies of the TSXV, of the Corporation prior to the completion of the Qualifying Transaction will be deposited with the trustee under the escrow agreement. Under the Discount Seed Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "**Initial Release**") and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. This release schedule may be accelerated if the Corporation is listed as a Tier 1 Issuer.

All common shares acquired upon exercise of stock options prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the common shares will be released from escrow in accordance with the terms of the escrow agreement.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the TSXV, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer following the Qualifying Transaction will also be escrowed. As at January 31, 2021, 1,475,000 common shares were held in escrow.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

4. Share capital (continued)

Stock Option Plan

During the year ended January 31, 2018, the directors of the Corporation approved a stock option plan (the "**Plan**") for the directors, officers, employees and consultants of the Corporation. The outstanding options granted under the Plan are exercisable for a period of up to 10 years from the date of the grant. The exercise price of the options shall be determined by the Board of Directors at the time of the grant. The aggregate number of shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. The number of common shares reserved for issuance to (a) any participant will not exceed 5% of the issued and outstanding common shares in a twelve-month period, and (b) any individual director or officer will not exceed 5% of the issued and outstanding common shares while the corporation is a CPC, and (c) any person conducting investor relations activities within a 12 month period shall not exceed 2% of the common shares outstanding at the time of grant, provided that, while the Corporation is a CPC, no common shares may be reserved for issuance to any persons conducting investor relations activities, promotional or market-making services, and (d) Insiders shall not exceed 10% of the common shares outstanding from time to time, and (e) Insiders within a 12 month period shall not exceed 10% of the common shares outstanding from time to time; and (f) to any one consultant in any 12 month period shall not exceed 2% of the common shares outstanding at the time of the grant. Options granted to an optionee while the Corporation is a CPC who does not continue as a director, officer, technical consultant or employee of the resulting issuer may be exercised until the later of 12 months after the completion of the Qualifying Transaction and 90 days after the optionee ceases to be a director, officer, technical consultant or employee of the resulting issuer.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

4. Share capital (continued)

Stock Option Plan (continued)

As at January 31, 2021 and 2020, the Corporation had a total of 772,499 stock options outstanding and exercisable, with 502,125 stock options exercisable for a period of five years until May 3, 2022 at an exercise price of \$0.20 per share, and 270,374 stock options exercisable for a period of five years until November 6, 2022 at an exercise price of \$0.21 per share.

Agent's Option

As at January 31, 2019, Mackie Research Capital Corporation ("**Mackie**") has a non-transferable option (the "**Agent's Option**") to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share until May 3, 2019. The Agent's Option expired on May 3, 2019 and was not exercised. As at January 31, 2021, no Agent's Option was outstanding.

5. Income taxes

The reconciliation of the combined federal and provincial corporate income taxes at statutory rates of 26.5% (2020 – 26.5%) to the Corporation's effective income tax expense is as follows:

| | January 31, 2021 | January 31, 2020 |
|---|------------------|------------------|
| Net (loss) earnings before recovery of income taxes | \$ (119,657) | \$ 89,584 |
| Expected income tax (recovery) expense | (31,710) | 23,740 |
| Items subject to different tax rates | - | (34,530) |
| Changes in tax benefits not recognized | 31,710 | 10,790 |
| Income tax (recovery) expense | \$ - | \$ - |

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

5. Income taxes (continued)

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | January 31, 2021 | January 31, 2020 |
|--------------------------------------|------------------|------------------|
| Operating tax losses carried forward | \$ 754,940 | \$ 602,410 |
| Share issuance costs | 44,700 | 89,400 |
| Intangible assets | 11,820 | - |

The Canadian operating losses carry forwards will expire as noted in the table below. Share issuance costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom.

The Corporation's Canadian non-capital income tax losses expire as follows:

| | |
|------|-------------------|
| 2037 | \$ 37,780 |
| 2038 | 118,840 |
| 2039 | 360,390 |
| 2040 | 85,400 |
| 2041 | <u>152,530</u> |
| | <u>\$ 754,940</u> |

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

6. Financial instruments fair values

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash and cash equivalents. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Interest Rate Risk

The Corporation is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities.

7. Capital management and risk management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

8. Related party transactions

During the 12 months period ended January 31, 2021, the Corporation paid and accrued legal fees, disbursements and applicable HST of \$71,924 (\$4,837 in disbursements, \$61,450 in fees and \$5,638 in HST) provided by a legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019. These amounts have been included as part of accounts payable and accrued liabilities.

There was no other transaction with related parties and no remuneration was paid to key management personnel during the 12 months period ended January 31, 2021.

All transactions with related parties occurred in the normal course of operations.

9. Subsequent events

- a) On February 3, 2021, the Corporation entered into a letter of intent (the "LOI") for a business combination (the "FWT Transaction") with Forward Water Technologies Inc. ("FWT"), a corporation existing under the laws of Ontario that will result in a reverse take-over of HWCC on the TSXV. If completed, the FWT Transaction is intended to constitute the "Qualifying Transaction" of the CPC Policy of the TSXV.

The proposed FWT Transaction is not a "Non-Arm's Length Qualifying Transaction" within the meaning of the CPC Policy of the TSXV and, as such, shareholder approval is not required, unless otherwise required by the TSXV.

HWCC and FWT will complete the FWT Transaction by way of a share exchange, amalgamation, arrangement, share purchase, or other form of transaction which would result in FWT becoming a wholly-owned subsidiary of HWCC or otherwise combine its corporate existence with a wholly-owned subsidiary of HWCC. Once the structure is determined, the LOI will be superseded by a definitive agreement between HWCC and FWT, and the parties will announce the signing of such definitive agreement. Following completion of the FWT Transaction, HWCC as the resulting issuer (the "Resulting Issuer") will hold all of FWT's assets and conduct the business of FWT.

Prior to, and as a condition of closing of the FWT Transaction and subject to TSXV approval, will change its name to "Forward Water Technologies Corp" or such other similar name approved by the directors of HWCC and FWT and acceptable to the applicable regulatory authorities.

HOPE WELL CAPITAL CORP.*

Notes to Consolidated Financial Statements

(Expressed in Canadian dollars)

For the Years Ended January 31, 2021 and 2020

9. Subsequent events (continued)

The Corporation will, subject to acceptance by the TSXV and meeting other regulatory requirements, issue common shares of the Corporation in exchange for all of the issued and outstanding common shares of FWT (the "FWT Shares") on the basis of one FWT Share for five HWCC shares. All outstanding convertible securities of FWT will be replaced by convertible securities of the Resulting Issuer at the same exchange ratio.

In conjunction with the FWT Transaction, FWT entered into an engagement letter with Mackie Research Capital Corporation on March 23, 2021 to conduct a brokered private placement (the "Financing") led by Mackie Research Capital Corporation to raise gross proceeds of a maximum of \$6,500,000 through the issuance of units of FWT ("FWT Units"). The FWT Unit will be offered at a price to be determined in the context of the market currently expected to be \$1.00 per FWT Unit. Each FWT Unit will be comprised of one FWT Share and one-half of one FWT warrant, with each full FWT warrant will be exercisable into one FWT Share at \$1.25 per share for 24 months after the completion of the FWT Transaction. On completion of the FWT Transaction, each FWT Share will be exchanged for five common shares of the Resulting Issuer and each FWT Warrant will be exchanged for Resulting Issuer warrants at the same exchange ratio.

Pursuant to the terms of the LOI, completion of the FWT Transaction will be subject to a number of conditions, including completion of a minimum raise of \$4,250,000 in the Financing, receipt of all required regulatory approvals, including the approval of the TSXV of the FWT Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the TSXV and all requirements under the TSXV rules relating to completion of a qualifying transaction, and the execution of a definitive agreement. There can be no assurance that the FWT Transaction will be completed as proposed or at all.

The proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined by the TSXV) and is not expected to be subject to shareholder approval. The Corporation intends to hold a shareholders' meeting to approve the name change and other related matter requiring shareholder approval under its governing corporate statute. Further details of the proposed transaction, including the consideration to be paid, will follow in future announcements.

HOPE WELL CAPITAL CORP.*

Interim Condensed Consolidated Financial Statements
(Expressed in Canadian dollars)

For the Three and Six Months Ended July 31, 2021
(Unaudited)

*Hope Well Capital Corp. is in no way affiliated with or related to Hopewell Capital Corporation, a separate pre-existing business engaged in the field of venture capital across Canada, or the Hopewell Group of Companies' multi-faceted real estate and logistics group.

HOPE WELL CAPITAL CORP.*

Interim Condensed Consolidated Statement of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

As at July 31, 2021 and January 31, 2021

| | July 31, 2021 | January 31, 2021 |
|--|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 3) | \$ 679,745 | \$ 757,173 |
| Total assets | \$ 679,745 | \$ 757,173 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 110,701 | \$ 40,846 |
| Total liabilities | 110,701 | 40,846 |
| Equity: | | |
| Share capital (note 4) | 1,083,704 | 1,083,704 |
| Contributed surplus (note 4) | 281,321 | 281,321 |
| Deficit | (795,981) | (648,698) |
| Total equity | 569,044 | 716,327 |
| Total liabilities and equity | \$ 679,745 | \$ 757,173 |

Nature of operations (Note 1)

Subsequent events (Note 6)

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

On behalf of the Board:

Signed "Sheldon Kales" Director

Signed "Peiwei Ni" Director

HOPE WELL CAPITAL CORP.*

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021 and 2020

| | Three-month periods ended | | Six-month periods ended | |
|---|---------------------------|--------------------|-------------------------|--------------------|
| | July 31, | | July 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| Other Income: | | | | |
| Interest income | \$ 13 | \$ 668 | \$ 23 | \$ 1,891 |
| Expenses: | | | | |
| TSXV filing fees and others | \$ (35,017) | \$ (4,071) | \$ (35,990) | \$ (22,715) |
| Professional fees | (82,596) | (13,562) | (111,316) | (35,749) |
| Net loss and Comprehensive loss | | | | |
| | \$ (117,600) | \$ (16,965) | \$ (147,283) | \$ (56,573) |
| Earning (Loss) per share | | | | |
| Basic | \$ (0.019) | \$ (0.003) | \$ (0.024) | \$ (0.009) |
| Diluted | \$ (0.019) | \$ (0.003) | \$ (0.024) | \$ (0.009) |
| Weighted average number of shares outstanding | | | | |
| Basic | 6,249,999 | 6,249,999 | 6,249,999 | 6,249,999 |
| Diluted | 6,249,999 | 6,249,999 | 6,249,999 | 6,249,999 |

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

HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

For the Six Months Ended July 31, 2021 and 2020

| | Number of Common Share | Share Capital | Contributed Surplus | Deficit | Total |
|---------------------------------|---------------------------|---------------------|------------------------|---------------------|-------------------|
| Balance, February 1, 2020 | 7,724,999 | \$1,083,704 | \$ 281,321 | \$ (529,041) | \$ 835,984 |
| Net loss for the 6-month period | - | - | - | (56,573) | (56,573) |
| Balance, July 31, 2020 | 7,724,999 | 1,083,704 | 281,321 | (585,614) | 779,411 |
| Net profit for 6-month period | - | - | - | (63,084) | (63,084) |
| Balance, January 31, 2021 | 7,724,999 | \$ 1,083,704 | \$ 281,321 | \$ (648,698) | \$ 716,327 |
| Net profit for 6-month period | - | - | - | (147,283) | (147,283) |
| Balance, July 31, 2021 | 7,724,999 | \$ 1,083,704 | \$ 281,321 | \$ (795,981) | \$ 569,044 |

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

HOPE WELL CAPITAL CORP.

Interim Condensed Consolidated Statement of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

For the Six Months Ended July 31, 2021 and 2020

| | July 31, 2021 | July 31, 2020 |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Net loss for the year | \$ (147,283) | \$ (56,573) |
| Change in non-cash operating working capital: | | |
| Advances payable and accrued liabilities | 69,855 | (18,013) |
| | | |
| Cash used in operating activities | (77,428) | (74,586) |
| | | |
| Decrease in Cash | (77,428) | (74,586) |
| | | |
| Cash and cash equivalents, beginning of period | 757,173 | 854,997 |
| | | |
| Cash and cash equivalents, end of period | \$ 679,745 | \$ 780,411 |

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

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

1. Nature of operations

Hope Well Capital Corp. (the "Corporation" or "HWCC") was incorporated under the Business Corporations Act (Ontario) on December 1, 2016 with the intent of being classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "Exchange").

On May 3, 2017, the Corporation completed its initial public offering pursuant to a prospectus dated March 24, 2017 by issuing 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000. The common shares of the Corporation were listed on the Exchange on May 9, 2017 under the symbol "HOPE.P" and the Corporation was classified as a CPC.

The Corporation has no assets other than cash. The Corporation proposes to identify and evaluate potential acquisitions of businesses (for a "Qualifying Transaction"), and once identified and evaluated, to negotiate an acquisition or participation.

The Corporation's continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business within twenty-four months of listing on the Exchange. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Corporation will be able to complete a Qualifying Transaction within twenty-four months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange has suspended and may de-list the Corporation's common shares from trading should it not meet these requirements.

On May 10, 2019, the Exchange suspended trading of the Corporation's shares in accordance with the Exchange policy as the Corporation was not able to identify a Qualifying Transaction within the time limitations permissible under the policies of the Exchange, which was by May 9, 2019. The trading of the Corporation's shares on the Exchange will remain suspended until the Corporation completes a qualifying transaction, to the applicable Exchange policy has been amended. The Corporation continues to pursue its search for a Qualifying Transaction.

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

1. Nature of operations (continued)

Hope Well Capital Corp. has its wholly owned subsidiary, 2644246 Ontario Limited. ("Hope Well Sub"), which was incorporated on July 5, 2018, and is inactive. These unaudited interim condensed consolidated financial statements include the financial statements of the Corporation and its wholly owned subsidiary.

The address of the Corporation's registered office, as of the year end date, was Suite 3000, 77 King Street West, Toronto, Ontario. These unaudited interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 29, 2021.

Proposed Qualifying Transaction with FWT

On February 3, 2021, the Corporation entered into a letter of intent (the "FWT LOI") for a business combination (the "FWT Transaction") with Forward Water Technologies Inc. ("FWT"), a corporation existing under the laws of Ontario that will result in a reverse take-over of HWCC on the TSXV. If completed, the FWT Transaction is intended to constitute the "Qualifying Transaction" of the CPC Policy of the TSXV.

The proposed FWT Transaction is not a "Non-Arm's Length Qualifying Transaction" within the meaning of the CPC Policy of the TSXV and, as such, shareholder approval is not required, unless otherwise required by the TSXV.

On June 2, 2021, HWCC and FWT entered into a business combination agreement with respect to the FWT Transaction (the "Combination Agreement") which supersedes the FWT LOI. Under the terms of the Combination Agreement, the FWT Transaction will be completed by way of a three-cornered amalgamation under the laws of Ontario, whereby 2644246 Ontario Limited, a wholly-owned subsidiary of HWCC, will amalgamate with and into FWT (the "Amalgamation"), with FWT surviving as a wholly-owned subsidiary of HWCC. Prior to the completion of the FWT Transaction HWCC will change its name to "Forward Water Technologies Corp." (the "Name Change") and, following completion of the FWT Transaction, the HWCC as the resulting issuer will conduct FWT's business under the new name. Pursuant to the terms of the Combination Agreement, and in connection with the Amalgamation: (a) holders of outstanding FWT Shares, including FWT Shares issued upon

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

1. Nature of operations (continued)

conversion of the Subscription Receipts issued in connection with the FWT Financing, will receive five fully paid and non-assessable common shares in the capital of HWCC (each a “Resulting Issuer Share”) for each FWT Share (the “Exchange Ratio”) held at the deemed price of \$0.20 per Resulting Issuer Share; and (b) holders of outstanding FWT securities other than FWT Shares will have such securities replaced with securities of HWCC in numbers and exercise prices, as applicable, adjusted based on the Exchange Ratio.

On June 4, 2021, FWT completed the first tranche of the FWT Financing by issuing a total of 5,170,000 Subscription Receipts at \$1.00 per Subscription Receipt. On July 26, 2021, FWT completed the second and final tranche of the FWT Financing by issuing a total of 1,300,000 Subscription Receipts. FWT issued a total of 6,500,000 Subscription Receipts for gross proceeds of \$6.5 million in both tranches of the FWT Financing. HWCC and FWT entered into an agency agreement with Research Capital Corporation, WD Capital Markets Inc. and Fraser Mackenzie Corporate Finance, a division of Waverley Corporate Financial Services Ltd. with respect to the FWT Financing on June 4, 2021. Each Subscription Receipt will be converted immediately before the completion of the FWT Transaction into an FWT unit comprised of one FWT Share and one-half of one FWT warrant, with each full FWT warrant will be exercisable into one FWT Share at \$1.25 per share for 24 months after the completion of the FWT Transaction. HWCC also entered into a warrant indenture with FWT and TSX Trust Company dated as of June 4, 2021 governing the FWT warrants and HWCC warrants to be issued on completion of the FWT Transaction in exchange therefor. The gross proceeds of the FWT Financing, net of the agents’ expenses and 50% of the agents’ commission and fees, were placed in escrow pursuant to the terms of a subscription receipt agreement dated May 14, 2021 between FWT, the lead agent and TSX Trust Company. Upon satisfaction or waiver of the escrow release conditions including the completion of the FWT Transaction, the escrowed funds together with any interest earned thereon, will be released to HWCC as the resulting issuer (and the agents in respect of the remaining agents’ commission and fees) in accordance with the terms set out in the subscription receipt agreement. If the escrow release conditions are not satisfied or waived, or if the FWT Transaction is not completed, the Subscription Receipts will be cancelled without any further action and the escrowed funds together with any interest earned thereon will be returned to subscribers on a pro rata basis with any shortage of funds being paid by FWT.

