

Condensed Consolidated Financial Statements of

**FORWARD WATER TECHNOLOGIES CORP.
(Formerly Hope Well Capital Corp.)**

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

Notice of No Auditors' Review of Condensed Consolidated Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Forward Water Technologies Corp. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2022 and March 31, 2022

(Unaudited)

	September 30, 2022	March 31, 2022
Assets		
Current assets:		
Cash	\$ 1,804,248	\$ 3,012,369
Short-term investments	28,064	28,064
Amounts receivable (note 5)	62,431	216,837
Investment tax credits receivable	47,792	-
Prepaid expenses	116,028	374,389
	<u>2,058,563</u>	<u>3,631,659</u>
Property and equipment (note 6)	1,309,682	925,547
	<u>3,368,245</u>	<u>4,557,206</u>
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payables and accrued liabilities (note 7)	291,168	463,995
	<u>291,168</u>	<u>463,995</u>
Deferred capital contributions (note 8)	202,359	261,859
Government loan payable (note 10)	42,668	38,382
Loans payable (note 9(a))	295,692	279,172
	<u>831,887</u>	<u>1,043,408</u>
Shareholders' equity:		
Share capital (note 11)	9,564,826	9,497,026
Warrants (note 11)	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>
Going concern (note 1)		
Commitments (note 13)		
	<u>\$ 3,368,245</u>	<u>\$ 4,557,206</u>

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:

/s/ "C. Howie Honeyman" _____ Director

/s/ "Gerald Goldberg" _____ Director

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and six months ended September 30, 2022 and 2021
(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ -	\$ 600	\$ -	\$ 600
Expenses:				
General and administrative (note 12)	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 (note 8)	(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 shares (note 14)	105,911,740	56,160,000	105,756,771	55,700,220

**Reflects the retrospective application of the 1:5 exchange ratio (Note 4)*

See accompanying notes to condensed consolidated interim financial statements.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
For the six months ended September 30, 2022 and 2021
(Unaudited)

	Share capital	Contributed surplus	Warrants	Deficit	Total
Balance, March 31, 2021	\$ 1,636,352	\$ 2,298,170	\$ -	\$ (6,201,122)	(2,266,600)
Exercise of warrants	230,880	-	-	-	230,880
Broker warrants issued (note 11(a)(iv))	-	-	232,831	-	232,831
Advisory shares issued (note 11(a)(iv))	200,000	-	-	-	200,000
Advisory warrants issued (note 11(a)(iv))	-	-	123,000	-	123,000
Net loss and other comprehensive loss	-	-	-	(1,565,544)	(1,565,544)
Balance, September 30, 2021	\$ 2,067,232	\$ 2,298,170	\$ 355,831	\$ (7,766,666)	\$ (3,045,433)
Balance, March 31, 2022	\$ 9,497,026	\$ 2,635,705	\$ 1,760,865	\$ (10,379,798)	\$ 3,513,798
Stock based compensation (note 11(c)(iii))	-	20,808	-	-	20,808
Shares issued for service (note 11(a)(viii))	67,800	-	-	-	67,800
Net loss and other comprehensive loss	-	-	-	(1,066,048)	(1,066,048)
Balance, September 30, 2022	\$ 9,564,826	\$ 2,656,513	\$ 1,760,865	\$ (11,445,846)	\$ 2,536,358

See accompanying notes to condensed consolidated interim financial statements.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended September 30, 2022 and 2021

(Unaudited)

	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:		
Depreciation of property and equipment	131,935	132,232
Amortization of deferred capital contributions	(59,500)	(56,309)
Share-based compensation	88,608	-
Finance cost	20,806	69,850
Change in fair value of financial instruments	-	129,902
Changes in non-cash operating working capital:		
Amounts receivable	154,406	(53,998)
Investment tax credits receivable	(47,792)	-
Prepaid expenses	258,361	15,313
Accounts payable and accrued liabilities	(172,827)	1,140,470
	(692,051)	(188,084)
Financing activities:		
Subscription receipts (note 11)	-	6,470,000
Issuance costs (note 11)	-	(308,561)
	-	6,161,439
Investing activities:		
Purchase of property and equipment	(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

See accompanying notes to condensed consolidated interim financial statements.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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

(Unaudited)

Forward Water Technologies Corp. (the "Company" or "FWTC"), formerly Hope Well Capital Corp. ("HWCC") was incorporated under the Business Corporations Act (Ontario) on December 1, 2016 and was a Capital Pool Corporation as defined in the Policy 2.4 of the TSX Venture Exchange (the "Exchange").

