

# **FORWARD WATER TECHNOLOGIES CORP.**

## **(Formerly Hope Well Capital Corp.)**

### **Management's Discussion and Analysis**

For the three and six months ended September 30, 2022 and 2021

The date of this management's discussion and analysis ("MD&A") is November 25, 2022.

The following MD&A should be read in conjunction with the financial statements of Forward Water Technologies Corp ("FWTC" or the "Company") for the three and six months ended September 30, 2022 and 2021, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### **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, without limitation, statements with respect to:

- continued use of the Company's services, sources of the Company's revenue;
- the incurrence of legal fees in relation to defending any civil proceedings involving Company;
- 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 for, and ability to obtain, additional financing;
- the Company's ability and intention to develop intellectual property and the Company's dependence on suppliers and skilled labour;
- growth-related risks such as capacity constraints and pressure on internal systems and controls;
- the likelihood of reputational harm to the Company and the impact thereof; and
- the impact of pandemics, including COVID-19, on the Company, applicable regulation, and global commerce.

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

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

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

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

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

Readers are cautioned that the list of assumptions and risks, uncertainties and other factors contained herein 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 FWTC and its operating subsidiary performed during the period covered by the financial statements, and of FWTC's financial condition and future prospects. The MD&A complements and supplements FWTC's financial statements but does not form part of FWTC's financial statements.

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

## Major Highlights for the three months ended September 30, 2022

- On August 4, 2022, the Company issued a total of 502,999 common shares in settlement of compensation to AGORA internet Relations Corp for certain advertising services provided to the Company
- On September 6, 2022, FWTC announced that it has secured an early development testing project to support a globally positioned mining company to aid in the sustainable lithium isolation pathway.
- On September 20, 2022, FWTC announced its participation, in conjunction with Membracon UK, to support a study with Cranfield University. Cranfield University is a research intensive post-graduate institution that works closely with business, industry, and government to produce transformational sustainable solutions
- Significant progress has been made on the building of the mobile demonstration unit which is now 80% complete with an anticipated completion date of February, 2023
- On August 4, 2022, the Company issued a total of 502,999 common shares in settlement of compensation to AGORA internet Relations Corp for certain advertising services provided to the Company

## Major Highlights Subsequent to September 30, 2022

- On November 3, 2022, the Company was awarded \$97,773 in matching funds as part of The Canadian Food Innovation Network's Innovation Booster Program

## Overview

### Incorporation:

The Company was incorporated under the laws of the Province of Ontario on December 1, 2016 and its operating subsidiary is Forward Water Technologies Inc ("FWTI"). FWTI is a corporation incorporated pursuant to the laws of the Province of Ontario on October 11, 2012 dedicated to the commercialization of its proprietary forward osmosis technology.

### Reverse takeover transaction (the "Transaction"):

On October 20, 2021, FWTC (formerly Hope Well Capital Corp. ("HWCC")) completed the Transaction with FWTI.

The Transaction was completed by way of a three-cornered amalgamation pursuant to the provisions of the *Business Corporations Act* (Ontario), whereby 2644246 Ontario Limited, a wholly-owned subsidiary of HWCC, amalgamated with and into FWTI, with FWTI surviving as a wholly-owned subsidiary of HWCC. Pursuant to the Transaction, the outstanding common shares and warrants of FWTI were exchanged for common shares and warrants, respectively, of HWCC on the basis of five HWCC securities for every one FWTI security. Immediately following the completion of the Transaction, HWCC changed its name from "Hope Well Capital Corp." to "Forward Water Technologies Corp."

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## **Technology, sectors, and revenue models:**

The Company's forward osmosis technology allows businesses to clean their wastewater that would otherwise require costly disposal. The technology also enables the reclamation of up to 90% of the waste as clean water and the return of this valuable resource to the environment. Alternatively, the clean water can be reused by manufacturing operations to reduce a customer's overall water consumption and environmental footprint.

FWTC extracts clean water through a membrane utilizing a Forward Osmosis (FO) method. Without using applied pressure, applied energy, or forced filtration FWTC'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.