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

1. Nature of operations (continued)

Pursuant to the terms of the Combination Agreement, completion of the FWT Transaction will be subject to a number of conditions, including completion of a minimum raise of \$4,250,000 in the FWT Financing, receipt of all required regulatory approvals, including the approval of the TSXV of the FWT Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the TSXV and all requirements under the TSXV rules relating to completion of a qualifying transaction, and the execution of a definitive agreement. There can be no assurance that the FWT Transaction will be completed as proposed or at all.

The proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined by the TSXV) and is not expected to be subject to shareholder approval. The Corporation held a shareholders' meeting on July 8, 2021 to approve the name change and other related matter requiring shareholder approval under its governing corporate statute. Shareholders of the Corporation approved the Name Change and other matters related to the proposed Qualifying Transaction including the election of a new board of directors to hold office following completion of the proposed Qualifying Transaction; the appointment of a new auditor following completion of the proposed Qualifying Transaction; and the adoption of a new stock option plan to take effect upon completion of the Proposed Qualifying Transaction.

Shareholder Approval of Transition to New CPC Policy

On July 8, 2021, the Corporation's shareholders approved, at an annual and special meeting of shareholders, to transition the Corporation to certain provisions included in a new Policy 2.4 that became effective January 1, 2021. The transitioning provisions included that the Corporation's common shares held in escrow would no longer be subject to cancellation should the Corporation not complete a Qualifying Transaction within 24 months of listing on TSX-V and, on completing a Qualifying Transaction, the release period for escrowed shares would be reduced to 18 months from 36 months; the Corporation's share listing would no longer be required to be moved to the NEX Tier of the TSX-V and the restrictions on the use of proceeds raised by the Corporation were amended to those disclosed in Note 3-Cash and Cash Equivalents.

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

1. Nature of operations (continued)

Impact of COVID 19

During the period, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. Significant accounting policies

a) *Statement of compliance*

The Corporation applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective as of July 31, 2021. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB.

b) *Basis of measurement*

These unaudited interim condensed consolidated financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

3. Cash and cash equivalents

The Corporation is not subject to any externally imposed capital requirements other than the expenditure restrictions applicable under Policy 2.4. On July 8, 2021, the Corporation obtained shareholder approval to adopt certain new provisions in Policy 2.4 (Note 1-Nature of Operations and Note 8-Subsequent Events), including updated expenditure restrictions for CPCs. These restrictions limit the Corporation's expenditures to reasonable amounts related to the IPO and any proposed Qualifying Transaction, assurance and audit fees, escrow agent and transfer agent fees, regulatory filing fees and a maximum of \$3,000 per month for other general and administrative costs.

4. Share capital

Authorized Unlimited Common Shares

The Corporation is authorized to issue an unlimited number of common shares, and on April 30, 2017, the Corporation issued 1,475,000 common shares at \$0.10 per share for total proceeds of \$147,500.

On May 3, 2017, the Corporation completed its initial public offering (the "Offering") pursuant to the Prospectus through its agent, Mackie Research Capital Corporation (the "Agent") of 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000.

As consideration for its role as agent, the Corporation granted to the Agent a non-transferable option to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019. In addition, the Agent received a cash commission in an amount equal to 10% of the gross proceeds of the initial public offering, a work fee of \$15,000 and reimbursement of certain expenses.

Upon closing of the initial public offering, the Corporation also granted 772,500 incentive stock options to its directors and officers which are exercisable for a period of five years at an exercise price of \$0.20 per share. On June 29, 2017, the Corporation received the resignation from a director and officer, and the 270,375 options granted to this director and officer expired on September 29, 2017 without being exercised in accordance with the terms of the stock

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

4. Share capital (continued)

option plan. On November 6, 2017, the Corporation granted a total of 270,374 options to two directors, exercisable at a price of \$0.21 per share until November 6, 2022.

Escrow shares

All the 1,475,000 common shares issued prior to the Offering and all common shares that may be acquired from treasury of the Corporation by non-arm's length parties, as defined in the policies of the Exchange, of the Corporation prior to the completion of the Qualifying Transaction were and will be deposited with the trustee under the escrow agreement dated March 24, 2017 (the "CPC Escrow Agreement"). Under the CPC Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. This release schedule was amended on August 5, 2021 (see Note 8-Subsequent Event).

All common shares acquired upon exercise of stock options prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the common shares will be released from escrow in accordance with the terms of the CPC Escrow Agreement.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the Exchange, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer following the Qualifying Transaction will also be escrowed. As at July 31, 2021, 1,475,000 common shares were held in escrow.

Stock Option Plan

During the year ended January 31, 2018, the directors of the Corporation approved a stock option plan (the "Plan") for the directors, officers, employees and consultants of the Corporation. The outstanding options granted under the Plan are exercisable for a period of up

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

4. Share capital (continued)

to 10 years from the date of the grant. The exercise price of the options shall be determined by the Board of Directors at the time of the grant. The aggregate number of shares issuable upon the exercise of all options granted under the plan shall not exceed 10% of the issued and outstanding common shares of the Corporation from time to time. The number of common shares reserved for issuance to (a) any participant will not exceed 5% of the issued and outstanding common shares in a twelve-month period, and (b) any individual director or officer will not exceed 5% of the issued and outstanding common shares while the corporation is a CPC, and (c) any person conducting investor relations activities within a 12 month period shall not exceed 2% of the common shares outstanding at the time of grant, provided that, while the Corporation is a CPC, no common shares may be reserved for issuance to any persons conducting investor relations activities, promotional or market-making services, and (d) Insiders shall not exceed 10% of the common shares outstanding from time to time, and (e) Insiders within a 12 month period shall not exceed 10% of the common shares outstanding from time to time; and (f) to any one consultant in any 12 month period shall not exceed 2% of the common shares outstanding at the time of the grant. Options granted to an optionee while the Corporation is a CPC who does not continue as a director, officer, technical consultant or employee of the resulting issuer may be exercised until the later of 12 months after the completion of the Qualifying Transaction and 90 days after the optionee ceases to be a director, officer, technical consultant or employee of the resulting issuer.

As at July 31, 2021, the Corporation had a total of 772,499 stock options outstanding and exercisable, with 502,125 stock options exercisable for a period of five years until May 3, 2022 at an exercise price of \$0.20 per share, and 270,374 stock options exercisable for a period of five years until November 6, 2022 at an exercise price of \$0.21 per share.

5. Related party transactions

During the three months period ended July 31, 2021, the Corporation paid and accrued legal fees and disbursements of \$74,341 (\$544 in disbursements, and \$73,797 in fees) provided by a legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019.

During the six months period ended July 31, 2021, the Corporation paid and accrued legal fees and disbursements of \$95,829 (\$3,862 in disbursements, and \$91,967 in fees) provided by a

HOPE WELL CAPITAL CORP.

Notes to Interim Condensed Consolidated Financial Statements

(Expressed in Canadian dollars)

(Unaudited)

For the Three and Six Months Ended July 31, 2021

5. Related party transactions (continued)

legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019.

There was no other transaction with related parties and no remuneration was paid to key management personnel during the three months and six months periods ended July 31, 2021.

All transactions with related parties occurred in the normal course of operations.

6. Subsequent events

On August 5, 2021, the Corporation, TMX Trust Company and shareholders holding the 1,450,000 common shares entered into an amended and restated escrow agreement (the "Restated Escrow Agreement") restating the CPC Escrow Agreement. Under the Restated Escrow Agreement, 25% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 25% will be released on the dates which are 6 months, 12 months, 18 months following the Initial Release.

On August 10, 2021, the Corporation received TSXV final approval for transitioning to the amended CPC policy following shareholder approval of the transitioning provisions on July 8, 2021. As a result of the provisions approved by shareholders, the Corporation's common shares held in escrow are no longer subject to cancellation should the Corporation not complete a Qualifying Transaction within 24 months of listing on TSX-V and, on completing a Qualifying Transaction, the release period for escrowed shares is reduced to 18 months from 36 months pursuant to the Restated Escrow Agreement. Further, the Corporation's share listing is no longer required to be moved to the NEX Tier of the TSX-V and restrictions on the use of proceeds raised by the Corporation have been amended to those disclosed in Note 3-Cash and Cash Equivalents.

On September 14, 2021, FWT received conditional approval from the TSXV for the proposed Qualifying Transaction.

Schedule "B"
HWCC MANAGEMENT'S DISCUSSION AND ANALYSIS

HOPE WELL CAPITAL CORP.*

(A CAPITAL POOL COMPANY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED JANUARY 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

*Hope Well Capital Corp. is in no way affiliated with or related to Hopewell Capital Corporation, a separate pre-existing business engaged in the field of venture capital across Canada, or the Hopewell Group of Companies' multi-faceted real estate and logistics group.

Introduction

This Management's Discussion and Analysis ("MD&A") is dated May 17, 2021 unless otherwise indicated and should be read in conjunction with the audited consolidated financial statements of Hope Well Capital Corp.* ("HWCC" or the "Corporation") for the year ended January 31, 2021 and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended January 31, 2021, are not necessarily indicative of the results that may be expected for any future period.

The audited annual financial statements for the year ended January 31, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or from www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of the Corporation to complete a Qualifying

Transaction (defined below); the ability of the Corporation to successfully merge its business with a potential Qualifying Transaction target company or asset, the Corporation's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Corporation's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Overview

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on December 1, 2016 with the intent of being classified as a Capital Pool Company ("**CPC**") as defined in Policy 2.4 of the TSX Venture Exchange (the "**TSXV**"). The Corporation has no assets other than cash. The Corporation proposes to identify and evaluate potential acquisitions of businesses (for a "**Qualifying Transaction**"), and once identified and evaluated, to negotiate an acquisition or participation. The registered office of the Corporation is located at Suite 802, 235 Yorkland Blvd., Toronto, Ontario, M2J 4Y8. The Corporation's financial year ends on January 31.

The Corporation's continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business within twenty-four months of listing on the TSXV. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Corporation will be able to complete a Qualifying Transaction within twenty-four months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The TSXV may suspend or de-list the Corporation's common shares from trading should it not meet these requirements.

The Corporation has not commenced commercial operations and has no assets other than cash. The Corporation will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the TSXV.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the TSXV may suspend or delist the Corporation's shares from trading.

Until Completion of the Qualifying Transaction (as such term is defined in Policy 2.4), the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a Qualifying Transaction. Except as described in the Corporation's prospectus dated March 24, 2017 in connection with the IPO, funds raised pursuant to the issuance of shares by the Corporation will be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by Policy 2.4, for general and administrative expenses.

Initial Public Offering

On May 3, 2017, the Corporation completed its initial public offering (the “**IPO**”) through its agent, Mackie Research Capital Corporation (“**Mackie**”), pursuant to a prospectus dated March 24, 2017 by issuing 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000. The Corporation became classified as a Capital Pool Company pursuant to Policy 2.4 — Capital Pool Companies (“**Policy 2.4**”) of the TSXV and commenced trading on the TSXV under the symbol HOPE.P on May 9, 2017. The Corporation's principal business is the identification and evaluation of assets or businesses for the purpose of completing a Qualifying Transaction (as such term is defined in Policy 2.4).

As consideration for its role as agent, the Corporation granted to Mackie a non-transferable option (the “**Agent's Option**”) to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019. In addition, Mackie received a cash commission in an amount equal to 10% of the gross proceeds of the initial public offering, a work fee of \$15,000 and reimbursement of certain expenses.

Upon closing of the IPO, the Corporation also granted 772,500 incentive stock options to its directors and officers which are exercisable for a period of five years at an exercise price of \$0.20 per share. On June 29, 2017, the Corporation received the resignation from a director, and the 270,375 options granted to him expired on September 29, 2017 in accordance with the terms of the stock option plan. On November 6, 2017, the Corporation granted a total of 270,374 options to two directors, exercisable at a price of C\$0.21 per share until November 6, 2022.

Escrow shares

All common shares issued prior to the offering and all common shares that may be acquired from treasury of the Corporation by non-arm's length parties, as defined in the policies of the TSXV, of the Corporation prior to the completion of the Qualifying Transaction will be deposited with the trustee under the escrow agreement. Under the Discount Seed Escrow Agreement, 10% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the “**Initial Release**”) and an additional 15% will be released on the dates which are 6

months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. This release schedule may be accelerated if the Corporation is listed as a Tier 1 Issuer.

All common shares acquired upon exercise of stock options prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the common shares will be released from escrow in accordance with the terms of the escrow agreement.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the TSXV, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer following the Qualifying Transaction will also be escrowed. As at January 31, 2021, 1,475,000 common shares were in escrow.

Terminated Proposed Qualifying Transaction

Payfare

On November 17, 2017, the Corporation entered into a letter of intent for a business combination (the “**Payfare Transaction**”) with Payfare Inc. (“**Payfare**”), that would have resulted in a reverse take-over of HWCC on the TSXV. If completed, the Payfare Transaction was intended to constitute the “Qualifying Transaction” of the Corporation under Policy 2.4 - Capital Pool Companies (the “**CPC Policy**”) of the TSXV. Subsequently, the Corporation and its wholly owned subsidiary, 2644246 Ontario Limited entered into an amalgamation agreement with Payfare on July 27, 2018, which was amended and restated on September 27, 2018, further amended on November 20, 2018 and further amended and restated on March 4, 2019 (the “**Amalgamation Agreement**”).

On March 6, 2019 the TSXV conditionally approved the listing of the resulting issuer on closing of the Payfare Transaction between the Corporation and Payfare.

On March 15, 2019, the Corporation received an email notice from Payfare with a copy of a non-binding letter of intent from an unidentified party to purportedly acquire all outstanding securities of Payfare for a cash and stock transaction (the “**Alternative Offer**”). Payfare claimed that the Alternative Offer was a “Superior Merger Proposal” under the Amalgamation Agreement and terminated the Payfare Transaction with the Corporation on March 27, 2019.

The Corporation disputed Payfare's claims and commenced a legal action against Payfare with respect to Payfare's non-compliance with the Amalgamation Agreement claiming, among other things, breach of contract, seeking damages including expenses incurred by the Corporation in connection with the Payfare Transaction.

The Corporation's shares resumed trading on the TSXV on April 9, 2019. On May 10, 2019 the TSXV suspended trading of the Corporation's shares in accordance with the TSXV policy as the Corporation did not complete a qualifying transaction by May 9, 2019, which was two years from listing on the TSXV. The trading of the Corporation's shares on the TSXV will remain suspended

until the Corporation completes a qualifying transaction, or the applicable Exchange policy has been amended.

On June 12, 2019, the Corporation entered into a settlement agreement with full and final mutual releases with Payfare in connection with claims made by the Corporation against Payfare and counterclaims made by Payfare against the Corporation in a court action regarding the disputes on Payfare's termination of the proposed Payfare Transaction. The parties settled the disputes without admission of liability. Settlement fee of \$300,000 was received together with remaining balance of retainer for \$90,577.58, which was deposited into GIC account with one-year term and annual interest rate of 1.27% maturing on June 19, 2020.

Loc8

On February 6, 2020, the Corporation entered into a letter of intent, as amended as of March 11, 2020 (the "Loc8 LOI") for a business combination (the "Loc8 Transaction") with Loc8 Corp. ("Loc8"), a corporation existing under the laws of Ontario that would have resulted in a reverse take-over of HWCC on the TSXV.

Prior to, and as a condition of closing of the Loc8 Transaction and subject to TSXV approval, HWCC would consolidate its outstanding shares (the "Consolidation") on the basis of 1.20 pre-Consolidation common shares for one post-Consolidation common share (a "Post-Consolidation Share"). The Corporation also expected to change its name to "Deepspatial AI Corp." or such other similar name approved by the directors of HWCC and Loc8 and acceptable to the applicable regulatory authorities.

In conjunction with the Loc8 Transaction, Loc8 and HWCC entered into an engagement letter with Mackie Research Capital Corporation on February 11, 2020 to conduct a brokered private placement (the "Loc8 Financing") led by Mackie Research Capital Corporation to raise gross proceeds of a minimum of \$2,000,000 and a maximum of \$3,000,000 through the issuance of subscription receipts of Loc8.

Pursuant to the terms of the LOI, completion of the Loc8 Transaction would be subject to a number of conditions, including completion of a minimum raise of \$2,000,000 in the Loc8 Financing, receipt of all required regulatory approvals, including the approval of the TSXV of the Loc8 Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the TSXV and all requirements under the TSXV rules relating to completion of a qualifying transaction, and the execution of a definitive agreement.

On June 17, 2020, Loc8 and the Corporation terminated the Loc8 LOI and the LOC8 Transaction, primarily due to the delay of the completion of the audit of Loc8's financial statements.

The Corporation will seek out other potential targets for its qualifying transaction. Trading in the common shares of the Corporation has been halted since May 10, 2019. Trading will remain halted until, among other things, the Corporation completes a qualifying transaction in accordance with the policies of the TSXV.

Operations Highlights

The Corporation's net loss totaled \$119,657 for the year ended January 31, 2021 (2020 – net income of \$89,584), with basic loss per share of 0.019 (2020 – basic earning per share of \$0.015), and diluted loss per share of \$0.019 (2020 - diluted earning per share of \$0.015). Activities for the year ended January 31, 2021 principally involved interest income of \$1,924, professional fees of \$93,778, and TSXV fees and others of \$27,803 (2020 – lawsuit settlement received of \$300,000 and accrued interest income of \$3,085, professional fees of \$191,300, and TSXV fees and others of \$22,201).