On October 20, 2021, the Company completed a Qualifying Transaction (the "Transaction") with Forward Water Technologies Inc. ("FWTI"). The Transaction was completed by way of a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (Ontario). Immediately following the completion of the Transaction, HWCC changed its name from "Hope Well Capital Corp." to "Forward Water Technologies Corp."

FWTI was incorporated under the Business Corporations Act (Ontario). Its principal activity is the commercialization of its proprietary forward osmosis technology. The technology allows businesses to clean their wastewater that would otherwise require costly disposal.

The Transaction constituted a reverse acquisition in accordance with IFRS as the shareholders of FWTI took control of HWCC (Note 4). As FWTI was deemed to be the acquirer for accounting purposes, the resulting statements of financial position were presented as a continuance of FWTI's operations at their historical carrying values, and the comparative figures presented are those of FWTI. The results of operations, the cash flows, and the assets and liabilities of HWCC have been included in these financial statements since October 20, 2021.

The Company's shares are listed on the Exchange under the symbol "FWTC". The Company's corporate office is 1086 Modeland Road, Sarnia, Ontario, Canada.

1. Going concern:

These unaudited condensed consolidated 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. 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 CORP. (Formerly Hope Well Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

2. Basis of preparation:

(a) Statement of compliance:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting 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”). Accordingly, these interim financial statements should be read in conjunction with the March 31, 2022 financial statements of FWTC.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors of the Company on November 25, 2022.

(b) Basis of measurement:

These unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

(d) Use of estimates and judgments:

The preparation of these unaudited condensed consolidated 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 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. Actual results may differ from the estimates.

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 are included in notes 4 and 11.

(e) Principles of consolidation:

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary: Forward Water Technologies Inc.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

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Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or have rights to, variable returns from the Company's involvement with the entity and have the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit or loss of subsidiaries acquired during the year are recognized from the date of acquisition or effective date of disposal as applicable. All intercompany transactions and balances have been eliminated.

3. Significant accounting policies:

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

4. Reverse takeover transaction (the "Transaction"):

On October 20, 2021, 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 (the "Exchange Ratio"). Immediately following the completion of the Transaction, HWCC changed its name from "Hope Well Capital Corp." to "Forward Water Technologies Corp."

5. Amounts receivable:

	September 30, 2022	March 31, 2022
Accounts receivable	\$ -	\$ 300
Grants receivable	949	21,751
HST receivable	61,482	194,786
	<u>\$ 62,431</u>	<u>\$ 216,837</u>

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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6. 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

Accumulated depreciation	Equipment	Computer hardware	Construction in progress	Total
March 31, 2022	\$ 1,538,059	\$ 5,500	\$ -	\$ 1,543,559
Depreciation	131,935	-	-	131,935
September 30, 2022	\$ 1,669,994	\$ 5,500	\$ -	\$ 1,675,494

Net book value	Equipment	Computer hardware	Construction in progress	Total
March 31, 2022	\$ 559,315	\$ -	\$ 366,232	\$ 925,547
September 30, 2022	427,380	-	882,302	1,309,682

All property and equipment is located in Canada.

7. Accounts payables and accrued liabilities:

	September 30, 2022	March 31, 2022
Trade payables	\$ 173,732	\$ 302,864
Accrued liabilities	117,436	161,131
	\$ 291,168	\$ 463,995

8. 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 balance of deferred capital contributions consists of the following:

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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

(Unaudited)

Cost	
March 31, 2021	\$ 361,125
Amortization into income	(99,266)
March 31, 2022	261,859
Amortization into income	(59,500)
September 30, 2022	\$ 202,359

9. Related party transactions:

a) Loans 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 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 recorded as debt forgiveness. During the three and six months ended September 30, 2022 finance costs of \$6,796 and \$16,520 (2021 - \$11,471 and \$22,428) were recorded related to this loan payable. (2) 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 as a post-closing adjustment. As of September 30, 2022, the loan balance of \$100,000 has been fully repaid.