FWTC is targeting three sectors:

- a) Industrial wastewater: to divert hazardous waste disposal currently transported and injected into wells or incinerated.
- b) Brine Management: the concentration of brines where the dissolved materials in the brine or the concentrated brines themselves have value. For example, the concentration of brines containing valuable minerals such as lithium become easier to process leading to a lower cost of recovery.
- c) 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.

FWTC has developed three revenue models:

- a) Build Own Operate: FWTC 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: FWTC constructs a facility for on-site operation and operates the equipment as a service. Over time, and pursuant to service contracts and purchase agreements, operations are taken over by customer. Service and maintenance contracts will continue post-transfer.
- c) Licensing: Addressing foreign markets FWTC intends to license the technology with well-established equipment providers and operators. It is anticipated that this will generate transfer fees and on-going royalties.

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## Results of Operations

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ -	\$ 600	\$ -	600
Expenses:				
General and administrative	239,643	712,861	460,654	1,061,406
Selling and marketing	112,601	46,264	155,283	46,733
Research and development	253,218	167,299	547,101	320,104
Foreign exchange loss (gain)	(283)	375	2,080	218
	605,179	926,799	1,165,118	1,428,461
	(605,179)	(926,199)	(1,165,118)	(1,427,861)
Other expense (income):				
Amortization of deferred capital contributions	(30,063)	(26,872)	(59,500)	(56,309)
Operating grants	(12,249)	-	(12,249)	(4,830)
Government grant	(47,792)	-	(47,792)	-
Finance income	-	(871)	(335)	(930)
Finance costs	9,007	35,536	20,806	69,850
Change in fair value of financial instruments	-	65,567	-	129,902
	(81,097)	73,360	(99,070)	137,683
Net loss and comprehensive loss	\$ (524,082)	\$ (999,559)	\$ (1,066,048)	\$ (1,565,544)
Basic loss per share	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.03)
Weighted average number of basic common share:	105,911,740	56,160,000	105,756,771	55,700,220

### Revenue:

Revenues for the three months and six ended September 30, 2022 were \$nil compared to \$nil for the same periods in 2021. The Company continues to focus on the development of new clients which require a long cycle time.

### Expenses:

General and Administrative – general and administrative expenses as of the three months ended September 30, 2022 were \$239,643 a decrease of \$473,218 or 66% from the prior period. For the six months ended September 30, 2022, the general and administrative expense were \$460,654, a decrease of \$600,752 or 57% from the six months ended September 30, 2021. For both periods the decreases are primarily due to lower consulting and administrative expenses related to the Transaction partially offset by higher salary and benefits as a result of the hiring of the VP of Engineering Sales and Laboratory Manager.

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Selling and Marketing – selling and marketing expenses for the three months ended September 30, 2022 were \$112,601, an increase of \$66,337 or 143% compared to the same period in 2021. Selling and marketing expenses for the six months ended September 30, 2022 were \$155,283, an increase of \$108,550 or 232% compared to the same period in 2021. The increase is a result of the Company focusing on the commercialization of the technology.

Research and Development – research and development costs for the three months ended September 30, 2022 were \$253,218, a \$85,919 or 51% increase from the same period in 2021. Research and development costs for the six months ended September 30, 2022 were \$547,101, \$226,997 or 71% higher than in the same period in 2021. The higher costs are primarily due to market search and analysis expenses.

Foreign Exchange Loss/(Gain) – foreign exchange loss or gain is a result of the changes in foreign currency amounts being settled through accounts payable. The payables are primarily related to tools and equipment purchased in USD. Foreign exchange gain for the three months ended September 30, 2022 was a gain of \$283, an increase of \$658 over the same period in 2021. Foreign exchange loss for the six months ended September 30, 2022 was a loss of \$2,080, a decrease of \$1,862 over the same period in 2021.

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

Amortization of Deferred Capital Contributions - deferred capital contributions represent the unamortized and unspent balances of designated grants and funding received for the purchase of equipment. The amortization of capital contributions is recorded as income in the statement of loss and comprehensive loss. The amortization of deferred capital contributions for the three months ended September 30, 2022 was income of \$30,063, a decrease of \$3,191 or 12% over the same period in 2021. The amortization of deferred capital contributions for the six months ended September 30, 2022 was income of \$59,500, a decrease of \$3,191 or 6% over the same period in 2021. The decreases are as a result of no new funding being received for capital purchases in the past two years.