Financial Highlights

Financial Performance

The Corporation's total assets at January 31, 2021 were \$757,173 (January 31, 2020 - \$854,997) against total liabilities of \$40,846 (January 31, 2020 - \$19,013). The decrease in total assets of \$97,824 resulted from expenditures on professional services and TSXV filing fees. The Corporation has sufficient current assets to pay its existing liabilities of \$40,846 at January 31, 2021 and meet its objective of completing a Qualifying Transaction.

Cash Flow

At January 31, 2021, the Corporation had working capital of \$716,327, compared to working capital of \$835,984 at January 31, 2020. The Corporation had cash of \$757,173 at January 31, 2021 compared to \$854,997 at January 31, 2020. The decrease in working capital and in cash is primarily due to expenditures on professional services and TSXV filing fees.

Liquidity and Financial Position

At January 31, 2021, the Corporation had working capital of \$716,327. The Corporation manages its capital structure and makes adjustments to it, based on available funds to the Corporation. Capital levels for Capital Pool Companies are regulated pursuant to guidelines issued by the TSXV. These guidelines state that until Completion of the Qualifying Transaction, and except as otherwise provided in the Policy 2.4, a maximum of the lesser of 30% of the gross proceeds from the sale of all securities issued by the Corporation and \$210,000 may be used for purposes other than evaluating businesses or assets, subject to the obtaining of a waiver of the TSXV. These restrictions apply until Completion of the Qualifying Transaction by the Corporation. Management believes the Corporation's working capital is sufficient for the Corporation to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction. As at January 31, 2021, these restrictions had been met.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or

financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Contractual Obligations

There are no significant contractual obligations.

Related Party Transactions

During the 12 months period ended January 31, 2021 and 2020, the Corporation paid and accrued legal fees, disbursements and applicable HST of 71,924 (\$4,837 in disbursements, \$61,450 in fees and \$5,638 in HST) and \$128,536 (\$7,264 in disbursements, \$103,777 in fees and \$17,495 in HST) respectively, provided by a legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019. These amounts have been included as part of accounts payable and accrued liabilities.

There was no other transaction with related parties and no remuneration was paid to key management personnel during the 12 months period ended January 31, 2021.

All transactions with related parties occurred in the normal course of operations.

9. Subsequent Events

- (i) On February 3, 2021, the Corporation entered into a letter of intent (the "LOI") for a business combination (the "FWT Transaction") with Forward Water Technologies Inc. ("FWT"), a corporation existing under the laws of Ontario that will result in a reverse take-over of HWCC on the TSXV. If completed, the FWT Transaction is intended to constitute the "Qualifying Transaction" of the CPC Policy of the TSXV.

The proposed FWT Transaction is not a "Non-Arm's Length Qualifying Transaction" within the meaning of the CPC Policy of the TSXV and, as such, shareholder approval is not required, unless otherwise required by the TSXV.

HWCC and FWT will complete the FWT Transaction by way of a share exchange, amalgamation, arrangement, share purchase, or other form of transaction which would result in FWT becoming a wholly-owned subsidiary of HWCC or otherwise combine its corporate existence with a wholly-owned subsidiary of HWCC. Once the structure is determined, the LOI will be superseded by a definitive agreement between HWCC and FWT, and the parties will announce the signing of such definitive agreement. Following completion of the FWT Transaction, HWCC as the resulting issuer (the "Resulting Issuer") will hold all of FWT's assets and conduct the business of FWT.

Prior to, and as a condition of closing of the FWT Transaction and subject to TSXV approval, will change its name to "Forward Water Technologies Corp" or such other

similar name approved by the directors of HWCC and FWT and acceptable to the applicable regulatory authorities.

The Corporation will, subject to acceptance by the TSXV and meeting other regulatory requirements, issue common shares of the Corporation in exchange for all of the issued and outstanding common shares of FWT (the "FWT Shares") on the basis of one FWT Share for five HWCC shares. All outstanding convertible securities of FWT will be replaced by convertible securities of the Resulting Issuer at the same exchange ratio.

In conjunction with the FWT Transaction, FWT entered into an engagement letter with Mackie Research Capital Corporation on March 23, 2021 to conduct a brokered private placement (the "Financing") led by Mackie Research Capital Corporation to raise gross proceeds of a maximum of \$6,500,000 through the issuance of units of FWT ("FWT Units"). The FWT Unit will be offered at a price to be determined in the context of the market currently expected to be \$1.00 per FWT Unit. Each FWT Unit will be comprised of one FWT Share and one-half of one FWT warrant, with each full FWT warrant will be exercisable into one FWT Share at \$1.25 per share for 24 months after the completion of the FWT Transaction. On completion of the FWT Transaction, each FWT Share will be exchanged for five common shares of the Resulting Issuer and each FWT Warrant will be exchanged for Resulting Issuer warrants at the same exchange ratio.

Pursuant to the terms of the LOI, completion of the FWT Transaction will be subject to a number of conditions, including completion of a minimum raise of \$4,250,000 in the Financing, receipt of all required regulatory approvals, including the approval of the TSXV of the FWT Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the TSXV and all requirements under the TSXV rules relating to completion of a qualifying transaction, and the execution of a definitive agreement. There can be no assurance that the FWT Transaction will be completed as proposed or at all.

The proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined by the TSXV) and is not expected to be subject to shareholder approval. The Corporation intends to hold a shareholders' meeting to approve the name change and other related matter requiring shareholder approval under its governing corporate statute. Further details of the proposed transaction, including the consideration to be paid, will follow in future announcements.

Risk Factors

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that

have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position.

Possible Trading Suspension or Delisting

The TSXV may suspend from trading or delist the securities of the Corporation where the Corporation has failed to complete a Qualifying Transaction within the 24 months of the date of listing or if the Corporation fails to meet initial listing requirements of the TSXV upon Completion of the Qualifying Transaction. Suspension from trading of the common shares may, and delisting of the common shares will, result in the regulatory securities authorities issuing an interim cease trade order against the Corporation. In addition, delisting of the common shares will result in the cancellation of all of the currently issued and outstanding common shares of the Corporation held by Insiders. Trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the TSXV in the time periods required.

Securities Regulatory Authorities or the TSXV May Not Approve a Qualifying Transaction

Completion of a Qualifying Transaction is subject to a number of conditions including approval of the Prospectus by the securities regulatory authorities, acceptance by the TSXV and in the case of a Non-Arm's Length Qualifying Transaction, Majority of the Minority Approval as such terms are defined in Policy 2.4.

Notwithstanding that a transaction may meet the definition of a Qualifying Transaction; the securities regulatory authorities or the TSXV may not approve a Qualifying Transaction:

- (a) if the Corporation fails to meet the initial listing requirements prescribed by Policy 2.1 – Initial Listing Requirements of the TSXV upon Completion of the Qualifying Transaction;
- (b) if, following Completion of the Qualifying Transaction, the Corporation will be a finance company or a mutual fund as defined under applicable securities laws;
- (c) the consideration proposed to be paid by the Corporation in connection with the Qualifying Transaction is not acceptable to the TSXV; or
- (d) for any other reason at the sole discretion of the securities regulatory authorities or the TSXV.

Approval by the Majority of the Minority

Where Majority of the Minority Approval is required, unless the shareholder has the right to dissent and be paid fair value in accordance with the applicable corporate or other law, a shareholder who votes against a proposed Non-Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for the common shares.

Dilution

If the Corporation issues treasury shares to finance acquisition or participation opportunities, control of the Corporation may change and subscribers may suffer dilution of their investment.

Directors and Officers

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation but will be devoting such time as required to effectively manage the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in the search for assets or businesses on their own behalf or on behalf of others such that conflicts may arise from time to time. As a consequence of such conflicts, the Corporation may be exposed to liability and its ability to achieve its business objectives may be impaired.

Reliance on Management

The Corporation is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Corporation is dependent upon the efforts and abilities of its directors and officers. The loss of any of its directors or officers could have a material adverse effect upon the business and prospects of the Corporation.

Critical Accounting Estimates

The preparation of the audited financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The audited financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Financial Instruments Fair Values

At January 31, 2021, the Corporation's financial instruments consisted of cash, accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Interest Rate Risk

The Corporation is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities.

Impact of COVID 19

During the period, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The proposed transaction with Loc8 was terminated partly because Loc8 experienced significant delays in completing its audit due to the COVID 19 restrictions in India. At this time, the Corporation is proceeding with its proposed qualifying transaction during the pandemic. However, it is unknown the extent of the impact the COVID-19 outbreak may have on the Corporation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Capital Management and Risk Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital. The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Outlook

The financial results for the year ended January 31, 2021 are indicative of a Capital Pool Company that has not yet commenced business operations. At year end the Corporation had no commercial assets other than cash. Until the completion and approval of the Qualifying Transaction the Corporation will not carry on any business other than the identification and evaluation of assets or businesses to be developed by the Corporation.

Share Capital

As of January 31, 2021, the Corporation had 7,724,999 issued and outstanding common shares, and it also had 772,499 incentive stock options outstanding granted its directors and officers, with 502,125 stock options expiring on May 3, 2022 exercisable at \$0.20 per share, and 270,374 stock options expiring on November 6, 2022 exercisable at a price of \$0.21 per share. In addition, the Corporation had a non-transferable Agent's Option to purchase up to 625,000 common shares of

the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019 which expired on May 3, 2019, and as of January 31, 2021, no Agent's Option was outstanding.

HOPE WELL CAPITAL CORP.*

(A CAPITAL POOL COMPANY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JULY 31, 2021

(EXPRESSED IN CANADIAN DOLLARS)

*Hope Well Capital Corp. is in no way affiliated with or related to Hopewell Capital Corporation, a separate pre-existing business engaged in the field of venture capital across Canada, or the Hopewell Group of Companies' multi-faceted real estate and logistics group.

Introduction

This Management's Discussion and Analysis ("MD&A") is dated September 29, 2021 unless otherwise indicated and should be read in conjunction with the interim unaudited condensed consolidated financial statements of Hope Well Capital Corp. ("HWCC" or the "Corporation") for the three months ended July 31, 2021 and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three and six months ended July 31, 2021, are not necessarily indicative of the results that may be expected for any future period.

The unaudited interim condensed consolidated financial statements for the three and six months ended July 31, 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The unaudited interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS.

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or from WWW.arsed.com.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of the Corporation to complete a Qualifying Transaction (defined below); the ability of the Corporation to successfully merge its business with a potential Qualifying Transaction target company or asset, the Corporation's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Corporation's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Overview

The Corporation was incorporated under the Business Corporations Act (Ontario) on December 1, 2016 with the intent of being classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the TSX Venture Exchange (the "TSXV"). The Corporation has no assets other than cash. The Corporation proposes to identify and evaluate potential acquisitions of businesses (for a "Qualifying Transaction"), and once identified and evaluated, to negotiate an acquisition or participation. The registered office of the Corporation is located at Suite 802, 235 Yorkland Blvd., Toronto, Ontario, M2J 4Y8. The Corporation's financial year ends on January 31.

The Corporation's continuing operations are dependent upon its ability to evaluate and negotiate an agreement to acquire an interest in a material asset or business. Where an acquisition or participation is warranted, additional funding may be required. The ability of the Corporation to fund its potential future operations and commitments is dependent upon its ability to obtain additional financing. There is no assurance that the Corporation will be able to complete a Qualifying Transaction or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The TSXV may suspend or de-list the Corporation's common shares from trading should it not meet these requirements.

The Corporation has not commenced commercial operations and has no assets other than cash. The Corporation will not carry on any business other than the identification and evaluation of

assets or businesses with a view to completing a Qualifying Transaction. Any proposed Qualifying Transaction must be accepted by the TSXV.

There is no assurance that the Corporation will identify a business or asset that warrants acquisition or participation within the time limitations permissible under the policies of the TSXV, at which time the TSXV may suspend or de-list the Corporation's shares from trading.

Until Completion of the Qualifying Transaction (as such term is defined in Policy 2.4), the Corporation will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a Qualifying Transaction. Except as described in the Corporation's prospectus dated March 24, 2017 in connection with the IPO, funds raised pursuant to the issuance of shares by the Corporation will be utilized only for the identification and evaluation of potential Qualifying Transactions and, to the extent permitted by Policy 2.4, for general and administrative expenses.

Initial Public Offering

On May 3, 2017, the Corporation completed its initial public offering (the “**IPO**”) through its agent, Mackie Research Capital Corporation (“**RCC**”), pursuant to a prospectus dated March 24, 2017 by issuing 6,249,999 common shares of the Corporation at a price of \$0.20 per common share for total gross proceeds of \$1,250,000. The Corporation became classified as a Capital Pool Company pursuant to Policy 2.4 — Capital Pool Companies (“**Policy 2.4**”) of the Exchange and commenced trading on the Exchange under the symbol HOPE.P on May 9, 2017. The Corporation's principal business is the identification and evaluation of assets or businesses for the purpose of completing a Qualifying Transaction (as such term is defined in Policy 2.4).

As consideration for its role as agent, the Corporation granted to Mackie a non-transferable option (the “**Agent's Option**”) to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019. In addition, Mackie received a cash commission in an amount equal to 10% of the gross proceeds of the initial public offering, a work fee of \$15,000 and reimbursement of certain expenses.

Upon closing of the IPO, the Corporation also granted 772,500 incentive stock options to its directors and officers which are exercisable for a period of five years at an exercise price of \$0.20 per share. On June 29, 2017, the Corporation received the resignation from a director, and the 270,375 options granted to him expired on September 29, 2017 in accordance with the terms of the stock option plan. On November 6, 2017, the Corporation granted a total of 270,374 options to two directors, exercisable at a price of C\$0.21 per share until November 6, 2022.

Escrow shares

All common shares issued prior to the offering and all common shares that may be acquired from treasury of the Corporation by non-arm's length parties, as defined in the policies of the TSXV, of the Corporation prior to the completion of the Qualifying Transaction were and will be deposited with the trustee under the escrow agreement dated March 24, 2017 (the “**CPC Escrow Agreement**”). Under the CPC Escrow Agreement, 10% of the escrowed Common Shares will be

released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") and an additional 15% will be released on the dates which are 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. This release schedule may be accelerated if the Corporation is listed as a Tier 1 Issuer. The release schedule was amended on August 5, 2021 (see Subsequent Events).

All common shares acquired upon exercise of stock options prior to the completion of a Qualifying Transaction must also be deposited in escrow until the final exchange bulletin is issued, following which the common shares will be released from escrow in accordance with the terms of the CPC Escrow agreement.

All common shares of the Corporation acquired in the secondary market prior to the completion of a Qualifying Transaction by a control person, as defined in the policies of the TSXV, are required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Corporation held by principals of the resulting issuer following the Qualifying Transaction will also be escrowed. As at July 31, 2021, 1,475,000 common shares were in escrow.

Terminated Proposed Qualifying Transaction

Payfare

On November 17, 2017, the Corporation entered into a letter of intent for a business combination (the "**Payfare Transaction**") with Payfare Inc. ("**Payfare**"), that would have resulted in a reverse take-over of HWCC on the TSXV. If completed, the Payfare Transaction was intended to constitute the "Qualifying Transaction" of the Corporation under Policy 2.4 - Capital Pool Companies (the "**CPC Policy**") of the TSXV. Subsequently, the Corporation and its wholly owned subsidiary, 2644246 Ontario Limited entered into an amalgamation agreement with Payfare on July 27, 2018, which was amended and restated on September 27, 2018, further amended on November 20, 2018 and further amended and restated on March 4, 2019 (the "**Amalgamation Agreement**").

On March 6, 2019 the TSXV conditionally approved the listing of the resulting issuer on closing of the Payfare Transaction between the Corporation and Payfare.

On March 15, 2019, the Corporation received an email notice from Payfare with a copy of a non-binding letter of intent from an unidentified party to purportedly acquire all outstanding securities of Payfare for a cash and stock transaction (the "**Alternative Offer**"). Payfare claimed that the Alternative Offer was a "Superior Merger Proposal" under the Amalgamation Agreement and terminated the Payfare Transaction with the Corporation on March 27, 2019.

The Corporation disputed Payfare's claims and commenced a legal action against Payfare with respect to Payfare's non-compliance with the Amalgamation Agreement claiming, among other things, breach of contract, seeking damages including expenses incurred by the Corporation in connection with the Payfare Transaction.

The Corporation's shares resumed trading on the TSXV on April 9, 2019. On May 10, 2019 the TSXV suspended trading of the Corporation's shares in accordance with the TSXV policy as the

Corporation did not complete a qualifying transaction by May 9, 2019, which was two years from listing on the TSXV. The trading of the Corporation's shares on the TSXV will remain suspended until the Corporation completes a qualifying transaction, or the applicable Exchange policy has been amended.

On June 12, 2019, the Corporation entered into a settlement agreement with full and final mutual releases with Payfare in connection with claims made by the Corporation against Payfare and counterclaims made by Payfare against the Corporation in a court action regarding the disputes on Payfare's termination of the proposed Payfare Transaction. The parties settled the disputes without admission of liability. Settlement fee of \$300,000 was received together with remaining balance of retainer for \$90,577.58, which was deposited into GIC account with one-year term and annual interest rate of 1.27% maturing on June 19, 2020.

