

# FORWARD WATER TECHNOLOGIES CORP.

## Management's Discussion and Analysis

For the three and six months ended September 30, 2023

The date of this management's discussion and analysis ("MD&A") is November 28, 2023

The following MD&A should be read in conjunction with the unaudited interim financial statements of Forward Water Technologies Corp ("FWTC" or the "Company") for the three months ended September 30, 2023 and 2022, 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:

- the continued use of the Company's services
- the sources of the Company's revenue;
- the incurrence of legal fees in relation to defending any civil proceedings involving the 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 possibility of clients terminating contracts with the Company and the impact thereof;
- the 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;
- and
- the likelihood of reputational harm to the Company and the impact thereof.

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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;
- 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 discussed herein, 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.

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

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## Major Highlights for the Quarter Ended September 30, 2023

- On July 4, 2023, the Company issued a total of 410,909 common shares in settlement of compensation to AGORA for certain advertising services provided to the Company.
- On July 25, 2023, the Company announced that it had signed a Heads of Agreement for the potential lease- to-own of the Forward Osmosis ("FO") equipment with a leading developer of battery grade lithium sourced from aquifers using direct lithium extraction (DLE) technology.
- On August 31, 2023, the Company announced that it has entered into a non-binding Letter of Intent with Alborg CSP to access their flat panel and parabolic solar thermal solution offerings for integration into the Company's FO technology systems, specific to direct lithium extraction applications and where the use of solar thermal integration provides beneficial use to the client.

## Major Highlights Subsequent to September 30, 2023

- On October 5, 2023, the Company issued a total of 452,000 common shares in the amount of \$22,600 in settlement of compensation to AGORA Internet Relations Corp., for certain advertising services provided to the Company.
- On October 23, 2023, the Company completed a non-brokered private placement of 9,240,000 units at a price of \$0.05 per unit for gross proceeds of \$462,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.075 per share at any time on or before October 20, 2026.
- On October 31, 2023, the Company announced a brokered private placement (the "Offering") of a minimum of 20,000,000 units ("Units") and a maximum of 40,000,000 Units, on a commercially reasonable efforts agency basis, at a price of \$0.05 per Unit (the "Issue Price") for gross proceeds of between \$1 million to \$2 million. The Offering may consist of up to 26,525,774 units issued pursuant to the listed issuer financing exemption available under Part 5A of National Instrument 45-106 – Prospectus Exemptions ("NI 45-106") for maximum gross proceeds of \$1,326,288.70 (the "LIFE Offering").
- In addition, the Company is proposing to complete, concurrent with the LIFE Offering, a brokered private placement of up to 40,000,000 Units on the same terms as the LIFE Offering, for gross proceeds of up to \$2,000,000 (the "Concurrent Private Placement"). The Units sold under the Concurrent Private Placement will be sold pursuant to applicable exemptions under NI 45-106 other than the listed issuer financing exemption.
- In no case will the aggregate amount raised under the LIFE Offering and Concurrent Private Placement be more than \$2,000,000 and no more than \$1,326,288.70 will be raised though the sale of Units under the LIFE Offering. The closing of the LIFE Offering is conditional upon the raising of at least \$1,000,000 in gross proceeds under the LIFE Offering and Concurrent Private Placement.
- Each Unit will consist of one common share of the Company (each, a "Share") and one Share purchase warrant of the Company (a "Warrant"). Each Warrant will entitle the holder to purchase one Share (each, a "Warrant Share") at a price of \$0.075 per Warrant Share at any time on or

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before the date which is 36 months after the issuance of the Warrant, subject to adjustment in certain events.

- In December 2021, the Company began the building of a mobile demonstration unit which can be placed on a customer's site to allow for a longer term (6-8 month) performance of the FO technology at industrial throughput that is not achievable in a laboratory setting. This revenue-generating unit was completed in November, 2023 and is now available to be used by our customers.

## 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, 2011 dedicated to the commercialization of its proprietary FO 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."

### Technology, sectors, and revenue models:

The Company's FO 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 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

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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 the 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.