Balance at March 31, 2021	\$ 233,289
Accretion expenses	45,883
Balance at March 31, 2022	279,172
Accretion expenses	16,520
Balance at September 30, 2022	\$ 295,692

(b) Key management personnel:

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Salaries and benefits	\$ 64,950	\$ 40,500	\$ 129,416	\$ 90,000
Stock based compensation	10,404	-	20,808	-
	\$ 75,354	\$ 40,500	\$ 150,224	\$ 90,000

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

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10. Government Loan Payable

On April 24, 2020 and March 8, 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, 2023, up to 33% of the loan will be forgiven. The loan bears no interest until December 31, 2023, 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 their fair value of \$27,291 and were subsequently measured at amortized cost, using a discount rate of 21.3%. During the three and six months ended September 30, 2022, \$2,211 and \$4,286 (2021 - \$1,790 and \$3,470) of interest expense related to the CEBA loans was recognized and included in finance costs in the condensed consolidated interim statements of loss and comprehensive loss.

The Company recognized a benefit of \$32,709 due to the below-market interest rate and forgivable portion on the CEBA loan. Government loan payable received during the six months ended September 30, 2022 is summarized as follows:

Balance, March 31, 2021	<u>\$ 31,077</u>
Accretion expenses	<u>7,305</u>
Balance, March 31, 2022	<u>\$ 38,382</u>
Accretion expenses	<u>4,286</u>
Balance, September 30, 2022	<u>\$ 42,668</u>

11. Share capital

(a) Share capital

Authorized:

- (i) The Company is authorized to issue an unlimited number of common shares with no par value.
- (ii) On February 1, 2021, FWTI 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.
- (iii) On March 24, 2021, FWTI filed articles of amendment to reclassify the Class A Shares as common shares.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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

(Unaudited)

11. Share capital (continued)**(a) Share capital (continued)**

Issued:

	# Shares*	Amount
Balance at March 31, 2021	54,000,000	\$ 1,636,352
Exercise of warrants	1,160,000	230,880
Shares issued in relation to private placement net of issue costs	32,350,000	4,058,108
Advisory shares issued	1,000,000	200,000
Shares issued in reverse takeover (Note 4)	7,724,999	1,545,000
Shares issued for services (Finder's fee)	1,103,200	174,306
Conversion of convertible debenture	8,261,900	1,652,380
Balance at March 31, 2022	105,600,099	9,497,026
Shares issued for service	502,999	67,800
Balance at Sept 30, 2022	106,103,098	\$ 9,564,826

**All figures reflect the Exchange Ratio*

- (iv) As referenced in the table above, in connection with the Transaction, FWTI completed the first tranche of a brokered private placement offering for 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. Immediately prior to the closing of the Transaction, each Subscription Receipt was converted, for no additional consideration, into one unit of FWTI (a "FWTI Unit"). Each FWTI Unit consisted of one common share in the capital of FWTI and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one FWTI common share at an exercise price of \$1.25 for 24 months following the Transaction, subject to adjustment and acceleration. Each FWTI common share and FWTI common share purchase warrant issued pursuant to the conversion of the Subscription Receipts was exchanged for common shares and warrants, respectively, of the Company on the basis of the Exchange Ratio and the exercise price of the warrants was adjusted to \$0.25.

The allocation of the FWTI 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 securities underlying FWTI Units were converted at the Exchange Ratio at the closing of the Transaction, and as a result their fair value has been determined based on the value of the HWCC (Resulting Issuer) shares, as that was determined to represent the most reliable measure of the share consideration. The fair value of the share capital was determined to be \$0.20. The fair value of the warrants was determined using the Black-Scholes pricing model based upon the following assumptions:

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Notes to the Condensed Consolidated Interim Financial Statements

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

(Unaudited)

11. Share capital (continued)**(a) Share capital (continued)**

Exercise price	\$0.25
Unit price at grant date	\$0.20
Expected life of options	2.0 years
	122.95%
Expected annualized volatility	
Expected dividend rate	0%
Risk-free interest rate	0.31%

The relative fair value of the shares was determined to be \$5,111,300 and the relative fair value of the warrants was determined to be \$1,358,700.