Loc8

On February 6, 2020, the Corporation entered into a letter of intent, as amended as of March 11, 2020 (the "**Loc8 LOI**") for a business combination (the "**Loc8 Transaction**") with Loc8 Corp. ("**Loc8**"), a corporation existing under the laws of Ontario that would have resulted in a reverse take-over of HWCC on the TSXV.

Prior to, and as a condition of closing of the Loc8 Transaction and subject to TSXV approval, HWCC would consolidate its outstanding shares (the "**Consolidation**") on the basis of 1.20 pre-Consolidation common shares for one post-Consolidation common share (a "Post-Consolidation Share"). The Corporation also expected to change its name to "Deep spatial AI Corp." or such other similar name approved by the directors of HWCC and Loc8 and acceptable to the applicable regulatory authorities.

In conjunction with the Loc8 Transaction, Loc8 and HWCC entered into an engagement letter with RCC on February 11, 2020 to conduct a brokered private placement (the "**Loc8 Financing**") led by RCC to raise gross proceeds of a minimum of \$2,000,000 and a maximum of \$3,000,000 through the issuance of subscription receipts of Loc8.

Pursuant to the terms of the LOI, completion of the Loc8 Transaction would be subject to a number of conditions, including completion of a minimum raise of \$2,000,000 in the Loc8 Financing, receipt of all required regulatory approvals, including the approval of the TSXV of the Loc8 Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the TSXV and all requirements under the TSXV rules relating to completion of a qualifying transaction, and the execution of a definitive agreement.

On June 17, 2020, Loc8 and the Corporation terminated the Loc8 LOI and the LOC8 Transaction, primarily due to the delay of the completion of the audit of Loc8's financial statements.

The Corporation planned to seek out other potential targets for its qualifying transaction. Trading in the common shares of the Corporation has been halted since May 10, 2019. Trading will remain

halted until, among other things, the Corporation completes a qualifying transaction in accordance with the policies of the TSXV.

Proposed Qualifying Transaction with Forward Water Technologies Inc.

On February 3, 2021, the Corporation entered into a letter of intent (the "**FWT LOI**") for a business combination (the "**FWT Transaction**") with Forward Water Technologies Inc. ("**FWT**"), a corporation existing under the laws of Ontario that will result in a reverse take-over of HWCC on the TSXV. If completed, the FWT Transaction is intended to constitute the "Qualifying Transaction" of the CPC Policy of the TSXV.

The proposed FWT Transaction is not a "Non-Arm's Length Qualifying Transaction" within the meaning of the CPC Policy of the TSXV and, as such, shareholder approval is not required, unless otherwise required by the TSXV.

On June 2, 2021, HWCC and FWT entered into a business combination agreement with respect to the FWT Transaction (the "**Combination Agreement**") which supersedes the FWT LOI. Under the terms of the Combination Agreement, the FWT Transaction will be completed by way of a three-cornered amalgamation under the laws of Ontario, whereby 2644246 Ontario Limited, a wholly-owned subsidiary of HWCC, will amalgamate with and into FWT (the "**Amalgamation**"), with FWT surviving as a wholly-owned subsidiary of HWCC. Prior to the completion of the FWT Transaction HWCC will change its name to "Forward Water Technologies Corp." (the "**Name Change**") and, following completion of the FWT Transaction, the HWCC as the resulting issuer will conduct FWT's business under the new name. Pursuant to the terms of the Combination Agreement, and in connection with the Amalgamation: (a) holders of outstanding FWT Shares, including FWT Shares issued upon conversion of the Subscription Receipts issued in connection with the FWT Financing, will receive five fully paid and non-assessable common shares in the capital of HWCC (each a "Resulting Issuer Share") for each FWT Share (the "**Exchange Ratio**") held at the deemed price of \$0.20 per Resulting Issuer Share; and (b) holders of outstanding FWT securities other than FWT Shares will have such securities replaced with securities of HWCC in numbers and exercise prices, as applicable, adjusted based on the Exchange Ratio.

On June 4, 2021, FWT completed the first tranche of the FWT Financing by issuing a total of 5,170,000 Subscription Receipts at \$1.00 per Subscription Receipt. On July 26, 2021, FWT completed the second and final tranche of the FWT Financing by issuing a total of 1,300,000 Subscription Receipts. FWT issued a total of 6,500,000 Subscription Receipts for gross proceeds of \$6.5 million in both tranches of the FWT Financing. HWCC and FWT entered into an agency agreement with Research Capital Corporation, WD Capital Markets Inc. and Fraser Mackenzie Corporate Finance, a division of Waverley Corporate Financial Services Ltd. with respect to the FWT Financing on June 4, 2021. Each Subscription Receipt will be converted immediately before the completion of the FWT Transaction into an FWT unit comprised of one FWT Share and one-half of one FWT warrant, with each full FWT warrant will be exercisable into one FWT Share at \$1.25 per share for 24 months after the completion of the FWT Transaction. HWCC also entered into a warrant indenture with FWT and TSX Trust Company dated as of June 4, 2021 governing the FWT warrants and HWCC warrants to be issued on completion of the FWT Transaction in exchange therefor. The gross proceeds of the FWT Financing, net of the agents' expenses and 50%

of the agents' commission and fees, were placed in escrow pursuant to the terms of a subscription receipt agreement dated May 14, 2021 between FWT, the lead agent and TSX Trust Company. Upon satisfaction or waiver of the escrow release conditions including the completion of the FWT Transaction, the escrowed funds together with any interest earned thereon, will be released to HWCC as the resulting issuer (and the agents in respect of the remaining agents' commission and fees) in accordance with the terms set out in the subscription receipt agreement. If the escrow release conditions are not satisfied or waived, or if the FWT Transaction is not completed, the Subscription Receipts will be cancelled without any further action and the escrowed funds together with any interest earned thereon will be returned to subscribers on a pro rata basis with any shortage of funds being paid by FWT.

Pursuant to the terms of the Combination Agreement, completion of the FWT Transaction will be subject to a number of conditions, including completion of a minimum raise of \$4,250,000 in the FWT Financing, receipt of all required regulatory approvals, including the approval of the TSXV of the FWT Transaction, completion of all due diligence reviews, satisfaction of the minimum listing requirements of the TSXV and all requirements under the TSXV rules relating to completion of a qualifying transaction, and the execution of a definitive agreement. There can be no assurance that the FWT Transaction will be completed as proposed or at all.

The proposed Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined by the TSXV) and is not expected to be subject to shareholder approval. The Corporation held a shareholders' meeting on July 8, 2021 to approve the name change and other related matter requiring shareholder approval under its governing corporate statute. Shareholders of the Corporation approved the Name Change and other matters related to the proposed Qualifying Transaction including the election of a new board of directors to hold office following completion of the proposed Qualifying Transaction; the appointment of a new auditor following completion of the proposed Qualifying Transaction; and the adoption of a new stock option plan to take effect upon completion of the Proposed Qualifying Transaction.

Shareholder Approval of Transition to New CPC Policy

On July 8, 2021, the Corporation's shareholders approved, at an annual and special meeting of shareholders, to transition the Corporation to certain provisions included in a new Policy 2.4 that became effective January 1, 2021. The transitioning provisions included that the Corporation's common shares held in escrow would no longer be subject to cancellation should the Corporation not complete a Qualifying Transaction within 24 months of listing on TSX-V and, on completing a Qualifying Transaction, the release period for escrowed shares would be reduced to 18 months from 36 months; the Corporation's share listing would no longer be required to be moved to the NEX Tier of the TSX-V and the restrictions on the use of proceeds raised by the Corporation were amended to those disclosed in Note 3-Cash and Cash Equivalents.

Operations Highlights

The Corporation's net loss totaled \$117,600 for the three months ended July 31, 2021 (July 31, 2020 - \$16,965), with basic loss per share of 0.019 (July 31, 2020 - \$0.003), and diluted loss per share of \$0.019 (July 31, 2020 - \$0.003). Activities for the three months ended July 31, 2021

principally involved professional fees of \$82,596 and Exchange fees and others of \$35,017 (July 31, 2020 – professional fees of \$13,562, and Exchange fees and others of \$4,071).

The Corporation's net loss totaled \$147,283 for the six months ended July 31, 2021 (July 31, 2020 - \$56,573), with basic loss per share of 0.024 (July 31, 2020 - \$0.009), and diluted loss per share of \$0.024 (July 31, 2020 - \$0.009). Activities for the six months ended July 31, 2021 principally involved professional fees of \$111,316 and Exchange fees and others of \$35,990 (July 31, 2020 – professional fees of \$35,749, and Exchange fees and others of \$22,715).

Financial Highlights

Financial Performance

The Corporation's total assets at July 31, 2021 were \$679,745 (January 31, 2021 - \$757,173) against total liabilities of \$110,701 (January 31, 2021 - \$40,846). The decrease in total assets of \$77,428 resulted from expenditures on professional services and Exchange filing fees. The Corporation has sufficient current assets to pay its existing liabilities of \$110,701 at July 31, 2021 and meet its objective of completing a Qualifying Transaction.

Cash Flow

At July 31, 2021, the Corporation had working capital of \$569,044, compared to working capital of \$779,411 at July 31, 2020. The Corporation had cash of \$679,745 at July 31, 2021 compared to \$780,411 at July 31, 2020. The decrease in working capital and in cash is primarily due to expenditures on professional services and Exchange filing fees.

Liquidity and Financial Position

At July 31, 2021, the Corporation had working capital of \$569,044. The Corporation manages its capital structure and makes adjustments to it, based on available funds to the Corporation. Capital levels for Capital Pool Companies are regulated pursuant to guidelines issued by the Exchange.

On July 8, 2021, the Corporation obtained shareholder approval to adopt certain new provisions in Policy 2.4 (see Subsequent Events), including updated expenditure restrictions for CPCs. These restrictions limit the Corporation's expenditures to reasonable amounts related to the IPO and any proposed Qualifying Transaction, assurance and audit fees, escrow agent and transfer agent fees, regulatory filing fees and a maximum of \$3,000 per month for other general and administrative costs.

These restrictions apply until Completion of the Qualifying Transaction by the Corporation. Management believes the Corporation's working capital is sufficient for the Corporation to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction. As at July

31, 2021, these restrictions had been met other than expenses incurred with respect to the action against Payfare for which the Corporation has received from the Exchange a waiver.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Contractual Obligations

There are no significant contractual obligations.

Related Party Transactions

During the three months period ended July 31, 2021, the Corporation paid and accrued legal fees and disbursements of \$74,341 (\$544 in disbursements, and \$73,797 in fees) provided by a legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019.

During the six months period ended July 31, 2021, the Corporation paid and accrued legal fees and disbursements of \$95,829 (\$3,862 in disbursements, and \$91,967 in fees) provided by a legal professional corporation whose principal lawyer became a director of the Corporation on August 6, 2019.

There was no other transaction with related parties and no remuneration was paid to key management personnel during the three months and six months periods ended July 31, 2021.

All transactions with related parties occurred in the normal course of operations.

Subsequent Events

On August 5, 2021, the Corporation, TMX Trust Company and shareholders holding the 1,450,000 common shares entered into an amended and restated escrow agreement (the "**Restated Escrow Agreement**") restating the CPC Escrow Agreement. Under the Restated Escrow Agreement, 25% of the escrowed Common Shares will be released from escrow on the issuance of the Final Exchange Bulletin (the "**Initial Release**") and an additional 25% will be released on the dates which are 6 months, 12 months, 18 months following the Initial Release.

On August 10, 2021, the Corporation received TSXV final approval for transitioning to the amended CPC policy following shareholder approval of the transitioning provisions on July 8, 2021. As a result of the provisions approved by shareholders, the Corporation's common shares held in escrow are no longer subject to cancellation should the Corporation not complete a Qualifying Transaction within 24 months of listing on TSX-V and, on completing a Qualifying Transaction, the release period for escrowed shares is reduced to 18 months from 36 months pursuant to the Restated Escrow Agreement. Further, the Corporation's share listing is no longer

required to be moved to the NEX Tier of the TSX-V and restrictions on the use of proceeds raised by the Corporation have been amended to those disclosed in Note 3-Cash and Cash Equivalents of the Corporation's interim financial statements for the period ended July 31, 2021.

On September 14, 2021, FWT received conditional approval from the TSXV for the proposed Qualifying Transaction.

Risk Factors

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position. For details of such risk factors, please see the Corporation's annual management discussion and analysis dated May 17, 2021 with respect to the fiscal year ended January 31, 2021.

Financial Instruments Fair Values

At July 31, 2021, the Corporation's financial instruments consisted of cash, accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit Risk

Credit risk is the risk of loss associated with the counter party's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash. To minimize the credit risk the Corporation places these instruments with a high credit quality financial institution.

Interest Rate Risk

The Corporation is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs and to meet the Corporation's liabilities.

Capital Management and Risk Management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Corporation includes equity, comprised of issued common shares, in the definition of capital. The Corporation's primary objective with respect to its capital management is to ensure that it has

sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

Outlook

The financial results for the three and six months ended July 31, 2021 are indicative of a Capital Pool Company that has not yet commenced business operations. At period end the Corporation had no commercial assets other than cash. Until the completion and approval of the Qualifying Transaction the Corporation will not carry on any business other than the identification and evaluation of assets or businesses to be developed by the Corporation.

Share Capital

As of July 31, 2021, the Corporation had 7,724,999 issued and outstanding common shares, and it also had 772,499 incentive stock options outstanding granted its directors and officers, with 502,125 stock options expiring on May 3, 2022 exercisable at \$0.20 per share, and 270,374 stock options expiring on November 6, 2022 exercisable at a price of \$0.21 per share. In addition, the Corporation had a non-transferable Agent's Option to purchase up to 625,000 common shares of the Corporation at a price of \$0.20 per common share for a period of 24 months until May 3, 2019 which expired on May 3, 2019, and as of July 31, 2021, no Agent's Option was outstanding.

Schedule "C"
FWT FINANCIAL STATEMENTS

Financial Statements of

**FORWARD WATER
TECHNOLOGIES INC.**

Years ended March 31, 2021 and 2020

FORWARD WATER TECHNOLOGIES INC.

Statements of Financial Position

As of March 31, 2021 and 2020

| | March 31, 2021 | March 31, 2020 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 147,236 | \$ 336,959 |
| Short-term investments | 7,500 | 7,500 |
| Amounts receivable (note 4) | 30,346 | 106,909 |
| Investment tax credits receivable | 24,004 | 428,472 |
| Prepaid expenses | 85,230 | 42,991 |
| | <u>294,316</u> | <u>922,831</u> |
| Property and equipment (note 5) | 803,447 | 1,159,706 |
| | <u>1,097,763</u> | <u>2,082,537</u> |
| Liabilities and Shareholder's Deficiency | | |
| Current liabilities: | | |
| Accounts payables and accrued liabilities (note 6) | 525,356 | 314,411 |
| Debentures (note 9(b)) | 500,000 | 274,631 |
| Warrant liability (note 9(b)) | 230,880 | 230,880 |
| Convertible Debentures (note 9(a)) | 1,482,636 | - |
| Loan payable (note 8(a)) | - | 50,000 |
| | <u>2,738,872</u> | <u>869,922</u> |
| Deferred capital contributions (note 7) | 361,125 | 571,419 |
| Convertible Debentures (note 9(a)) | - | 1,213,365 |
| Government loan payable (note 10) | 31,077 | - |
| Loan payable (note 8(a)) | 233,289 | 194,161 |
| | <u>3,364,363</u> | <u>2,848,867</u> |
| Shareholders' deficiency: | | |
| Share capital (note 11) | 1,636,352 | 1,636,352 |
| Contributed surplus | 2,298,170 | 2,298,170 |
| Deficit | (6,201,122) | (4,700,852) |
| | <u>(2,266,600)</u> | <u>(766,330)</u> |
| Going concern (note 1) | | |
| Commitments (note 13) | | |
| Subsequent event (notes 9 and 17) | | |
| | <u>\$ 1,097,763</u> | <u>\$ 2,082,537</u> |

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

FORWARD WATER TECHNOLOGIES INC.

Statements of Comprehensive Loss

For the year ended March 31, 2021 and 2020

| | For the year ended March 31, | |
|---|------------------------------|-----------------------|
| | 2021 | 2020 |
| Revenue | \$ 41,575 | 31,345 |
| Expenses: | | |
| General and administrative (note 12) | 589,473 | 691,676 |
| Selling and marketing | 22,656 | 90,993 |
| Research and development | 705,761 | 857,968 |
| Foreign exchange loss | 187 | 3,167 |
| | <u>1,318,077</u> | <u>1,643,804</u> |
| | (1,276,502) | (1,612,459) |
| Other expense (income): | | |
| Amortization of deferred capital contributions (note 7) | (210,294) | (256,319) |
| Operating grants | (223,033) | (154,862) |
| Investment tax credits | - | (228,984) |
| Finance income | (1,998) | (6,605) |
| Finance costs | 389,822 | 103,572 |
| Change in fair value of financial instruments (note 9(a)) | 269,271 | 212,556 |
| | <u>223,768</u> | <u>(330,642)</u> |
| Net loss and comprehensive loss | \$ (1,500,270) | \$ (1,281,817) |
| Basic loss per share | \$ (0.14) | \$ (0.13) |
| Weighted average number of basic common shares (note 15) | 10,800,000 | 10,105,000 |

See accompanying notes to financial statements.

FORWARD WATER TECHNOLOGIES INC.