## Selected Annual Information

	Fiscal Year Ended		
	2021	2022	2023
	\$	\$	\$
Total revenue	41,575	6,244	39,726
Net loss and comprehensive loss	(1,500,270)	(4,178,676)	(2,286,526)
Loss per share (basic and diluted)	(0.03)	(0.05)	(0.02)
Total assets	1,097,763	4,557,206	2,134,402
Total non-current liabilities	625,491	579,413	20,572
Cash dividends declared	-	-	-

During the 2021 fiscal year, the Company was finalizing the technology, developing the initial commercialization with brine water and wastewater customers, and licensing the FO process. Fiscal year 2022 was a continuation of the commercialization as well as the preparation for the Transaction with HWCC which was completed on October 21, 2021. Since the Transaction, the remainder of fiscal year 2022 and 2023 was spent building the commercial demonstration unit and full commercialization of the FO process, including the expansion into the direct lithium extraction segment.

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## Results of Operations

	Three months ended		Six months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenue	\$ 24,475	\$ -	\$ 27,824	\$ -
Expenses:				
General and administrative	278,416	239,643	715,884	460,654
Selling and marketing	37,781	112,601	84,429	155,283
Research and development	101,967	253,218	250,977	547,101
Foreign exchange loss (gain)	(508)	(283)	(3,383)	2,080
Total expenses	417,656	605,179	1,047,907	1,165,118
Operating Loss	\$ (393,181)	\$ (605,179)	\$ (1,020,083)	\$ (1,165,118)
Other expense (income):				
Amortization of deferred capital contributions	(2,616)	(30,063)	(5,233)	(59,500)
Operating grants	(35,602)	(12,249)	(66,082)	(12,249)
Debt forgiveness	-	-	(3,922)	-
Government grant	-	(47,792)	-	(47,792)
Finance income	(9)		(91)	(335)
Finance costs	2,043	9,007	8,719	20,806
Total other income	(36,184)	(81,097)	(66,609)	(99,070)
Net loss and comprehensive loss	\$ (356,997)	\$ (524,082)	\$ (953,474)	\$ (1,066,048)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of basic common shares	107,676,502	105,911,740	107,494,138	105,756,771

## Revenue:

Revenues for the three months ended September 30, 2023 were \$24,475 compared to \$nil for the same period in 2022. Revenues for the six months ended September 30, 2023, were \$27,824 compared to \$nil for the same period in 2022. The revenue increase for both periods is a result of new contracts with customers to test wastewater and water samples from mineral recovery processes as preliminary steps toward a project order.

## Expenses:

General and Administrative – general and administrative expenses for the three months ended September 30, 2023 were \$278,416, a \$38,773 or 16% increase over the same period in 2022. General and administrative expenses for the six months ended September 30, 2023 were \$715,884, an increase of \$255,230 or 55% over the same period in 2022. The increase for both periods is primarily due to higher consulting expenses related to engineering development for the food and beverage sector.

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Selling and Marketing – selling and marketing expenses for the three months ended September 30, 2023 were \$37,781, a decrease of \$74,820 or 66% compared to the same period in 2022. Selling and marketing expenses for the six months ended September 30, 2023 was \$84,429, \$70,854 or 46% lower compared to the same period in 2022. For both periods this is a result of the Company continuing to ramp up the commercialization of the technology.

Research and Development – research and development costs for the three months ended September 30, 2023 were \$101,967, a decrease of \$151,251 or 60% compared to the same period in 2022. Research and development costs for the six months ended September 30, 2023 were \$250,977, a decrease of \$296,124 or 54% compared to the same period in 2022. For both periods, this is a result of lower engineering development costs as the business transitioned to commercialization.

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, 2023 was \$508, a decrease of \$225 compared to the same period in 2022. Foreign exchange gain for the six months ended September 30, 2023 was \$3,383, an increase of \$5,463 compared to the same period in 2022.

## **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, 2023 was an income of \$2,616, a \$27,447 or 91% decrease compared to the same period in 2022. The amortization of deferred capital contributions for the six months ended September 30, 2023 was an income of \$5,233, a \$54,267 or 91% decrease compared to the same period in 2022. For both periods, this is a result of a lower remaining grants and funding available.

Operating Grants - operating grants for the three months ended September 30, 2023 were \$35,602, an increase of \$23,353 or 191% compared to the same period in 2022. Operating grants for the six months ended September 30, 2023 were \$66,082, an increase \$53,833 or 439% compared to the same period in 2022. The operating grant is from CanExport (a program through the Government of Canada's Trade Commissioner Service).

Debt Forgiveness – debt forgiveness for the three months ended September 30, 2023 was nil, compared to nil for the same period in 2022. Debt forgiveness for the six months ended September 30, 2023 was \$3,922, compared to \$nil for the same period in 2022. The expense is a result of the write down of the fair value of the loan payable.