Operating Grants - operating grants for the three months ended September 30, 2022 were \$12,249, an increase of \$12,249 compared to the same period in 2021. Operating grants for the six months ended September 30, 2022 were \$12,249, an increase of \$7,419 or 154% compared to the same period in 2021. The operating grant is from CanExport (a program through the Government of Canada's Trade Commissioner Service).

Government Grant – government grant for the three and six months ended September 30, 2022 were \$47,792, an increase of \$47,792 compared to the same periods in 2021 as a result of receiving Scientific Research Experimental and Development grant.

Finance Income - finance income for the three months ended September 30, 2022 was \$nil, a decrease of \$871 compared to the same period in 2021. Finance income for the six months ended September 30, 2022 were \$335, a decrease of \$595 compared to the same period in 2021. The Company received interest on a tax refund in the prior period that was not repeated in 2022.

Finance Costs - finance costs for the three months ended September 30, 2022 were \$9,007, a decrease of \$26,529 or 75% compared to the same period in 2021. Finance costs for the six months ended September

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30, 2022 were \$20,806, a decrease of \$49,044 or 70%. This is primarily due to interest accrued on debentures and CEBA loans in the prior period that did not occur in 2022.

Change in Fair Value of Financial Instruments - change in fair value of financial instruments relates to the convertible debentures that are carried at fair value. For the three months ended September 30, 2022 the change in fair value was \$nil, a decrease of \$65,567. For the six months ended September 30, 2022 the change in fair value was \$nil, a decrease of \$129,902 compared to the same period in 2021. This is a result of debentures that were settled by June 30, 2022.

## **Net Loss and Earnings per Share:**

The net loss and comprehensive loss for the three months ended September 30, 2022 was \$524,082 compared to \$999,559 for the same period in 2021. On a per share basis this translated into a net loss per basic share of \$0.00 for the three months ended September 30, 2022, compared to net loss per basic share of \$0.02 for the same period in 2021. The net loss and comprehensive loss for the six months ended September 30, 2022 was \$1,066,048 compared to \$1,565,544 for the same period in 2021. On a per share basis this translated into a net loss per basic share of \$0.01 for the six months ended September 30, 2022, compared to net loss per basic share of \$0.03 for the same period in 2021.

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## Total Assets and Liabilities:

	September 30, 2022	March 31, 2022
<b>Assets</b>		
Current assets	2,058,563	3,631,659
Property and equipment	1,309,682	925,547
	<u>3,368,245</u>	<u>4,557,206</u>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payables and accrued liabilities	291,168	463,995
	<u>291,168</u>	<u>463,995</u>
Deferred capital contributions	202,359	261,859
Government loan payable	42,668	38,382
Loans payable	295,692	279,172
	<u>831,887</u>	<u>1,043,408</u>
Shareholders' equity:		
Share capital	9,564,826	9,497,026
Warrants	1,760,865	1,760,865
Contributed surplus	2,656,513	2,635,705
Deficit	(11,445,846)	(10,379,798)
	<u>2,536,358</u>	<u>3,513,798</u>
	<u>\$ 3,368,245</u>	<u>\$ 4,557,206</u>

Total assets were \$3,368,245 as of September 30, 2022, a decrease of \$1,188,961 or 26% over the period ended March 31, 2022 primarily as a result of cash that was used to operate the business, lower HST receivables, and lower marketing and consulting prepaids partially offset by higher property and equipment.

Current liabilities as of September 30, 2022 were \$291,168, a decrease of \$172,827 or 37% over the period ended March 31, 2022 primarily as a result of lower accounts payables and accrued liabilities.

Long term liabilities as of September 30, 2022 were \$540,719, a decrease of \$38,694 or 7% over the period ended March 31, 2022 primarily as a result of amortization of deferred capital contributions due to a depletion of contributions.