Statements of Changes in Shareholders' Deficiency

For the year ended March 31, 2021 and 2020

| | Share capital | Contributed surplus | Deficit | Total |
|--|------------------|------------------------|----------------|----------------|
| Balance, March 31, 2019 | \$ 1,515,152 | \$ 2,388,587 | \$ (3,419,035) | \$ 484,704 |
| Net loss and other comprehensive loss | - | - | (1,281,817) | (1,281,817) |
| Stock based compensation | - | 30,783 | - | 30,783 |
| Issuance of Class A common shares | 121,200 | (121,200) | - | - |
| Balance, March 31, 2020 | 1,636,352 | 2,298,170 | (4,700,852) | (766,330) |
| Net loss and other comprehensive loss | - | - | (1,500,270) | (1,500,270) |
| Balance, March 31, 2021 | \$ 1,636,352 | \$ 2,298,170 | \$ (6,201,122) | \$ (2,266,600) |

See accompanying notes to financial statements.

FORWARD WATER TECHNOLOGIES INC.

Statement of Cash Flows

For the year ended March 31, 2021 and 2020

| | For the year ended March 31, | |
|--|------------------------------|----------------|
| | 2021 | 2020 |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss | \$ (1,500,270) | \$ (1,281,817) |
| Items not involving cash: | | |
| Depreciation of property and equipment | 356,259 | 390,809 |
| Amortization of deferred capital contributions | (210,294) | (256,319) |
| Share-based compensation | - | 30,783 |
| Finance cost | 389,822 | 38,076 |
| Gain on government grant (note 10) | (32,709) | - |
| Change in fair value of financial instruments | 269,271 | 212,556 |
| Changes in non-cash operating working capital: | | |
| Amounts receivable | 76,563 | 131,138 |
| Investment tax credits receivable | 404,468 | (171,279) |
| Prepaid expenses | (42,239) | (42,084) |
| Accounts payable and accrued liabilities | 89,406 | 105,014 |
| Deferred grant income | - | (85,000) |
| | (199,723) | (928,123) |
| Financing activities: | | |
| Proceeds from debentures | - | 900,000 |
| Proceeds from government loan payable (note 10) | 60,000 | - |
| Repayment of loans payable (note 8(a)) | (50,000) | (50,000) |
| Proceeds received to fund purchase of property and equipment | - | 272,125 |
| Proceeds on sale of short-term investments | - | 2,500 |
| | 10,000 | 1,124,625 |
| Investing activities: | | |
| Purchase of property and equipment | - | (631,688) |
| Decrease in cash | (189,723) | (435,186) |
| Cash, beginning of period | 336,959 | 772,145 |
| Cash, end of period | \$ 147,236 | \$ 336,959 |

See accompanying notes to financial statements.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements

For the year ended March 31, 2021 and 2020

Forward Water Technologies Inc. (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.

In March 2019, the Company was granted approval by Canada Revenue Agency to move its year-end from December 31 to March 31. The head office of the Company is located at 80 Birmingham Street, Toronto, Ontario.

1. **Going concern:**

These 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 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.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

2. Basis of preparation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue on October 6, 2021.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for certain financial instruments presented at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) Use of estimates and judgments:

The preparation of the 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 the 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 the financial statements is included in note 9.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

3. Significant accounting policies:

(a) Property and equipment:

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the asset. Assets are depreciated over their estimated useful life using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

| Asset | Basis | Rate |
|-------------------|---------------|---------|
| Equipment | Straight-line | 5 years |
| Computer hardware | Straight-line | 3 years |

Work in progress is not depreciated until the asset is substantially complete and available for use. Depreciation commences when the underlying asset is placed into use.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(b) Impairment of long-lived assets:

The carrying amount of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its recoverable amount.

If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Company. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future years.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

3. Significant accounting policies (continued):

(b) Impairment of long-lived assets (continued):

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(c) Research and development:

Research activities are expensed as incurred. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Company's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the asset for use or for sale; the Company's ability to use or sell the asset; the adequacy of the Company's resources to complete the development and to use or sell the asset; the Company's ability to measure reliably the expenditures during the development; and the Company's ability to demonstrate that the asset will generate future economic benefits.

(d) Revenue recognition:

Revenue is recognized upon transfer of control of goods or services to the buyer in an amount that reflects the consideration the Company expects to receive in exchange for those good or services. The Company's goods and services are generally distinct and accounted for as separate performance obligations. Billings in excess of revenue are recorded as unearned revenue. Revenue recognized in excess of billings is recorded as unbilled revenue. The company recognizes an asset related to the incremental costs of obtaining a contract with a customer. The Company has elected to make use of the practical expedient and will expense sales commission costs when incurred if the amortization period is less than 12 months.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

3. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Revenue from the sale of licenses in the ordinary course of business is measured at the fair value of the consideration received or receivable. Revenue is recognized when control is transferred to the customer.

Royalty revenue is included in sales and is recognized on an accrual basis in accordance with the various contractual agreements, based on the financial results as reported by the Company's international partner and other third-party licensees, and when collectability is reasonably determined.

(e) Government assistance:

Government assistance is recognized when there is reasonable assurance the assistance will be received, and the Corporation will comply with all attached conditions. When the government assistance relates to an expense item, it is recognized in profit or loss as miscellaneous income over the period necessary to match the government assistance on a systematic basis in the period in which the expenses are recognized.

Grants restricted for the purchase of property and equipment are deferred and amortized into income on a straight-line basis, at a rate corresponding with the amortization rate for the related assets.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

3. Significant accounting policies (continued):

(f) Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Investment tax credits relating to scientific research and experimental development expenditures are recorded in the fiscal period the qualifying expenditures are incurred based on management's interpretation of applicable legislation in the Income Tax Act of Canada. Credits are recorded provided there is reasonable assurance that the tax credit will be realized.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

3. Significant accounting policies (continued):

(g) Loss per share:

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the dilutive effects of all potential common share issuances relating to outstanding warrants and convertible debentures.

(h) Financial instruments:

Financial assets and financial liabilities are recorded when the Company becomes party to the contractual provisions of the financial instruments. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price. All other financial assets and liabilities are initially measured at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All financial assets are recognized and de-recognized on the trade date. The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company's financial assets are cash, short-term investments, and amounts receivable. These financial assets are all classified as amortized cost.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

Amortized cost

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss.

Impairment of financial assets

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such the number of delayed payments in the portfolio, observable changes in national or local economic conditions that are correlated with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization. Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are trade payables and accrued liabilities, debentures, warrant liability, and loan payable. Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). Financial liabilities at FVTPL include financial liabilities held for trading, derivatives that do not meet hedge accounting criteria and financial liabilities designated upon initial recognition at FVTPL. The Company's financial liabilities are classified as follows:

| <u>Financial instrument</u> | <u>Classification</u> |
|--|-----------------------|
| Accounts payable and accrued liabilities | Amortized cost |
| Loan payable | Amortized cost |
| Debenture | Amortized cost |
| Government loan payable | Amortized cost |
| Warrant liability | FVTPL |
| Convertible Debenture | FVTPL |

Amortized cost

Financial liabilities at amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these instruments are measured using the effective interest rate method. Interest expense is recognized by applying the effective interest rate except for short-term payables where the interest expense would be immaterial.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

FVTPL

Financial liabilities at FVTPL are recognized initially at fair value. Any transaction costs are recorded directly in the statement of profit or loss. Subsequent to initial recognition the financial liability is measured at fair value at each reporting date, with changes in fair value included in the statement of profit and loss. The debentures have been designated at FVTPL upon initial recognition as permitted by IFRS 9 as they contain an embedded derivative.

Fair value measurement:

Financial instruments recorded at fair value on the statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Foreign currency translation:

Monetary items denominated in a foreign currency are adjusted at the balance sheet date to reflect the exchange rate in effect at that date. Exchange gains and losses are included in the determination of net income for the period.

4. Amounts receivable:

| | March 31, 2021 | March 31, 2020 |
|-------------------|------------------|-------------------|
| Grants receivable | \$ 11,787 | \$ 50,000 |
| HST receivable | 18,559 | 56,909 |
| | <u>\$ 30,346</u> | <u>\$ 106,909</u> |

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

5. Property and equipment:

| Cost | Equipment | Computer hardware | Total |
|-------------------------|--------------|-------------------|--------------|
| March 31, 2019 | \$ 1,444,566 | \$ 5,500 | \$ 1,450,066 |
| Additions | 631,688 | - | 631,688 |
| March 31, 2020 and 2021 | \$ 2,076,254 | \$ 5,500 | \$ 2,081,754 |

| Accumulated depreciation | Equipment | Computer hardware | Total |
|--------------------------|--------------|-------------------|--------------|
| March 31, 2019 | \$ 528,674 | \$ 2,565 | \$ 531,239 |
| Depreciation | 388,975 | 1,834 | 390,809 |
| March 31, 2020 | 917,649 | 4,399 | 922,048 |
| Depreciation | 355,158 | 1,101 | 356,259 |
| March 31, 2021 | \$ 1,272,807 | \$ 5,500 | \$ 1,278,307 |

| Net book value | Equipment | Computer hardware | Total |
|----------------|-----------|-------------------|-----------|
| March 31, 2020 | 1,158,605 | 1,101 | 1,159,706 |
| March 31, 2021 | 803,447 | - | 803,447 |

All property and equipment is located in Canada.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

6. Accounts payables and accrued liabilities:

| | March 31, 2021 | March 31, 2020 |
|--------------------------------|-------------------|-------------------|
| Trade payables | \$ 107,426 | \$ 189,498 |
| Accrued liabilities | 230,632 | 59,154 |
| Accrued interest on debentures | 187,298 | 65,759 |
| | <u>\$ 525,356</u> | <u>\$ 314,411</u> |

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.

The balance of deferred capital contributions consists of the following:

| Cost | |
|--------------------------|-------------------|
| March 31, 2019 | \$ 555,613 |
| Additions | 272,125 |
| Amortization into income | (256,319) |
| March 31, 2020 | 571,419 |
| Amortization into income | (210,294) |
| March 31, 2021 | <u>\$ 361,125</u> |

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

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, described in (2), 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.

In 2021, finance costs of \$39,128 (2020 - \$32,565) was recorded related to this loan payable, and \$50,000 (2020 - \$50,000) was paid on the loan payable described in (1) above.

(b) During the year, the Company paid the original shareholder \$ Nil (2020 - \$16,388) related to office, administration and other costs.

(c) Key management personnel:

| | 2020 | 2020 |
|--------------------------|------------|------------|
| Salaries and benefits | \$ 195,038 | \$ 185,000 |
| Stock based compensation | - | 15,046 |

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

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, 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 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 year ended March 31, 2021 was an increase of \$269,271 (2020 - \$212,556).

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 \$145,759 at March 31, 2021 (2020 - \$65,496) and is included in accounts payable and accrued liabilities.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

9. Debentures (continued):

(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. The total fair value at inception and at March 31, 2021 is \$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 until the earlier of September 30, 2021 or the occurrence of a Qualified Financing.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

9. Debentures (continued):

| | Convertible debenture | Debenture | Warrant liability | Total |
|---------------------------|--------------------------|-----------|----------------------|------------|
| | Note 9(a) | Note 9(b) | Note 9(b) | |
| Balance at April 1, 2019 | \$ 601,072 | \$ - | \$ - | \$ 601,072 |
| Proceeds from issuance | 400,000 | 269,120 | 230,880 | 900,000 |
| Change in fair value | 212,556 | | | 212,556 |
| Financing costs | 65,496 | 5,511 | | 71,007 |
| Balance at March 31, 2020 | 1,279,124 | 274,631 | 230,880 | 1,784,635 |

Recorded in the Balance Sheet as follows:

| | | | | |
|--|-----------|---------|---------|-----------|
| Long-term debentures | 1,213,365 | - | - | 1,213,365 |
| Current portion of debenture | - | 274,631 | - | 274,631 |
| Warranty liability | - | - | 230,880 | 230,880 |
| Included in accounts payable and accrued liabilities | 65,759 | - | - | 65,759 |
| Balance at April 1, 2020 | 1,279,124 | 274,631 | 230,880 | 1,784,635 |
| 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 |

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

10. Government Loan Payable

On April 24, 2020 and March 08, 2021, the Company received a loan 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.

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 year ended March 31, 2021, \$3,786 of interest expense related to the CEBA loans were recognized and included in finance costs in the 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 year ended March 31, 2021 is summarized as follows:

| | |
|---------------------------------------|-----------|
| Balance, March 31, 2020 | \$ - |
| Initial proceeds | 60,000 |
| Forgivable portion of loan | (15,000) |
| Benefit from favourable interest rate | (17,709) |
| Initial carrying amount | 27,291 |
| Accretion expenses | 3,786 |
| Balance, March 31, 2021 | \$ 31,077 |

11. Share capital:

| | # Shares | Amount |
|-----------------------------------|------------|--------------|
| Balance at March 31, 2019 | 10,000,000 | \$ 1,515,152 |
| Issuance of Class A common shares | 800,000 | 121,200 |
| Balance at March 31, 2020 | 10,800,000 | 1,636,352 |
| Balance at March 31, 2021 | 10,800,000 | \$ 1,636,352 |

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

11. Share capital (continued):

- a) The Company has authorized an unlimited number of common shares with no par value.

In February 2020, 800 shares were issued to management of the Company upon the vesting and exercise of the performance stock units discussed in note 11(b). The grant date fair value of \$121,200 was transferred from contributed surplus to share capital.

- b) On March 23, 2018, the Company granted 500 performance stock units to a director and shareholder of the Company. These stock units have a grant date fair value of \$77,750. 60% of the stock units vests on the first anniversary of the grant date, and the remaining balance vests on the second anniversary of the grant date. The Company recognized \$nil (2020 - \$15,046) in stock based compensation in the statement of loss and comprehensive loss.

On April 28, 2018, the Company granted 300 performance stock units to an employee of the Company. These stock units have a fair value of \$45,450. 50% of the stock units vests on the first anniversary of the grant date, 25% of the stock units vests on the second anniversary of the grant date, and the remaining balance vests on the third anniversary of the grant date. In February 2020, all vesting requirements were accelerated and the stock units were exercised for shares as noted in note 11(a). As at March 31, 2021, The Company recognized \$nil (2020 - \$15,736) in stock based compensation in the statement of loss and comprehensive loss.

- c) On February 1, 2021, the Company filed articles of amendment to reclassify the Class A Shares on a 1000:1 basis. Accordingly, the number of shares were retroactively adjusted to reflect the share split.
- d) On March 24, 2021, the Company filed articles of amendment to reclassify the Class A Shares as Common Shares.

12. Additional information about the nature of expenses:

| | 2021 | 2020 |
|----------------------------|------------|------------|
| Salaries and benefits | \$ 198,934 | \$ 252,999 |
| Depreciation by function: | | |
| | 2021 | 2020 |
| General and administrative | \$ 1,101 | \$ 6,704 |
| Research and development | 355,158 | 384,105 |
| | \$ 356,259 | \$ 390,809 |

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

13. Commitments:

The Company is committed to a minimum annual lease payment under various short-term lease agreements as follows: 2021 - \$16,694; 2022 - \$15,804.

14. Income taxes:

Deferred income taxes reflect the impact of losses carried forward and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Deferred tax recoveries and the corresponding deferred tax assets are only recognized when it is probable that future taxable profit will be available to utilize the benefits.

As at March 31, 2021 and March 31, 2020, deferred tax assets and deferred tax liabilities have been recognized in respect of the following:

| | March 31, 2020 | March 31, 2020 |
|------------------------------------|-------------------|-------------------|
| Non-capital losses carried forward | \$ 196,000 | \$ 281,000 |
| Property and equipment | (196,000) | (281,000) |
| | \$ - | \$ - |

Due to the uncertainty of future income, the Company has not recognized any deferred tax assets in respect of the following items:

| | March 31, 2020 | March 31, 2020 |
|--|-------------------|-------------------|
| Non-capital losses carried forward | \$ 1,920,000 | \$ 776,000 |
| Scientific research and experimental development | 1,086,000 | 1,086,000 |
| Deferred capital contribution | 361,000 | 571,000 |
| Reserve | 150,000 | 70,000 |
| | \$ 3,517,000 | \$ 2,503,000 |

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 26.5% (2020 - 26.5%) to earnings before income taxes. The reasons for the differences and related tax effects are as follows:

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

14. Income taxes (continued):

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|--|---------------------------------|---------------------------------|
| Total loss and other comprehensive income before income taxes | \$ (1,500,270) | \$ (1,281,817) |
| Expected Canadian income tax recovery | (397,572) | (339,682) |
| Changes in unrecognized temporary differences | 340,805 | 320,734 |
| Amounts not deducted for tax | 56,767 | 18,948 |
| | \$ - | \$ - |

At March 31, 2021, the Company has non-capital losses carried forward for income tax purposes of \$3,885,000 (March 31, 2020 - \$1,836,000) available to offset future taxable income. Non-capital losses begin to expire in 2034.

15. 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:

| | Year ended March 31, 2021 | Year ended March 31, 2020 |
|--|---------------------------------|---------------------------------|
| Net loss | \$ (1,500,270) | \$ (1,281,817) |
| Basic and diluted weighted average number of shares outstanding | 10,800,000 | 10,105,000 |
| Basic and diluted net loss per share | \$ (0.14) | \$ (0.13) |

For the years ended March 31, 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.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

16. 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:

| At March 31, 2020 | 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 abilities | \$ 314,411 | \$ 314,411 | \$ 314,411 | \$ - | \$ - |
| Debentures | 274,631 | 540,000 | 540,000 | - | - |
| Convertible Debentures | 1,213,365 | 1,224,000 | - | 1,224,000 | - |
| Loan payable | 244,161 | 350,000 | 50,000 | - | 300,000 |
| | \$ 2,046,568 | \$ 2,428,411 | \$ 904,411 | \$ 1,224,000 | \$ 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 |

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

16. Financial risks and concentration of risk (continued):

(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 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 \$813,898.