Finance Income - finance income represents interest earned on bank accounts and GICs, and interest on an HST refund. Finance income for the three months ended September 30, 2023 was \$9 compared to nil for the same period in 2022. Finance income for the six months ended September 30, 2023 was \$91 compared to \$335 to the same period in 2022.

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Finance Costs – finance costs for the three months ended September 30, 2023 was \$2,043 a decrease of \$6,964 compared to the same period in 2022. Finance costs for the six months ended September 30, 2023 was \$8,719, a decrease of \$12,087 compared to the same period in 2022. This is primarily due to interest accrued on debentures and CEBA loans in the prior period that did not occur in 2023.

## Net Loss and Earnings per Share:

The net loss and comprehensive loss for the three months ended September 30, 2023 was \$356,997 compared to a loss of \$524,082 for the same period in 2022. The net loss and comprehensive loss for the six months ended September 30, 2023 was \$953,474 compared to a loss of \$1,066,048 for the same period in 2022. On a per share basis, this translated into a net loss per basic share of \$0.00 and \$0.01 for the three and six months ended September 30, 2023, compared to a loss per basic share of \$0.00 and \$0.01 for the same respective periods in the prior year.

## Total Assets and Liabilities:

	September 30, 2023	March 31, 2023
<b>Assets</b>		
Total current assets	223,727	1,130,223
Property and equipment	1,177,140	1,004,179
<b>Total assets</b>	<b>1,400,867</b>	<b>2,134,402</b>
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payables and accrued liabilities	499,634	345,881
Government loan payable	38,888	36,769
Loans payable	297,663	300,000
	<b>836,185</b>	<b>682,650</b>
Deferred capital contributions	15,339	20,572
<b>Total liabilities</b>	<b>851,524</b>	<b>703,222</b>
Shareholders' equity:		
Share capital	9,682,321	9,637,121
Warrants	1,760,865	1,760,865
Contributed surplus	2,725,955	2,699,518
Deficit	(13,619,798)	(12,666,324)
<b>Total shareholders' equity</b>	<b>549,343</b>	<b>1,431,180</b>
<b>Total liabilities and shareholder's equity</b>	<b>\$ 1,400,867</b>	<b>\$ 2,134,402</b>

Total assets were \$1,400,867 as of September 30, 2023, a decrease of \$733,535 or 34% over the period ended March 31, 2023 primarily as a result of cash that was used to operate the business, and lower consulting prepaids partially offset by higher property and equipment expenses, net of depreciation.

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Current liabilities as of September 30, 2023 were \$836,185, an increase of \$153,535 or 22% over the period ended March 31, 2023 primarily as a result of higher accounts payable.

Long term liabilities as of September 30, 2023 were \$15,339, a decrease of \$5,233 or 25% compared to the period ended March 31, 2023 primarily as a result the lower amortization of deferred capital contributions due to a depletion of contributions.

## Statement of Cash Flows:

	Six months ended September	
	2023	30, 2022
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (953,474)	\$ (1,066,048)
Items not involving cash	87,566	181,849
Changes in non-cash operating working capital	148,691	192,148
Net cash used in operating activities	(717,217)	(692,051)
Investing activity:		
Purchase of property and equipment	(194,341)	(516,070)
Net cash used in investing activity	(194,341)	(516,070)
Decrease in cash	(911,558)	(1,208,121)
Cash, beginning of period	969,956	3,012,369
Cash, end of period	\$ 58,398	\$ 1,804,248

## Net cash outflows from operating activities:

For the six months ended September 30, 2023, net cash flows used in operating activities were \$717,217, an increase in outflows of \$25,166 or 4% compared to the six months ended September 30, 2022. The increase in outflows was primarily due to lower cash inflows for items not involving cash (primarily lower share based compensation) and lower changes in non-cash operating working capital (lower amounts receivable and prepaid expenses partially offset by lower accounts payable and accrued liabilities) partially offset by a lower net loss.

## Net cash flows from investing activities:

Net cash used in investing activities for the six months ended September 30, 2023 was \$194,341, a decrease in outflows of \$321,729 compared to the six months ended September 30, 2022 as cash spent on the commercial demonstration unit was significantly lower as the unit was completed.