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## Statement of Cash Flows:

	Six months ended September 30,	
	2022	2021
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (1,066,048)	\$ (1,565,544)
Items not involving cash	181,849	275,675
Changes in non-cash operating working capital	192,148	1,101,785
	(692,051)	(188,084)
Financing activities	-	6,161,439
Investing activities	(516,070)	(3,491)
Increase (decrease) in cash	(1,208,121)	5,969,864
Cash, beginning of period	3,012,369	147,236
Cash, end of period	\$ 1,804,248	\$ 6,117,100
Supplemental cash flow information		
Cash	\$ 1,804,248	\$ 24,793
Funds held in trust	-	6,092,307
	\$ 1,804,248	\$ 6,117,100

### Net cash outflows from operating activities:

For the six months ended September 30, 2022, net cash flows from operating activities were an outflow of \$692,051, a decrease in outflows of \$503,967 compared to the six months ended September 30, 2021. The decrease was primarily due to lower changes in non-cash operating working capital. Lower accounts payable were partially offset by higher amounts receivable and prepaid expenses.

### Net cash flows from financing activities:

Net cash flows from financing activities for the six months ended September 30, 2022 were \$nil, a decrease of \$6,161,439 compared to the six months ended September 30, 2021 primarily as a result of the proceeds from the sale of Subscription Receipts and cash obtained from the Transaction partially offset by issuance costs and the repayment of the loans payable and debentures.

### Net cash flows from investing activities:

Net cash outflows from investing activities for the three months ended September 30, 2022 were \$516,070, an increase in outflows of \$512,579 compared to the six months ended March 31, 2021 due to cash spent for capital equipment.

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## Quarterly Results:

	Three Months Ended							
	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	34,453	1,316	-	600	5,644	-	-	-
Net loss/comprehensive loss	(315,298)	(578,241)	(565,985)	(999,559)	(1,938,856)	(674,276)	(541,966)	(524,082)
Net cash (outflow) from operating activities	(141,357)	(28,150)	(90,506)	(97,578)	(2,052,629)	(414,297)	(325,261)	(366,790)
Weighted average number of shares (m)	54.0	54.0	55.2	56.2	94.9	105.6	105.6	105.9
Basic loss per share	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.00)

Since early 2020, much of the Company's effort has been building a prototype and proving out its technology. Revenues were generated as part of the prove out process. Government grants were used to partially offset R&D costs.

In mid-2021, the Company embarked on the process of becoming public through the Transaction. The costs in preparation for the Transaction began in July which increased net and comprehensive losses, though an effort was made to conserve cash until the public listing. FWTC become publicly listed in October 2021, resulting in listing costs of over \$2 million and substantially increasing operating losses.

Since the listing, the Company has been focused on commercialization of the business.

## Significant Projects:

In December 2021, FWTC began the building of a commercial application pilot plant which can be placed on a customer's site to allow for a longer term (3-4 month) performance of the forward osmosis technology at industrial throughput that is not achievable in a laboratory setting. The plant is currently 80% complete. It was originally anticipated that the plant would be completed by early fall, 2022. The delay has been primarily due to sourcing specialty electrical components. It is not anticipated that this delay will affect commercial implementation. FTWC remains confident that all equipment will be field ready by February 2023.

## Use of Proceeds:

<u>USE OF FUNDS</u>	<u>Planned</u>	<u>Current Forecast</u>	<u>Variance</u>	<u>Explanation of Variance</u>
Mobile Demo Unit	1,500,000	1,400,000	100,000	Lower than forecast
Research & Development	450,000	450,000	-	
Sales & Marketing	700,000	800,000	(100,000)	Additional investor research costs
Intellectual Property Filings	200,000	200,000	-	
SG&A	900,000	900,000	-	
<b>Total</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>-</b>	
Working Capital and Other Corporate Purposes	1,250,000			
<b>Total for Transaction</b>	<b>5,000,000</b>			

The main focus for the next twelve months will be to launch the mobile demonstration unit and continue with business development efforts.

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## Material Breakdown of Expense:

### General and administrative

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
<b>General and administrative</b>	<b>239,643</b>	<b>712,861</b>	<b>460,654</b>	<b>1,061,406</b>
Office, administration and other	40,128	42,237	67,375	111,393
Consulting, contracts and professional fees	59,289	620,007	110,021	848,634
Salaries and benefits	129,822	50,617	262,450	101,379
Shared based compensation	10,404	-	20,808	-

General and administrative expenses as of the three months ended September 30, 2022 were \$239,643, a decrease of \$473,218 or 66% and for the six months ended were \$460,654, a decrease of \$600,752 from the respective prior periods primarily as a result of lower consulting and administrative expenses related to the Transaction partially offset by higher salary and benefits as a result of the hiring of the VP of Engineering Sales and Laboratory Manager.