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

17. Subsequent events:

On April 5, 2021 and April 28, 2021, 232,000 warrants were exercised for 232,000 common shares of the Company.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

17. Subsequent events (continued):

On June 2, 2021, the Company and HWCC entered into a definitive Business Combination Agreement (the "Combination Agreement"), which supersedes the prior binding letter of intent, pursuant to which the parties have agreed to complete the Transaction on the terms set out therein. HWCC as the resulting issuer on completion 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 Proposed Transaction will be completed by way of a three-cornered amalgamation under the laws of Ontario, whereby 2644246 Ontario Limited, 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 completion of the Proposed Transaction HWCC will change its name to "Forward Water Technologies Corp." (the "Name Change") and, following completion of the Proposed 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. There can be no assurance that the Transaction will be completed as proposed or at all.

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.

FORWARD WATER TECHNOLOGIES INC.

Notes to Financial Statements (continued)

For the year ended March 31, 2021 and 2020

17. Subsequent events (continued):

In connection with the Qualifying Transaction, on June 4, 2021 the Company completed the first tranche of a brokered private placement offering of 5,170,000 subscription receipts (each, a "Subscription Receipts") at an issue price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,170,000. 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 completion of the Qualifying Transaction. Upon completion 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 completion of the Qualifying Transaction.

On June 4, 2021, in connection with the first tranche of its brokered private placement, FWT issued 343,600 QT Broker Warrants, 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.

On June 4, 2021, in connection with the Qualifying Transaction, FWT issued 200,000 RCC Advisory Warrants, each exercisable for one FWT Share at a price of \$1.00 for a period of 24 months from the date of issuance.

On July 26, 2021, the Company completed the second tranche of its brokered private placement of subscription receipts at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$1,300,000.

Condensed Interim Financial Statements of

FORWARD WATER TECHNOLOGIES INC.

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

FORWARD WATER TECHNOLOGIES INC.

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

| | June 30, 2021 | March 31, 2021 |
|-----------------------------------|------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 56,730 | \$ 147,236 |
| Funds held in trust (Note 11) | 4,920,140 | - |
| Short-term investments | 7,500 | 7,500 |
| Amounts receivable (note 4) | 57,442 | 30,346 |
| Investment tax credits receivable | 24,004 | 24,004 |
| Prepaid expenses | 45,164 | 85,230 |
| | <u>5,110,980</u> | <u>294,316</u> |
| Property and equipment (note 5) | 737,793 | 803,447 |
| | <u>5,848,773</u> | <u>1,097,763</u> |

Liabilities and Shareholder's Deficiency

| | | |
|--|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payables and accrued liabilities (note 6) | 1,046,476 | 525,356 |
| Subscription receipts (note 11) | 4,213,508 | - |
| Debentures (note 9(b)) | 500,000 | 500,000 |
| Convertible Debentures (note 9(a)) | 1,546,971 | 1,482,636 |
| | <u>7,306,955</u> | <u>2,738,872</u> |
| Deferred capital contributions (note 7) | 331,688 | 361,125 |
| Government loan payable (note 10) | 32,757 | 31,077 |
| Loan payable (note 8(a)) | 244,246 | 233,289 |
| | <u>7,915,646</u> | <u>3,364,363</u> |
| Shareholders' deficiency: | | |
| Share capital (note 11) | 2,067,232 | 1,636,352 |
| Warrants (note 11) | 334,832 | - |
| Contributed surplus | 2,298,170 | 2,298,170 |
| Deficit | (6,767,107) | (6,201,122) |
| | <u>(2,066,873)</u> | <u>(2,266,600)</u> |
| Going concern (note 1) | | |
| Commitments (note 13) | | |
| Subsequent event (notes 9 and 16) | | |
| | <u>\$ 5,848,773</u> | <u>\$ 1,097,763</u> |

See accompanying notes to condensed interim financial statements.

On behalf of the Board:

Director

Director

FORWARD WATER TECHNOLOGIES INC.

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

| | | Three months ended June 30, | |
|---|----|-----------------------------|---------------------|
| | | 2021 | 2020 |
| Revenue | \$ | - | - |
| Expenses: | | | |
| General and administrative (note 12) | | 348,545 | 78,174 |
| Selling and marketing | | 469 | - |
| Research and development | | 152,805 | 179,271 |
| Foreign exchange loss | | (157) | - |
| | | <u>501,662</u> | <u>257,445</u> |
| | | (501,662) | (257,445) |
| Other expense (income): | | | |
| Amortization of deferred capital contributions (note 7) | | (29,437) | (66,327) |
| Operating grants | | (4,830) | (72,838) |
| Finance income | | (59) | (1,999) |
| Finance costs | | 34,314 | 85,508 |
| Change in fair value of financial instruments (note 9(a)) | | 64,335 | 68,389 |
| | | <u>64,323</u> | <u>12,733</u> |
| Net loss and comprehensive loss | \$ | <u>(565,985)</u> | <u>\$ (270,178)</u> |
| Basic loss per share | \$ | (0.05) | \$ (0.03) |
| Weighted average number of basic common shares (note 14) | | 11,047,077 | 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 three months ended June 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 | - | - | - | (270,178) | (270,178) |
| Balance, June 30, 2020 | \$ 1,636,352 | \$ 2,298,170 | \$ - | \$ (4,971,030) | \$ (1,036,508) |
| 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)) | - | - | 211,832 | - | 211,832 |
| 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 | - | - | - | (565,985) | (565,985) |
| Balance, June 30, 2021 | \$ 2,067,232 | \$ 2,298,170 | \$ 334,832 | \$ (6,767,107) | \$ (2,066,873) |

See accompanying notes to condensed interim financial statements.

FORWARD WATER TECHNOLOGIES INC.

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

| | Three months ended June 30, | |
|---|-----------------------------|--------------|
| | 2021 | 2020 |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss | \$ (565,985) | \$ (270,178) |
| Items not involving cash: | | |
| Depreciation of property and equipment | 65,654 | 103,000 |
| Amortization of deferred capital contributions | (29,437) | (66,327) |
| Finance cost | 43,407 | 85,508 |
| Gain on government grant (note 10) | - | (22,932) |
| Change in fair value of financial instruments | 64,335 | 68,389 |
| Changes in non-cash operating working capital: | | |
| Amounts receivable | (27,096) | 94,918 |
| Investment tax credits receivable | - | 221,906 |
| Prepaid expenses | 40,066 | (1,621) |
| Accounts payable and accrued liabilities | 318,550 | (77,936) |
| | (90,506) | 134,727 |
| Financing activities: | | |
| Proceeds from government loan payable (note 10) | - | 40,000 |
| Repayment of loans payable (note 8(a)) | - | (50,000) |
| Subscription receipts (note 11) | 5,170,000 | - |
| Issuance costs (note 11) | (249,860) | - |
| | 4,920,140 | (10,000) |
| Cash, beginning of period | 147,236 | 336,959 |
| Cash, end of period | \$ 4,976,870 | \$ 461,686 |
| Supplemental cash flow information | | |
| Cash | \$ 56,730 | \$ 461,686 |
| Funds held in trust | 4,920,140 | - |
| | \$ 4,976,870 | \$ 461,686 |

See accompanying notes to condensed interim financial statements.

FORWARD WATER TECHNOLOGIES INC.

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

Forward Water Technologies Inc. (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, 2020 financial statements.

These unaudited condensed interim financial statements were authorized for issue by the Board of Directors of the Company on October 6, 2021.

FORWARD WATER TECHNOLOGIES INC.

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

2. Basis of preparation (continued):

(d) 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:

| | | June 30, 2021 | | March 31, 2021 |
|-------------------|----|------------------|----|-------------------|
| Grants receivable | \$ | - | \$ | 11,787 |
| HST receivable | | 57,442 | | 18,559 |
| | \$ | 57,442 | \$ | 30,346 |

FORWARD WATER TECHNOLOGIES INC.

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

5. Property and equipment:

| Cost | Equipment | Computer hardware | Total |
|----------------|--------------|-------------------|--------------|
| March 31, 2021 | \$ 2,076,254 | \$ 5,500 | \$ 2,081,754 |
| Additions | - | - | - |
| June 30, 2021 | \$ 2,076,254 | \$ 5,500 | \$ 2,081,754 |

| Accumulated depreciation | Equipment | Computer hardware | Total |
|--------------------------|--------------|-------------------|--------------|
| March 31, 2021 | \$ 1,272,807 | \$ 5,500 | \$ 1,278,307 |
| Depreciation | 65,654 | - | 65,654 |
| June 30, 2021 | \$ 1,338,461 | \$ 5,500 | \$ 1,343,961 |

| Net book value | Equipment | Computer hardware | Total |
|----------------|------------|-------------------|------------|
| March 31, 2021 | \$ 803,447 | \$ - | \$ 803,447 |
| June 30, 2021 | 737,793 | - | 737,793 |

All property and equipment is located in Canada.

6. Accounts payables and accrued liabilities:

| | June 30, 2021 | March 31, 2021 |
|--------------------------------|------------------|-------------------|
| Trade payables | \$ 532,744 | \$ 107,426 |
| Accrued liabilities | 304,757 | 230,632 |
| Accrued interest on debentures | 208,975 | 187,298 |
| | \$ 1,046,476 | \$ 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.

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

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 | (29,437) |
| June 30, 2021 | \$ 331,688 |

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 months ended June 30, 2021 finance costs of \$10,957 (2020 - \$9,119) were recorded related to this loan payable.

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

(b) Key management personnel:

| | Three months ended June 30, | |
|-----------------------|-----------------------------|-----------|
| | 2021 | 2020 |
| Salaries and benefits | \$ 49,500 | \$ 45,000 |

FORWARD WATER TECHNOLOGIES INC.

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

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 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 three months ended June 30, 2021 was an increase of \$64,335 (2020 - \$68,389).

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 June 30, 2021 (March 31, 2021 - \$145,759) and is included in accounts payable and accrued liabilities.

FORWARD WATER TECHNOLOGIES INC.

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

9. Debentures (continued):

(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.

FORWARD WATER TECHNOLOGIES INC.

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

9. Debentures (continued)

| | Convertible debenture | Debenture | Warrant liability | Total |
|---------------------------|--------------------------|-----------|----------------------|-----------|
| | Note 9(a) | Note 9(b) | Note 9(b) | |
| 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 | 64,335 | - | - | 64,335 |
| Financing costs | 10,907 | 10,770 | - | 21,677 |
| Transferred to share capital | - | - | (230,880) | (230,880) |
| Balance at June 30, 2021 | 1,703,637 | 552,309 | - | 2,255,946 |

Recorded in the Balance Sheet as follows:

| | | | | |
|--|-----------|---------|---|-----------|
| Current portion of debenture | 1,546,971 | 500,000 | - | 2,046,971 |
| Included in accounts payable and accrued liabilities | 156,666 | 52,309 | - | 208,975 |

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.

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

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 three months ended June 30, 2021, \$1,680 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 three months ended June 30, 2021 is summarized as follows:

| | |
|-------------------------|------------------|
| Balance, March 31, 2021 | <u>\$ 31,077</u> |
| Accretion expenses | <u>1,680</u> |
| Balance, June 30, 2021 | <u>\$ 32,757</u> |

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 June 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 reclassify the Class A Shares on a 1000:1 basis. Accordingly, the number of shares were retroactively adjusted to reflect the share split.
- c) On March 24, 2021, the Company filed articles of amendment to reclassify the Class A Shares as Common Shares.
- d) On April 5, 2021 and April 28, 2021, 232,000 warrants were exercised for 232,000 common shares of the Company.

FORWARD WATER TECHNOLOGIES INC.

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

11. Share capital (continued)

- e) On June 2, 2021, the Company and HWCC entered into a definitive Business Combination Agreement (the "Combination Agreement"), which supersedes the prior binding letter of intent, pursuant to which the parties have agreed to complete the Transaction on the terms set out therein. HWCC as the resulting issuer on completion 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 Proposed Transaction will be completed by way of a three-cornered amalgamation under the laws of Ontario, whereby 2644246 Ontario Limited, 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 completion of the Proposed Transaction HWCC will change its name to "Forward Water Technologies Corp." (the "Name Change") and, following completion of the Proposed 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. There can be no assurance that the Transaction will be completed as proposed or at all.

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.

FORWARD WATER TECHNOLOGIES INC.

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

11. Share capital (continued)

In connection with the Qualifying Transaction, on June 4, 2021 the Company completed the first tranche of a brokered private placement offering of 5,170,000 subscription receipts (each, a "Subscription Receipts") at an issue price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,170,000. 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 completion of the Qualifying Transaction. Upon completion 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 completion of the Qualifying Transaction.

On June 4, 2021, in connection with the first tranche of its brokered private placement, FWT issued 343,600 QT Broker Warrants, 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 completion 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 the Broker Warrants of \$211,832 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 |

FORWARD WATER TECHNOLOGIES INC.

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

11. Share capital (continued)

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 completion 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 |

| | | |
|--|-----------|------------------|
| Total subscription receipts | \$ | 5,170,000 |
| Issuance cost deducted: | | |
| Legal expenses | | (78,060) |
| 50% of cash commission | | (171,800) |
| Net proceeds | | 4,920,140 |
| Funds held in trust | \$ | 4,920,140 |
| Broker warrants issued | | (211,832) |
| Advisory shares issued | | (200,000) |
| Advisory warrants issued | | (123,000) |
| 50% of cash commission to be paid upon closing | | (171,800) |
| Total subscription receipts (net of issuance costs) | \$ | 4,213,508 |

FORWARD WATER TECHNOLOGIES INC.

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

12. Additional information about the nature of expenses:

| | Three months ended June 30, | |
|----------------------------|-----------------------------|------------|
| | 2021 | 2020 |
| Salaries and benefits | \$ 50,762 | \$ 44,662 |
| Depreciation by function: | | |
| | Three months ended June 30, | |
| | 2021 | 2020 |
| General and administrative | \$ - | \$ 458 |
| Research and development | 65,654 | 102,542 |
| | \$ 65,654 | \$ 103,000 |

13. Commitments:

The Company is committed to a minimum annual lease payment under various short-term lease agreements as follows: 2021 - \$16,694; 2022 - \$15,804.

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:

| | Three months ended June 30, | |
|---|-----------------------------|--------------|
| | 2021 | 2020 |
| Net loss | \$ (565,985) | \$ (270,178) |
| Basic and diluted weighted average number of shares outstanding | 11,047,077 | 10,800,000 |
| Basic and diluted net loss per share | \$ (0.05) | \$ (0.03) |

For the three months ended June 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.

FORWARD WATER TECHNOLOGIES INC.

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

14. Net loss per share (continued):

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:

| At June 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 | \$ 1,046,476 | \$ 1,046,476 | \$ 1,046,476 | \$ - | \$ - |
| Subscription receipts | 4,213,508 | 4,213,508 | 4,213,508 | - | - |
| Debentures | 500,000 | 540,000 | 540,000 | - | - |
| Convertible Debentures | 1,546,971 | 1,224,000 | 1,224,000 | - | - |
| Government loan payable | 32,757 | 45,000 | - | 45,000 | - |
| Loan payable | 244,246 | 300,000 | - | - | 300,000 |
| | \$ 7,583,958 | \$ 7,368,984 | \$ 7,023,984 | \$ 45,000 | \$ 300,000 |

FORWARD WATER TECHNOLOGIES INC.

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

15. Financial risks and concentration of risk (continued)

| 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 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 \$822,930.

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

FORWARD WATER TECHNOLOGIES INC.

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

16. Subsequent events:

On July 26, 2021, the Company completed the second tranche of its brokered private placement of subscription receipts at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$1,300,000.

Schedule "D"
FWT MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD WATER TECHNOLOGIES INC.

Management's Discussion and Analysis ("MD&A")

For the year ended March 31, 2021

The date of this discussion and analysis ("MD&A") is October 6, 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 year ended March 31, 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 the 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 the Company's dependence on suppliers and skilled labor;
- 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

regulation, and global commerce.

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 the 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, 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

condition and future prospects. The MD&A complements and supplements FWT's financial statements but does not form part of FWT's financial statements.

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 their 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 target sectors:

- a) Industrial wastewater: diverting 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.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

Results of Operations

| | For the year ended March 31, | |
|--|------------------------------|-----------------------|
| | 2021 | 2020 |
| Revenue | \$ 41,575 | \$ 31,345 |
| Expenses: | | |
| General and administrative | 589,473 | 691,676 |
| Selling and marketing | 22,656 | 90,993 |
| Research and development | 705,761 | 857,968 |
| Foreign exchange loss | 187 | 3,167 |
| | <u>1,318,077</u> | <u>1,643,804</u> |
| | (1,276,502) | (1,612,459) |
| Other expense (income): | | |
| Amortization of deferred capital contributions | (210,294) | (256,319) |
| Operating grants | (223,033) | (154,862) |
| Investment tax credits | - | (228,984) |
| Finance income | (1,998) | (6,605) |
| Finance costs | 389,822 | 103,572 |
| Change in fair value of financial instruments | 269,271 | 212,556 |
| | <u>223,768</u> | <u>(330,642)</u> |
| Net loss and comprehensive loss | <u>\$ (1,500,270)</u> | <u>\$ (1,281,817)</u> |
| Basic loss per share | \$ (0.14) | \$ (0.13) |
| Weighted average number of basic common shares | 10,800,000 | 10,105,000 |

Comparison of the twelve months ended March 31, 2021 vs March 31, 2020

Revenue:

Revenues as of the twelve months ended March 31, 2021 were \$41,575 an increase of \$10,230 or 33% over the prior period as a result of additional licensing fees from Goldfinch Engineering Systems Pvt. Ltd (“Goldfinch”), an Indian based provider of environmental engineering solutions with focus on industrial wastewater treatment.