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## Quarterly Results:

	Three Months Ended							
	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23	Sep 23
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	5,644	-	-	-	30,369	9,357	3,349	24,475
Net loss/comprehensive loss	(1,938,856)	(674,276)	(541,966)	(524,082)	(522,920)	(697,558)	(596,477)	(356,997)
Net cash (outflow) from operating activities	(2,052,629)	(414,297)	(325,261)	(366,790)	(457,260)	(310,017)	(485,884)	(231,333)
Weighted average number of shares (m)	94.9	105.6	105.6	105.9	106.1	107.0	107.3	107.7
Basic loss per share	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)	(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 research and development 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, 2021 which increased net and comprehensive losses, though an effort was made to conserve cash until the public listing. FWTC became publicly listed in October 2021, resulting in transaction 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 mobile demonstration unit which can be placed on a customer's site to allow for a longer term (3-4 month) performance of the FO technology at industrial throughput that is not achievable in a laboratory setting. The unit was completed in November, 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 funds used in the operations are a result of the Transaction. The main focus is the launch of the commercial demonstration unit and to continue with business development efforts, and to have it available for sale or lease.

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## Breakdown of Material Expense:

### General and administrative

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
<b>General and administrative</b>	<b>278,416</b>	<b>239,643</b>	<b>715,884</b>	<b>460,654</b>
Office, administration and other	36,834	40,128	63,451	67,375
Consulting, contracts and professional fees	111,455	59,289	381,195	110,021
Salaries and benefits	116,908	129,822	244,801	262,450
Shared based compensation	13,219	10,404	26,437	20,808

General and Administrative expenses for the three months ended September 30, 2023 were \$278,416, a \$38,773 or 16% increase over the same period in 2022. General and Administrative expenses for the six months ended September 30, 2023 were \$715,884, a \$255,230 or 55% increase over the same period in 2022. The increase is primarily due to higher consulting expenses related to engineering development for the food and beverage sector.

### Research and development

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
Research and development	101,967	253,218	250,977	547,101

Research and development costs for the three months ended September 30, 2023 were \$101,967, a decrease of \$151,251 or 60% over the same period in 2022. Research and development costs for the six months ended September 30, 2023 were \$250,977, a decrease of \$296,124 or 54% over the same period in 2022. For both periods, this is a result of lower engineering development costs as the business transitions to commercialization.

### Property and equipment

Cost	Equipment	Computer hardware	Construction in progress	Total
March 31, 2023	\$ 982,300	\$ 5,500	\$ 951,817	\$ 1,939,617
Additions	-	-	194,341	194,341
September 30, 2023	\$ 982,300	\$ 5,500	\$ 1,146,158	\$ 2,133,958

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Construction in progress consists of the spend for the mobile commercial demonstration unit that had a total cost of \$1.3 million. The unit was completed in November, 2023.

## Outstanding Share Capital:

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

Shares: 117,489,095

Warrants: 9,240,000

Options: 2,982,271

Refer to the Financial Statements for more details on the capital structure.

## Off-Balance Sheet Arrangements:

There are no off-balance sheet arrangements.

## 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 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 six months ended September 30, 2023 finance costs of \$2,119 (2022 - \$16,520) 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, 2023, the loan balance of \$100,000 has been fully repaid.

Balance at March 31, 2022	\$	279,172
Accretion expense		20,828
Balance at March 31, 2023	\$	300,000
Debt forgiveness	\$	(3,922)
Accretion expense		1,585
Balance at September 30, 2023	\$	297,663

# FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the three and six months ended September 30, 2023

b) Key management personnel

	Three months ended September 30,		Six months ended September 30,	
	2023	2022	2023	2022
Salaries and benefits	\$ 70,894	\$ 64,950	\$ 139,717	\$ 129,416
Stock based compensation	13,219	10,404	26,437	20,808
	\$ 84,113	\$ 75,354	\$ 166,154	\$ 150,224

During the three and six months ended September 30, 2023, the Company incurred consulting fees of \$48,705 (2022 - \$29,113) and \$86,455 (2022 - \$73,630) respectively to WD Numeric Corporate Services, for the services of Mike Willetts to act as Chief Financial Officer of the Company.

## Subsequent Events:

On October 5, 2023, the Company issued a total of 452,000 common shares in settlement of \$22,600 of compensation owing to AGORA internet Relations Corp, for certain advertising services provided to the Company.

On October 23, 2023, the Company completed a non-brokered private placement of 9,240,000 units at a price of \$0.05 per unit for gross proceeds of \$462,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to acquire one common share of the Company at a price of \$0.075 per share at any time on or before October 20, 2026.