In connection with the private placement of Subscription Receipts, FWTI issued 343,600 broker warrants ("QT Broker Warrants") on June 4, 2021 and 34,000 QT Broker Warrants on July 26, 2021, with each QT Broker Warrant being 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 Transaction. The QT Broker Units were comprised of one FWTI Share and one-half of one FWTI common share purchase warrant, with each such warrant entitling the holder thereof to purchase one common share in the capital of FWTI at a price of \$1.25 for a period of 24 months following the closing date of the Transaction, subject to adjustment in certain events.

The warrants are governed by a warrant indenture. The QT Broker Units were converted at the Exchange Ratio at the closing of the Transaction, and their fair value was determined based on the value of the HWCC (Resulting Issuer) shares, as that was determined to represent the most reliable measure of the share consideration.

The fair value of 343,600 QT Broker Warrants issued on June 4, 2021 was determined using the Black-Scholes pricing model based upon 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

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

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

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Notes to the Condensed Consolidated Interim Financial Statements

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

(Unaudited)

11. Share capital (continued)

(a) Share capital (continued)

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

The fair value of the Advisory Shares was determined to be \$0.20 per resulting issuer share based on the fair value at June 4, 2021. The fair value of the Advisory Warrants of \$123,000 was determined using the Black-Scholes pricing model based upon 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

Share issuance costs consist of the following:

Legal costs	\$	119,761
Cash commission		377,600
Broker warrants issued		232,831
Advisory shares issued		200,000
Advisory warrants issued		123,000
		<u>123,000</u>
	\$	<u>1,053,192</u>

- (v) On October 20, 2021, 7,724,999 HWCC shares were deemed to be exchanged for the shares of the Company in connection with the Transaction. 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.
- (vi) In connection with the Transaction, FWTI paid a \$165,480 cash finder's fee and issued 220,640 FWTI Units pursuant to an advisory agreement between the FWTI and WD Capital Markets Inc.

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11. Share capital (continued)**(a) Share capital (continued)**

The allocation of the FWTI 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 shares and warrants were converted at the Exchange Ratio at the closing of the Transaction, and 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 pricing model based upon the following assumptions:

Exercise price	\$0.25
Share price at grant date	\$0.20
Expected life of options	2.0 years
Expected annualized volatility	122.17%
Expected dividend rate	0%
Risk-free interest rate	0.79%

The relative fair value of the shares was determined to be \$174,306 and the relative fair value of the warrants was determined to be \$46,334.

(vii) Immediately prior to the closing of the Transaction, two series of FWTI convertible debentures were converted into 1,652,380 FWTI common shares, which were exchanged for 8,261,900 common shares of the Company based on the Exchange Ratio.

(viii) 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. The fair value of the shares was determined to be \$67,800 based on the value of the services rendered.

(b) Warrants

During the three and six months ended September 30, 2022 and 2021, there was no issuance of warrants.

As at September 30, 2022, the following warrants were outstanding and exercisable:

<u>Grant Date</u>	<u>Expiry Date</u>	<u>Number of warrants Outstanding</u>	<u>Exercise Price</u>	<u>Remaining Life (in years)</u>
October 20, 2021	October 20, 2023	1,888,000	\$ 0.200	1.05
October 20, 2021	October 20, 2023	1,000,000	0.200	1.05
October 20, 2021	October 20, 2023	16,175,000	0.250	1.05
October 20, 2021	October 20, 2023	551,600	0.250	1.05
		<u>19,614,600</u>	<u>\$ 0.243</u>	<u>1.05</u>

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)

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(Unaudited)

11. Share capital (continued)**(c) Stock options**

The Company has a rolling stock option plan (the "Plan") that authorizes the Board of Directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the Plan. Under the Plan, the exercise price of each option may not be less than the market price of the shares of the Company at the date of grant. The maximum term for options granted under the Plan is five years.