Expenses:

General and Administrative –general and administrative expenses as of the twelve months ended March 31, 2021 were \$589,473, a decrease of \$102,203 or 15% over the prior twelve months primarily as a result of the elimination of equipment rental used for testing in Alberta, lower salaries and benefits, and a share based compensation expense of \$30,783 in 2020 that did not repeat partially offset by higher audit and legal fees related to the Reverse Takeover (“RTO”) transaction.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

Selling and Marketing – selling and marketing expenses for the twelve months ended March 31, 2021 were \$22,656, which is 75% lower than the prior period primarily due to the elimination of travel and consulting services in order to conserve cash.

Research and Development – research and development costs for the twelve months ended March 31, 2021 were \$705,761, a \$152,207 or an 18% decrease over the prior twelve months primarily due to lower costs incurred to set up the lab such as spare parts, supplies and chemicals. This was partially offset by higher consulting services related to projects such as the Industrial Research Assistance Program (“IRAP”) and the Comm Sci program through Bioindustrial Innovation Canada (“BIC”).

Foreign Exchange Loss – foreign exchange loss for the twelve months ended March 31, 2021 was \$187, a decrease of \$2,980 or 94% over the prior twelve months as a result of lower changes in foreign currency amounts being settled through accounts payable.

Other Expense (Income):

Amortization of Deferred Capital Contributions - amortization of deferred capital contributions for the twelve months ended March 31, 2021 was \$210,294, a decrease of \$46,025 or 18% over the prior twelve months as lower funding was received for capital purchases.

Operating Grants - operating grants for the twelve months ended March 31, 2021 were \$223,033 an increase of \$68,171 or 44% over the prior period as a result the addition of a Canada Emergency Business Account (CEBA) loan as well as higher IRAP and BIC grants.

Investment Tax Credits - investment tax credits for the twelve months ended March 31, 2021 were zero, a decrease of \$228,984 or 100% compared to the prior twelve months as a result of Scientific Research and Experimental Development Tax Incentive Program (“SR&ED”) credits obtained in 2020 but not repeated in 2021 due to a lack of expenses eligible for the program.

Finance Income - finance income for the twelve months ended March 31, 2021 was \$1,998, a decrease of \$4,607 or 70%.

Finance Costs - finance costs for the twelve months ended March 31, 2021 were \$389,822, an increase of \$286,250 or 276% over the prior twelve months as a result of a second tranche of convertible debentures being outstanding for 12 months in 2021 and only six months in 2020 and therefore a full year of interest being accrued, In addition, there was interest accretion for the non-convertible debenture and promissory note. The debenture was separated into two financial instruments, the warrant and the debenture liability. The liability component is accreted up to face value. The promissory note is interest free and was fair valued on Day 1 with the difference between face value and the initial amount being accreted through the statement of loss

Change in Fair Value of Financial Instruments: change in fair value of financial instruments relates to the convertible debentures were are carried at fair value. For the twelve months ended March 31, 2021 the change in fair value was \$269,271 an increase of \$56,715 or 27%. The value of conversion option increases in value as the maturity of the instrument approaches.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

Net Loss and Earnings per Share:

Comprehensive loss for the twelve months ended March 31, 2021, was \$1,500,270 compared to \$1,281,817 for the prior twelve months ended March 31, 2020. On a per share basis this translated into a net loss per basic share of \$0.14 for the twelve months ended March 31, 2021, compared to net loss per basic share of \$0.13 for the prior twelve month period.

| | March 31, 2021 | March 31, 2020 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | 294,316 | 922,831 |
| Property and equipment | 803,447 | 1,159,706 |
| | <u>1,097,763</u> | <u>2,082,537</u> |
| Liabilities and Shareholder's Deficiency | | |
| Current liabilities | 2,738,872 | 869,922 |
| Deferred capital contributions | 361,125 | 571,419 |
| Convertible Debentures | - | 1,213,365 |
| Government loan payable | 31,077 | - |
| Loan payable | 233,289 | 194,161 |
| | <u>3,364,363</u> | <u>2,848,867</u> |
| Shareholders' deficiency: | | |
| Share capital | 1,636,352 | 1,636,352 |
| Contributed surplus | 2,298,170 | 2,298,170 |
| Deficit | (6,201,122) | (4,700,852) |
| | <u>(2,266,600)</u> | <u>(766,330)</u> |
| | <u>\$ 1,097,763</u> | <u>\$ 2,082,537</u> |

Total Assets and Liabilities:

Total assets were \$1,097,763 as of March 31, 2021, a decrease of \$984,774 or 47% over the prior year ended March 31, 2020 primarily as a result of cash used to fund the business and lower accounts receivable from the IRAP and SRED programs. In addition, assets continued to be depreciated with no significant additions of new capital.

Current liabilities as of March 31, 2021 were \$2,738,872, an increase of \$1,868,950 or 215% over the prior year primarily as a result of the inclusion of the convertible debentures in current liabilities in 2021, but not in 2020, accrued interest on the debentures, higher trade payables and accrued liabilities partially offset by the repayment of a loan payable.

Long term liabilities as of March 31, 2021 were \$625,491, a decrease of \$1,353,454 or 68% primarily as a result of the inclusion of convertible debentures in 2020 but not in 2021 as they are now classified as current liabilities, lower deferred capital contributions due to amortization, partially offset by the addition of a government loan and the increase in a loan payable.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

| | For the year ended March 31, | |
|---|------------------------------|-------------------|
| | 2021 | 2020 |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss | \$ (1,500,270) | \$ (1,281,817) |
| Items not involving cash | 772,349 | 415,905 |
| Changes in non-cash operating working capital | 528,198 | (62,211) |
| | <u>(199,723)</u> | <u>(928,123)</u> |
| Financing activities | 10,000 | 1,124,625 |
| Investing activities | - | (631,688) |
| | <u>(189,723)</u> | <u>(435,186)</u> |
| Cash, beginning of period | 336,959 | 772,145 |
| Cash, end of period | <u>\$ 147,236</u> | <u>\$ 336,959</u> |

Net cash flows (outflows) from operating activities:

For the twelve months ended March 31, 2021, cash outflows from operating activities were an outflow of \$199,723, a decrease in outflows of \$728,400 or 78% during the prior twelve months ended March 31, 2020. The decrease in outflows was primarily due to an increase in changes in non-cash operating working capital of \$528,198 as a result of the collection of investment tax credits receivable.

Net cash flows (outflows) from financing activities:

Net cash flows from financing activities for the twelve months ended March 31, 2021 were \$10,000, a decrease of \$1,114,625 or 99% compared to the prior twelve month period ended March 31, 2020. Inflows from financing activities in 2021 were related to the net effect of note payables compared to 2020 which includes proceeds of the sale of debentures of \$900,000.

Net cash flows (outflows) from investing activities:

Net cash from investing activities for the twelve months ended March 31, 2021 was zero, compared to an outflow of \$631,688 during the prior twelve months ended March 31, 2021 as the focus in 2021 was on enhancing the capability of the existing pilot equipment in preparation of commercialization. These enhancements will be implemented as new units are built from the funding that will become available after the RTO and the TSX-V listing.

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.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

Subsequent Events:

On April 5, 2021 and April 28, 2021, 232,000 warrants were exercised for 232,000 common shares of the Company.

On April 26, 2021 the conversion terms of the convertible debenture agreement was amended. 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.

On June 2, 2021, the Company and HWCC entered into a definitive Business Combination Agreement (the "Combination Agreement"), which supersedes the prior binding letter of intent, pursuant to which the parties have agreed to complete the Transaction on the terms set out therein. HWCC as the resulting issuer on completion 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 Proposed Transaction will be completed by way of a three-cornered amalgamation under the laws of Ontario, whereby 2644246 Ontario Limited, 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 completion of the Proposed Transaction HWCC will change its name to "Forward Water Technologies Corp." (the "Name Change") and, following completion of the Proposed 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. There can be no assurance that the Transaction will be completed as proposed or at all.

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.

In connection with the Qualifying Transaction, on June 4, 2021 the Company completed the first tranche of a brokered private placement offering of 5,170,000 subscription receipts (each, a "Subscription Receipts") at an issue price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$5,170,000. 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

“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 completion of the Qualifying Transaction. Upon completion 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 completion of the Qualifying Transaction.

On June 4, 2021, in connection with the first tranche of its brokered private placement, FWT issued 343,600 QT Broker Warrants, 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.

On June 4, 2021, in connection with the Qualifying Transaction, FWT issued 200,000 RCC Advisory Warrants, each exercisable for one FWT Share at a price of \$1.00 for a period of 24 months from the date of issuance.

On July 26, 2021, the Company completed the second tranche of its brokered private placement of subscription receipts at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$1.3 million.

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, they 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.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

(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:

| At March 31, 2020 | 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 abilities | \$ 314,411 | \$ 314,411 | \$ 314,411 | \$ - | \$ - |
| Debentures | 274,631 | 540,000 | 540,000 | - | - |
| Convertible Debentures | - | 1,224,000 | - | 1,224,000 | - |
| Loan payable | 244,161 | 350,000 | 50,000 | - | 300,000 |
| | <u>\$ 833,203</u> | <u>\$ 2,428,411</u> | <u>\$ 904,411</u> | <u>\$ 1,224,000</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 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 supports its business. The Company manages its capital structure through regular reviews of

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

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 \$813,989.

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

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.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

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.

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 the 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

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 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

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.

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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the year ended March 31, 2021

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

FORWARD WATER TECHNOLOGIES INC.

Management's Discussion and Analysis ("MD&A")

For the quarter ended June 30, 2021

The date of this discussion and analysis ("MD&A") is October 6, 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 quarter ended June 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 the 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 the Company's dependence on suppliers and skilled labor;
- 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

regulation, and global commerce.

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 the 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, 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

condition and future prospects. The MD&A complements and supplements FWT's financial statements but does not form part of FWT's financial statements.

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 their 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 target sectors:

- a) Industrial wastewater: diverting 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.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

Results of Operations

| | Three months ended June 30, | |
|--|-----------------------------|----------------|
| | 2021 | 2020 |
| Revenue | \$ - | - |
| Expenses: | | |
| General and administrative | 348,545 | 78,174 |
| Selling and marketing | 469 | - |
| Research and development | 152,805 | 179,271 |
| Foreign exchange loss | (157) | - |
| | <u>501,662</u> | <u>257,445</u> |
| | (501,662) | (257,445) |
| Other expense (income): | | |
| Amortization of deferred capital contributions | (29,437) | (66,327) |
| Operating grants | (4,830) | (72,838) |
| Finance income | (59) | (1,999) |
| Finance costs | 34,314 | 85,508 |
| Change in fair value of financial instruments | 64,335 | 68,389 |
| | <u>64,323</u> | <u>12,733</u> |
| Net loss and comprehensive loss | \$ (565,985) | \$ (270,178) |
| Basic loss per share | \$ (0.05) | \$ (0.03) |
| Weighted average number of basic common shares | 11,047,077 | 10,800,000 |

Comparison of the three months ended June 30, 2021 vs June 30, 2020

Revenue:

Revenues as of the three months ended June 30, 2021 were zero compared to zero for the prior period. 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 June 30, 2021 were \$348,545, an increase of \$270,371 or 345% over the prior period primarily as a result of higher consulting, filing, and investor relations expenses related to the Business Combination Agreement currently underway.

Selling and Marketing – selling and marketing expenses for the three months ended June 30, 2021 were \$469, which is an insignificant increase from the prior period.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

Research and Development – research and development costs for the three months ended June 30, 2021 were \$152,805, a \$26,466 or a 15% decrease from the prior three months primarily as a result of lower depreciation as some assets were fully depreciated in the prior quarter, partially offset by higher consultant costs.

Foreign Exchange Loss – foreign exchange loss for the three months ended June 30, 2021 was \$157, an increase of \$157 over the prior three months as a result of lower changes in foreign currency amounts being settled through accounts payable.

Other Expense (Income):

Amortization of Deferred Capital Contributions - amortization of deferred capital contributions for the three months ended June 30, 2021 was \$29,437, a decrease of \$36,890 or 56% over the prior three months as lower funding was received for capital purchases.

Operating Grants - operating grants for the three months ended June 30, 2021 were \$4,830, a decrease of \$68,008 or 93% over the prior period as 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 June 30, 2021 was \$59, a decrease of \$1,940 or 97%, which is an insignificant increase from the prior period

Finance Costs - finance costs for the three months ended June 30, 2021 were \$34,314, a decrease of \$51,194 or 60% over the prior three months as 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 June 30, 2021 the change in fair value was \$64,335, a decrease of \$4,054 or 6% primarily as a result of the change in the risk free rate and the value of the debentures continuing to increase as they approach materiality.

Net Loss and Earnings per Share:

Comprehensive loss for the three months ended June 30, 2021, was \$565,985 compared to \$270,178 for the prior three months ended June 30, 2020. On a per share basis this translated into a net loss per basic share of \$0.05 for the three months ended June 30, 2021, compared to net loss per basic share of \$0.03 for the prior three month period.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

| | June 30, 2021 | March 31, 2021 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets | 5,110,980 | 294,316 |
| Property and equipment | 737,793 | 803,447 |
| | <u>5,848,773</u> | <u>1,097,763</u> |
| Liabilities and Shareholder's Deficiency | | |
| Current liabilities | 7,306,955 | 2,738,872 |
| Deferred capital contributions | 331,688 | 361,125 |
| Government loan payable | 32,757 | 31,077 |
| Loan payable | 244,246 | 233,289 |
| | <u>7,915,646</u> | <u>3,364,363</u> |
| Shareholders' deficiency: | | |
| Share capital | 2,067,232 | 1,636,352 |
| Warrants | 334,832 | - |
| Contributed surplus | 2,298,170 | 2,298,170 |
| Deficit | (6,767,107) | (6,201,122) |
| | <u>(2,066,873)</u> | <u>(2,266,600)</u> |
| | <u>\$ 5,848,773</u> | <u>\$ 1,097,763</u> |

Total Assets and Liabilities:

Total assets were \$5,848,773 as of June 30, 2021, an increase of \$4,751,010 or 433% over the prior quarter ended March 31, 2021 primarily as a result of the addition of funds held in trust as a result of the first tranche of a brokered private placement offering.

Current liabilities as of June 30, 2021 were \$7,306,955, an increase of \$4,568,083 or 167% over the prior quarter 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 the first tranche of a brokered private placement offering, higher accounts payable for legal and other professional services pertaining to the Business Combination transaction, the accrual of interest on the debenture and the increase in fair value of the convertible debentures partially offset by the exercise of the warrants during the quarter which were reclassified to share capital.

Long term liabilities as of June 30, 2021 were \$608,691, a decrease of \$16,800 or 3% primarily as a result of the amortization of deferred capital contributions partially offset by higher loan payables due to accretion of interest.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

| | Three months ended June 30, | |
|---|-----------------------------|--------------|
| | 2021 | 2020 |
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss | \$ (565,985) | \$ (270,178) |
| Items not involving cash | 143,959 | 167,638 |
| Changes in non-cash operating working capital | 331,520 | 237,267 |
| | (90,506) | 134,727 |
| Financing activities | 4,920,140 | (10,000) |
| Cash, beginning of period | 147,236 | 336,959 |
| Cash, end of period | \$ 4,976,870 | \$ 461,686 |

Net cash flows (outflows) from operating activities:

For the three months ended June 30, 2021, cash flows from operating activities were an outflow of \$90,506, a decrease of \$225,233 or 167% during the prior three months ended June 30, 2020. The decrease was primarily due to a higher net loss as discussed above and changes in non-cash operating working capital as a result of the collection of investment tax credits in 2020 that did not reoccur in 2021 and lower amounts receivable partially offset by higher accounts payable and accrued liabilities.

Net cash flows (outflows) from financing activities:

Net cash flows from financing activities for the three months ended June 30, 2021 were 4,920,140, an increase of \$4,930,140 compared to the prior three-month period ended June 30, 2020 primarily due to the brokered private placement offering.

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 July 26, 2021, the Company completed the second tranche of its brokered private placement of subscription receipts at a price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$1,300,000.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 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, they 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:

| At June 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 | \$ 1,046,476 | \$ 1,046,476 | \$ 1,046,476 | \$ - | \$ - |
| Subscription receipts | 4,213,508 | 4,213,508 | 4,213,508 | - | - |
| Debentures | 500,000 | 540,000 | 540,000 | - | - |
| Convertible Debentures | 1,546,971 | 1,224,000 | 1,224,000 | - | - |
| Government loan payable | 32,757 | 45,000 | - | 45,000 | - |
| Loan payable | 244,246 | 300,000 | - | - | 300,000 |
| | <u>\$ 7,583,958</u> | <u>\$ 7,368,984</u> | <u>\$ 7,023,984</u> | <u>\$ 45,000</u> | <u>\$ 300,000</u> |

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

| 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 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 \$822,930.

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

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.

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

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.

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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

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 the 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 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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

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.

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

FORWARD WATER TECHNOLOGIES INC.