### Research and development

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Research and development	253,218	167,299	547,101	320,104

Research and development expense for the three months ended September 30, 2022 of \$253,218 and the six months ended \$547,101 is primarily related to engineering consulting, design and process development to support the development of the mobile commercial demonstration unit.

### Property and equipment

Cost	Equipment	Computer hardware	Construction in progress	Total
March 31, 2022	\$ 2,097,374	\$ 5,500	\$ 366,232	\$ 2,469,106
Additions	-	-	516,070	516,070
September 30, 2022	\$ 2,097,374	\$ 5,500	\$ 882,302	\$ 2,985,176

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Construction in progress consists of the initial spend for the mobile commercial demonstration unit which will have a total projected spend of \$1.4 million.

## **Outstanding Share Capital:**

As of the date of this MD&A, the Company has outstanding share capital of:

Shares: 105,911,740

Warrants: 19,614,600

Options: 2,231,445

## **Off-Balance Sheet Arrangements:**

There are no off-balance sheet arrangements.

## **Subsequent Events:**

There are no subsequent events to report as of the date of this MD&A.

## **Going Concern Risk:**

This MD&A has been prepared on the basis of accounting principles applicable to a going concern. However, in common with many early-stage enterprises engaged in product commercialization, 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. 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.

The Company's 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 the financial statements, then adjustments would be necessary to the carrying amount of assets, the reported revenue and expenses, and the balance sheet classifications used.

## **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 and provide services denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk.

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(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 budgets 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 September 30, 2022	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	\$ 291,168	\$ 291,168	\$ 291,168	\$ -	\$ -
Government loan payable	42,668	45,000	-	45,000	-
Loan payable	295,692	300,000	-	-	300,000
	<u>\$ 629,528</u>	<u>\$ 636,168</u>	<u>\$ 291,168</u>	<u>\$ 45,000</u>	<u>\$ 300,000</u>

At March 31, 2022	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	\$ 463,995	\$ 463,995	\$ 463,995	\$ -	\$ -
Government loan payable	38,382	45,000	-	45,000	-
Loan payable	279,172	300,000	-	-	300,000
	<u>\$ 781,549</u>	<u>\$ 808,995</u>	<u>\$ 463,995</u>	<u>\$ 45,000</u>	<u>\$ 300,000</u>

(c) Credit risk:

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

(d) Capital risk management:

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

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(e) Measurement of fair value

The carrying value of cash, short-term investments, amounts receivable, and trade payables and accrued liabilities approximate their fair values due to their short-term to maturity. The convertible debentures and the warrant liability are measured at the fair value through profit and loss.

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

## Business Risks and Uncertainties

### 1. Key Personnel

FWTC'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.

### 2. 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.

### 3. Rapid Technology Change

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

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## 4. 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.

## 5. Clients May Terminate Accounts

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

## 6. 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 FWTC may not be able to increase revenue enough to offset any higher operating expenses. FWTC may incur significant losses in the future for a number of reasons and unforeseen expenses, difficulties, complications and delays, and other unknown events. If FWTC is unable to achieve and sustain profitability, the market price of the common shares may significantly decrease.

## 7. Additional Financing

The operation of FWTC's facilities and business are capital intensive. In order to execute the anticipated growth strategy, FWTC 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 FWTC when needed or on terms which are acceptable.

The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit FWTC's growth and may have a material adverse effect upon future profitability. FWTC 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 FWTC to obtain additional capital and to pursue business opportunities, including potential acquisitions.

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

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

## **9. 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.

## **10. 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.

## **11. 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.

## **12. 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

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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.

## 13. 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 condition. 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).

Specifically, activities related to fabrication, field trials, installation, and commissioning of equipment may be delayed as these activities require different groups of skill sets and those teams may not be able to be on-site simultaneously. Other activities such as project planning with clients for these activities may also be impacted due to on-going person-to person contact restrictions. Internally at FWTC sites, restricted interactions with staff members may delay on-going scientific and engineering work.

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 Exchange-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

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Instrument 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.

Additional information related to the Company can be found on the Company's profile on [www.sedar.com](http://www.sedar.com)