On October 31, 2023, the Company announced a brokered private placement (the "Offering") of a minimum of 20,000,000 units ("Units") and a maximum of 40,000,000 Units, on a commercially reasonable efforts agency basis, at a price of \$0.05 per Unit (the "Issue Price") for gross proceeds of between \$1 million to \$2 million. The Offering may consist of up to 26,525,774 units issued pursuant to the listed issuer financing exemption available under Part 5A of National Instrument 45-106 – Prospectus Exemptions ("NI 45-106") for maximum gross proceeds of \$1,326,288.70 (the "LIFE Offering").

In addition, the Company may complete, concurrent with the LIFE Offering, a brokered private placement of up to 40,000,000 Units on the same terms as the LIFE Offering, for gross proceeds of up to \$2,000,000 (the "Concurrent Private Placement"). The Units sold under the Concurrent Private Placement will be sold pursuant to applicable exemptions under NI 45-106 other than the listed issuer financing exemption.

In no case will the aggregate amount raised under the LIFE Offering and Concurrent Private Placement be more than \$2,000,000 and no more than \$1,326,288.70 will be raised though the sale of Units under the LIFE Offering. The closing of the LIFE Offering is conditional upon the raising of at least \$1,000,000 in gross proceeds under the LIFE Offering and Concurrent Private Placement.

Each Unit will consist of one common share of the Company (each, a "Share") and one Share purchase warrant of the Company (a "Warrant"). Each Warrant will entitle the holder to purchase one Share (each, a "Warrant Share") at a price of \$0.075 per Warrant Share at any time on or before the date which is 36 months after the issuance of the Warrant, subject to adjustment in certain events.

# FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the three and six months ended September 30, 2023

## 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. Refer to *Subsequent Events* for more information.

For the six months ended September 30, 2023 the Company had a loss and comprehensive loss of \$953,474 and an accumulated deficit of \$13,619,798. Due to the facts mentioned above, there is material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

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.

### 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 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:

# FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the three and six months ended September 30, 2023

At September 30, 2023	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	\$ 499,634	\$ 499,634	\$ 499,634	\$ -	\$ -
Government loan payable	38,888	40,000	40,000	-	-
Loan payable	297,663	300,000	300,000	-	-
	<u>\$ 836,185</u>	<u>\$ 839,634</u>	<u>\$ 839,634</u>	<u>\$ -</u>	<u>\$ -</u>

At March 31, 2023	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	\$ 345,881	\$ 345,881	\$ 345,881	\$ -	\$ -
Government loan payable	36,769	40,000	40,000	-	-
Loan payable	300,000	300,000	300,000	-	-
	<u>\$ 682,650</u>	<u>\$ 685,881</u>	<u>\$ 685,881</u>	<u>\$ -</u>	<u>\$ -</u>

The Company has continued to incur losses and generate negative cash flows from operations. The Company's continuation as a going concern is dependent upon its ability to complete financings sufficient to meet current and future obligations, the successful results from its business activities, and its ability to operate profitably and generate funds.

The Company may need shareholders' support, conduct asset sales, issue equity or incur additional debt to repay financial obligations as they become due until operations generate sufficient positive cash flows to pay financial liabilities..

c) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. At September 30, 2023 and March 31, 2023, the Company is not subject to interest rate risk and its debt bears interest at fixed rates.

d) Capital risk management:

The Company's capital is composed of shareholder's equity 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 shareholders.

# FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the three and six months ended September 30, 2023

The Company's capital is made up of the following:

	September 30,		March 31,	
	2023		2023	
Shareholder Equity	\$	549,343	\$	1,431,180
Loans Payable		297,663		300,000
	\$	847,006	\$	1,731,180

e) 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. As at September 30, 2023, no amounts receivable were considered past due.

f) Measurement of fair value

The carrying value of cash, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term to maturity. The fair value of the government loan payable and the loan payable approximate their fair value as the loans bear interest at market rates.

There were no transfers between levels within the fair value hierarchy for the year ended September 30, 2023 and March 31, 2023.

## 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

# FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the three and six months ended September 30, 2023

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.

### **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 agreements 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.

# FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the three and six months ended September 30, 2023

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 or the ability of the Company to continue as a going concern. 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.

## **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-

# FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the three and six months ended September 30, 2023

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 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.

## 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 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 IFRS.

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