MD&A (Cont'd)

For the quarter ended June 30, 2021

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

Schedule "E"
UNAUDITED PRO FORMA BALANCE SHEET OF THE RESULTING ISSUER



**Pro-Forma Consolidated Statement of
Financial Position of Resulting Issuer**
Forward Water Technologies Corp.
(Unaudited)

As at July 31, 2021

Description of the Transaction

Forward Water Technologies Inc. (“FWT”) is an Ontario corporation that was incorporated on October 11, 2012 and is 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 their overall water consumption and environmental footprint.

Hope Well Capital Corp. (TSXV: HOPE) (“HWCC”) is a Capital Pool Company that has an objective of identifying and evaluating assets or businesses with a view to complete a Qualifying Transaction as defined in TSX Venture Exchange Inc. (the “Exchange”) Policy 2.4 – Capital Pool Companies (“CPC Policy”).

On June 2, 2021, HWCC and FWT entered into a definitive Business Combination Agreement (the “Combination Agreement”), pursuant to which the parties have agreed to complete a Qualifying Transaction pursuant to and in compliance with the CPC Policy (the “Transaction”). HWCC as the resulting issuer on completion of the Transaction will continue FWT’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 Business Corporations Act (Ontario), whereby 2644246 Ontario Limited, a wholly-owned subsidiary of HWCC, will amalgamate with and into FWT (the “Amalgamation”), with FWT surviving as a wholly-owned subsidiary of HWCC. Prior to the completion of the Transaction, HWCC is expected to change its name to “Forward Water Technologies Corp.” (the “Resulting Issuer”), and following completion of the Transaction, the Resulting Issuer will conduct its 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 FWT 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 this nature. There can be no assurance that the Transaction will be completed as proposed or at all.

Pursuant to the terms of the Combination Agreement, and in connection with the Amalgamation:

- (a) holders of outstanding common shares in the capital of FWT (“FWT Shares”), at the time of the Transaction, will receive five fully paid and non-assessable common shares in the capital of the Resulting Issuer (each a “Resulting Issuer Share”) for each FWT Share (the “Exchange Ratio”); and
- (b) holders of outstanding FWT securities other than FWT 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.

Basis of Presentation:

The accompanying unaudited pro forma consolidated statement of financial position has been prepared by management to reflect the Transaction discussed above.

The Pro forma financial statement has been prepared for illustrative purposes only and gives effect to the Transaction pursuant to the assumptions and adjustments as further described herein. The Pro forma financial statement gives effect to the Transaction as if it had occurred as at July 31, 2021 whereby HWCC will acquire FWT in a share for share exchange. Since FWT will control the majority of the shares of HWCC following the transaction, the transaction is being accounted for as a reverse takeover (“RTO”), whereby HWCC is the accounting acquiree.

The unaudited pro forma consolidated statement of financial position has been prepared from information derived from, and should be read in conjunction with, the following (including the notes thereto):

- Audited financial statements of FWT for the years ended March 31, 2021 and 2020
- Audited financial statements of HWCC for the years ended January 31, 2021 and 2020
- Unaudited interim financial statements of FWT for the three months ended June 30, 2021 and 2020
- Unaudited interim financial statements of HWCC for the six months ended July 31, 2021 and 2020

The unaudited pro forma consolidated statement of financial position, in the opinion of management, includes all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of HWCC and FTW. The unaudited pro forma consolidated statement of financial position has been prepared for illustration purposes only and may not be indicative of the financial position had the Transaction been in effect at the date indicated. The actual calculation and allocation of the purchase price will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information at that date. Accordingly, the actual amounts for each of the assets and liabilities will vary from the pro forma amount and the variation may be material.

Significant Accounting Policies

The accounting policies used in preparing the Pro forma financial statement are set out in FWT’s audited financial statements for the year ended March 31, 2021. In preparing the Pro forma financial statement, a review of publicly available information was undertaken to identify accounting policy differences between HWCC and FWT. While management believes that significant accounting policies of HWCC and FWT are consistent in all material respects, accounting policy differences may be identified upon completion of the Transaction.

Since the Transaction does not meet the definition of a business combination in accordance with IFRS 3 Business Combinations, the Transaction will be accounted for as an asset acquisition as follows:

- The identifiable assets and liabilities of HWCC are recognized at fair value at the acquisition date; and
- The excess of the fair value of the shares deemed to have been issued over the fair value of the identifiable assets and liabilities of HWCC is charged to profit or loss as a listing expense in accordance with IFRS 2 Share-based Payments.

FORWARD WATER TECHNOLOGIES CORP.

Pro Forma Consolidated Statement of Financial Position of the Resulting Issuer

As at July 31, 2021 (unaudited)

The capital structure recognized in the pro forma statement of financial position will be that of the HWCC, but the dollar amount of the issued share capital in the pro forma consolidated statement of financial position prior to the acquisition will be that of FTW, including the value of shares issued prior to or as part of the transaction.

Pro Forma Consolidated Statement of Financial Position (in Canadian dollars)

| | HWCC As at July 31, 2021 | FTW As at June 30, 2021 | Pro Forma Adjustments | Notes | Pro Forma |
|-----------------------------------|--------------------------------|-------------------------------|--------------------------|-------|---------------------|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 679,745 | \$ 56,730 | \$ 5,972,639 | A | \$ 5,193,891 |
| | | | (220,640) | C | |
| | | | (720,000) | D | |
| | | | (574,583) | G | |
| Funds held in trust | - | 4,920,140 | (4,920,140) | A | - |
| Short-term investments | - | 7,500 | - | | 7,500 |
| Accounts receivable | - | 57,442 | - | | 57,442 |
| Investment tax credits receivable | - | 24,004 | - | | 24,004 |
| Prepaid expenses | - | 45,164 | - | | 45,164 |
| | 679,745 | 5,110,980 | (462,724) | | 5,328,001 |
| Property and equipment | - | 737,793 | - | | 737,793 |
| | \$ 679,745 | \$ 5,848,773 | \$ (462,724) | | \$ 6,065,794 |

Liabilities and Shareholder's Equity (Deficiency)

| | | | | | |
|--|------------|--------------|--------------|---|------------|
| Current liabilities: | | | | | |
| Accounts payable and accrued liabilities | \$ 110,701 | \$ 1,046,476 | \$ (171,800) | A | \$ 417,402 |
| | | | (359,000) | D | |
| | | | (156,666) | F | |
| | | | (74,583) | G | |
| | | | 22,274 | G | |
| Subscription receipts | - | 4,213,508 | (4,213,508) | A | - |
| Debentures | - | 500,000 | (500,000) | G | - |
| Convertible Debentures | - | 1,546,971 | (1,546,971) | F | - |
| | 110,701 | 7,306,955 | (7,000,254) | | 417,402 |
| Non-current liabilities | | | | | |
| Deferred capital contributions | - | 331,688 | - | | 331,688 |
| Government loan payable | - | 32,757 | - | | 32,757 |
| Loan payable | - | 244,246 | - | | 244,246 |
| | 110,701 | 7,915,646 | (7,000,254) | | 1,026,093 |

FORWARD WATER TECHNOLOGIES CORP.

Pro Forma Consolidated Statement of Financial Position of the Resulting Issuer

As at July 31, 2021 (unaudited)

| | HWCC As at July 31, 2021 | FWT As at June 30, 2021 | Pro Forma Adjustments | Notes | Pro Forma |
|--|--------------------------------|-------------------------------|--------------------------|-------|---------------------|
| Liabilities and Shareholder's Equity (Deficiency) (continued) | | | | | |
| Shareholder's equity (deficiency): | | | | | |
| Share capital | 1,083,704 | 2,067,232 | 5,111,300 | A | 9,518,025 |
| | | | (1,032,193) | A | |
| | | | 1,545,000 | B | |
| | | | 174,306 | C | |
| | | | (1,083,704) | E | |
| | | | 1,652,380 | F | |
| Warrants | - | 334,832 | 1,358,700 | A | 1,739,866 |
| | | | 46,334 | C | |
| Contributed surplus | 281,321 | 2,298,170 | 74,797 | B | 2,372,967 |
| | | | (281,321) | E | |
| Deficit | (795,981) | (6,767,107) | (1,050,753) | B | (8,591,157) |
| | | | (441,280) | C | |
| | | | (361,000) | D | |
| | | | 795,981 | E | |
| | | | 51,257 | F | |
| | | | (22,274) | G | |
| | 569,044 | (2,066,873) | 6,537,530 | | 5,039,701 |
| | \$ 679,745 | \$ 5,848,773 | \$ (462,724) | | \$ 6,065,794 |

Pro Forma Assumptions and Adjustments

These unaudited pro forma consolidated financial statements incorporate the following pro forma assumptions and adjustments:

A) The QT Financings

FWT 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 is convertible into one FWT Unit comprised of one underlying FWT common share and one-half of one underlying FWT common share purchase warrant, with each whole warrant being exercisable to acquire one FWT common share at a price of \$1.25 for a period of 24 months from the date of the completion of the Transaction.

As part of the brokered private placement FWT incurred share issuance costs of \$1,032,193 made up of the following:

On June 4, 2021, in connection with the first tranche of its brokered private placement, FWT issued 343,600 QT Broker Warrants, 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 fair value of the Broker Warrants of \$211,832 was determined using the Black-Scholes

Model.

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 fair value of the Advisory Shares was determined to be \$200,000 based on \$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.

In connection with the QT Financings, the Agents are entitled to receive a cash commission up to 8% of the aggregate gross proceeds from the sale of the Subscription Receipts pursuant to the offerings. Total commission to be paid is \$377,600. At June 30, 2021 \$171,800 is included in accounts payable and accrued liabilities.

Legal expenses incurred were \$119,761.

The subscription proceeds from first tranche of the private placement were held in escrow as at June 30, 2021, in the amount of \$4,920,140 which represents the gross proceeds of \$5,170,000, net of legal expenses of \$78,060 and 50% of cash commission of \$171,800. The remaining cash commission of \$171,800 is to be paid upon completion of the Transaction. The subscription proceeds will be released from escrow to FWT upon satisfaction of certain escrow release conditions.

The net proceeds from second tranche of the private placement is \$1,224,299 after deducting legal expenses of \$41,701 and commissions of \$34,000.

Total increase in cash and cash equivalents of \$5,972,639 represents the gross proceeds of \$6,470,000 less legal fees of \$119,761 and commissions of \$377,600.

The subscription receipts liability of \$4,213,508 will be transferred to equity upon issuance of the FWT units.

The allocation of the FWT Unit between share capital and warrants was done based on the relative fair value of each of the components after applying the Exchange Ratio. The FWT units and warrants will be converted at the Exchange Ratio upon completion 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 share capital was determined to be \$0.20. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

| | |
|--------------------------------|-----------|
| Exercise price | \$0.25 |
| 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% |

FORWARD WATER TECHNOLOGIES CORP.**Pro Forma Consolidated Statement of Financial Position of the Resulting Issuer**

As at July 31, 2021 (unaudited)

The relative fair value of the shares was determined to be \$5,111,300 and the relative fair value of the warrant was determined to be \$1,358,700.

B) Purchase Consideration

| | |
|---|--------------|
| <hr/> | |
| <hr/> | |
| Purchase consideration | |
| Fair value of shares issued in resulting issuer | \$ 1,545,000 |
| Estimated fair value of 772,499 options issued | 74,797 |
| <hr/> | <hr/> |
| Fair value of consideration | 1,619,797 |
| <hr/> | |
| Identifiable assets acquired | |
| Cash and cash equivalents | 679,745 |
| Accounts payable and accrued liabilities | (110,701) |
| <hr/> | <hr/> |
| Net assets acquired | 569,044 |
| Reverse takeover transaction cost | 1,050,753 |
| <hr/> | <hr/> |
| | \$ 1,619,797 |
| <hr/> | |

The above amounts are estimates, which have been made by management of FWT for the acquisition based on information available. There may be amendments to the amounts illustrated above as items subject to estimation are finalized and actual balances at the time of closing are applied.

- a) In the accounting for the reverse takeover, consideration is determined by reference to the fair value of the number of shares the legal subsidiary, being FWT, would have issued to the legal parent entity, being HWCC, to obtain the same percentage ownership interest of 7.4% in the Resulting Issuer. The consideration is measured at the fair value of 7,724,999 HWCC shares that were deemed to be exchanged. The fair value of the HWCC shares was determined based on the historical trading price of HWCC which was determined to be the most reliable measure of the transaction.
- b) The fair value of the outstanding HWCC options exchanged for the Resulting Issuer options were valued at \$74,797 using the Black-Scholes model and the following assumptions:

502,125 Options Granted on May 3, 2017:

| | |
|------------------------------------|-----------------|
| Exercise price | \$0.20 |
| Share price at date of Transaction | \$0.20 |
| Expected life of options | 0.91 years |
| Expected annualized volatility | 126.90% |
| Expected dividend rate | 0% |
| Risk-free interest rate | 0.31% |
| Total estimated value | \$45,844 |

270,374 Options Granted on November 6, 2017:

| | |
|------------------------------------|-----------------|
| Exercise price | \$0.21 |
| Share price at date of Transaction | \$0.20 |
| Expected life of options | 1.42 years |
| Expected annualized volatility | 125.25% |
| Expected dividend rate | 0% |
| Risk-free interest rate | 0.31% |
| Total estimated value | \$28,953 |

- c) The fair value of consideration paid by FWT exceeds the fair value of the net assets of HWCC by \$1,050,753 which will be expensed as a cost associated with obtaining a public stock listing.
- C) Pursuant to an advisory agreement dated October 27, 2020 between the FWT and WD Capital Markets Inc. (the "Finder"), FWT agreed to pay the Finder a finder's fee for arranging a suitable shell equivalent to 4% of the total valuation attributed to FWT in the letter of intent later signed with HWCC. The finder's fee is payable at the closing of the Transaction, 50% in cash and 50% in the securities issued pursuant to the QT Financings, and amounts to \$220,640 and 220,640 FWT units.

The allocation of the FWT Unit between share capital and warrants was done based on the relative fair value of each of the components after applying the Exchange Ratio. The FWT units and warrants will be converted at the Exchange Ratio upon completion 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 share capital was determined to be \$0.20. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

| | |
|--------------------------------|-----------|
| Exercise price | \$0.25 |
| 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% |

The relative fair value of the shares was determined to be \$174,306 and the relative fair value of the warrant was determined to be \$46,334.

- D) Estimated cash transaction costs of \$720,000 include legal, accounting, and filling costs, of which \$359,000 was accrued as of June 30, 2021.
- E) HWCC's share capital, contributed surplus, and deficit as at July 31, 2021 of \$1,083,704, \$281,321, and \$(795,981) respectively, were eliminated in the pro forma consolidation.

- F) Certain convertible debentures will be converted into FWT Shares immediately prior to the Transaction.

On March 29, 2019, FWT 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 FWT, payable at the earlier of June 30, 2021 or the date of conversion event. The issued debentures plus any accrued but unpaid interest will be converted into equity securities at 70% of the price per share of FWT to be paid or offered by a purchaser.

As at June 30, 2021, the date of the FWT financial statements, the fair value of the convertible debenture was \$1,546,971 and the interest outstanding on the principal was \$156,666. On the date of conversion the shares will be converted at a 30% discount from the share price per the agreed upon terms. These amounts are included to reflect the entire conversion amount occurring as part of this transaction. The resulting shares of 8,261,900 will be transferred to equity based on the value \$0.20/share or \$1,652,380. The change in fair value of the shares from June 30, 2021 to the date of settlement of \$51,257 will be recorded in deficit.

| | Principal Outstanding (\$) | Accrued Interest (\$) | Conversion Price (\$/share) | Resulting Shares |
|---------------------------|----------------------------------|-----------------------------|-----------------------------------|------------------|
| Convertible Debentures | 1,000,000 | 156,666 | 0.14 | 8,261,900 |

- G) Immediately prior to the Transaction, FWT will settle certain outstanding principal and interest accrued on secured debentures issued to its shareholders.

On March 18, 2020, FWT entered 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 FWT, payable at the earlier of March 2021 or the date of a qualified financing event. The agreement was amended on June 2, 2021 to extend the maturity date until the earlier of September 30, 2021 or the date of a qualified financing event.

As at June 30, 2021, the date of the FWT financial statements, the interest outstanding on the principal was \$52,309. An additional \$22,274 of accrued interest is included to reflect the entire amount prior to this transaction.

FORWARD WATER TECHNOLOGIES CORP.**Pro Forma Consolidated Statement of Financial Position of the Resulting Issuer**

As at July 31, 2021 (unaudited)

Pro Forma Share Capital

Pro forma share capital as at July 31, 2021 has been determined as follows:

| | Note | Number of shares | Amount |
|--|------|---------------------|---------------------|
| <u>FWT</u> | | | |
| FWT Shares issued and outstanding as at June 30, 2021 | | 11,232,000 | \$ 2,067,232 |
| Exchange of FWT shares for Resulting Issuer | | 56,160,000 | 2,067,232 |
| <u>HWCC</u> | | | |
| Common shares of HWCC issued and outstanding as at July 31, 2021 | | 7,724,999 | 1,083,704 |
| Pro forma adjustments | | | |
| Private placement | A | 32,350,000 | 5,111,300 |
| Share issuance costs | A | - | (1,032,193) |
| Shares issued to acquire HWCC | B | - | 1,545,000 |
| Shares issued to Finder | C | 1,103,200 | 174,306 |
| Elimination of HWCC share capital | E | - | (1,083,704) |
| Conversion of convertible debenture | F | 8,261,900 | 1,652,380 |
| Ending balance as at July 31, 2021 | | 105,600,099 | \$ 9,518,025 |