The following table summarizes the movements of the stock options for the six months ended September 30, 2022:

	Number of options	Weighted average exercise price
Options outstanding at March 31, 2021	-	\$ -
Issued in reverse takeover	772,499	0.203
Granted	1,961,071	0.175
Options outstanding at March 31, 2022	2,733,570	\$ 0.183
Expired	(502,125)	(0.20)
Options outstanding at September 30, 2022	2,231,445	\$ 0.179

- (i) On October 20, 2021, HWCC's 772,499 outstanding stock options were assumed in connection with the Transaction. The fair value of the outstanding HWCC options were valued at \$53,901 using the Black-Scholes pricing model based upon the following assumptions:

502,125 Options granted on May 3, 2017 :

Exercise price	\$0.20
Share price at grant date	\$0.20
Expected life of options	0.53 years
Expected annualized volatility	102.65%
Expected dividend rate	0%
Risk-free interest rate	0.79%

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11. Share capital (continued)**(c) Stock options (continued)**

270,374 Options granted on November 6, 2017:

Exercise price	\$0.21
Share price at grant date	\$0.20
Expected life of options	1.05 years
Expected annualized volatility	120.10%
Expected dividend rate	0%
Risk-free interest rate	0.79%

(ii) On November 9, 2021, 1,338,571 stock options were granted in exchange for services provided. The stock options are exercisable at \$0.175 and expire on November 9, 2023. These stock options have a fair value of \$248,956 and vested immediately on the grant date.

(iii) On November 9, 2021, 622,500 stock options were granted to certain employees and directors of the Company. The stock options are exercisable at \$0.175 and expire on November 9, 2026. These stock options have a fair value of \$82,228. 33% of the stock options vested immediately on the grant date, 33% vested on the first anniversary of the grant date, and the remaining balance vest on the second anniversary of the grant date.

The fair value of the stock options was determined using the Black-Scholes pricing model based upon the following assumptions:

Exercise price	\$0.175
Share price at grant date	\$0.175
Expected life of options	5.00 years
Expected annualized volatility	104.74%
Expected dividend rate	0%
Risk-free interest rate	0.92%

During the three and six months ended September 30, 2022, \$10,404 and \$20,808 (2021-\$Nil) in stock based compensation was recognized in the condensed consolidated interim statements of loss and comprehensive loss.

The following table provides additional information about the outstanding stock options as at September 30, 2022:

Grant Date	Expiry Date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Life (in years)
October 20, 2021	November 6, 2022	270,374	270,374	0.210	0.10
November 9, 2021	November 9, 2023	1,338,571	1,338,571	0.175	1.11
November 9, 2021	November 9, 2026	622,500	207,499	0.175	4.11
		2,231,445	1,816,444	\$ 0.179	1.30

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(Unaudited)

12. Additional information about the nature of expenses:

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
General and administrative:				
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
Stock based compensation	10,404	-	20,808	-
	\$ 239,643	\$ 712,861	\$ 460,654	\$ 1,061,406

	Three months ended September 30,		Six months ended September 30,	
	2022	2021	2022	2021
Depreciation by function:				
General and administrative	\$ -	\$ -	\$ -	\$ -
Research and development	66,710	66,579	131,935	132,233
	\$ 66,710	\$ 66,579	\$ 131,935	\$ 132,233

13. Commitments:

The Company is committed to a minimum annual lease payment under various short-term lease agreements as follows: 2023 - \$34,080.

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		Six months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net loss	\$ (524,082)	\$ (999,559)	\$ (1,066,048)	\$ (1,565,544)
Basic and diluted weighted average number of shares outstanding	105,911,740	56,160,000	105,756,771	55,700,220
Basic and diluted net loss per share	\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.03)

*Reflect the retrospective application of the 1:5 exchange ratio (Note 4)

For the three and six months ended September 30, 2022 and 2021, 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 CORP. (Formerly Hope Well Capital Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

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 and services 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 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>

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15. 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 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 deficiency and loans payable. 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 receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The convertible debentures and the warrant liability are measured at fair value through profit or loss.

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