

FORWARD WATER TECHNOLOGIES CORP.

(Formerly Hope Well Capital Corp.)

Management's Discussion and Analysis

For the years ended March 31, 2023 and 2022

The date of this management's discussion and analysis ("MD&A") is July 7, 2023.

The following MD&A should be read in conjunction with the financial statements of Forward Water Technologies Corp ("FWTC" or the "Company") for the years ended March 31, 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:

- 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

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

Major Highlights for the Year Ended March 31, 2023

- Fiscal year 2023 was the full first year as an operating company, after the reverse takeover was completed in October 2021, with the focus transitioning from engineering development to commercialization.
- The Company generated \$40,000 in revenue in testing and reporting for customers interested in purchasing a forward osmosis (“FO”) unit.
- A number of potential customers have been identified, with six requesting testing. These include large multinational businesses in the mining and lithium industries.

Major Highlights for the Quarter Ended March 31, 2023

- On January 9, 2023, the Company granted incentive stock options to certain employees to acquire an aggregate of 620,000 common shares at an exercise price of \$0.085.
- On January 19, 2023, the Company granted incentive stock options to the CEO, to acquire 425,000 common shares at an exercise price of \$0.105.
- On February 8, 2023, the Company announced the renewal of the contract with AGORA Internet Relations Corp (“AGORA”) to provide online advertising, marketing and branding services commencing January 1, 2023. The Company is not paying cash for the program due to AGORA'S shares for services program.

Major Highlights Subsequent to March 31, 2023

- On April 5, 2023, the Company entered into a contract with Global One Media to manage its social media channels including brand promotion, social media strategy and planning, monthly content calendar creation and lead generation. Under the terms of the agreement, Global One Media will receive \$110,922 in cash from the Company which will be paid in a single payment on November 30, 2023 in exchange for their social media services. The contract is expected to be completed by December 31st, 2023.
- On April 20, 2023, the Company issued a total of 347,692 common shares with the deemed cost of \$22,600 for the settlement of compensation to AGORA for certain advertising services provided by AGORA to the Company over three months.
- On May 1, 2023, the Company announced that its wholly-owned subsidiary, Forward Water Technologies Inc., has licensed specific intellectual property from FUJIFILM Corporation in order to solidify protection of its water treatment technology platform, and which will secure further clean water alternatives to legacy solutions to combat the ongoing global water crisis. As part of this agreement, the Company paid a \$135,620 licensing fee.
- On May 30, 2023, the Company announced a partnership with Mead & Hunt. The Company will guide project support with its FO expertise, design know-how, and technical assets. Mead & Hunt will provide extensive supply chain connections, engineering design experience, capabilities to fabricate the needed treatment equipment, as well as an established customer pipeline.
- On May 31, 2023, the Company announced that it has signed a technical advisory engagement

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

with CleanTech Lithium PLC to review and assess technologies capable of further increasing CleanTech Lithium's existing process efficiencies. Under this advisory engagement, FWTC will evaluate and advise on various technologies for use within CleanTech Lithium's operations, at its Laguna Verde and Francisco Basin projects located in the lithium triangle within Chile.

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 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

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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 of 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 has been spent building the commercial demonstration unit and full commercialization of the FO process, including the expansion into the direct lithium extraction segment.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

Results of Operations

	Three months ended March 31,		For the year ended March 31,	
	2023	2022	2023	2022
Revenue	\$ 9,357	\$ -	\$ 39,726	\$ 6,244
Expenses:				
General and administrative	392,376	320,122	1,102,345	2,001,842
Selling and marketing	93,560	48,431	303,064	133,938
Research and development	192,405	333,552	1,013,560	916,579
Listing expenses	-	-	-	1,143,481
Foreign exchange loss (gain)	373	(4,030)	2,629	(8,907)
Total expenses	678,714	698,075	2,421,598	4,186,933
	(669,357)	(698,075)	(2,381,872)	(4,180,689)
Other expense (income):				
Amortization of deferred capital contributions	(151,294)	(15,423)	(241,287)	(99,266)
Operating grants	(30,742)	(21,751)	(42,991)	(26,581)
Investment tax credits	-	-	-	-
Government grant	(31,198)	-	(78,990)	-
Finance income	(24)	(64)	(528)	(1,152)
Finance costs	(138)	13,439	26,853	111,908
Loss on disposal	241,597	-	241,597	-
Change in fair value of financial instruments	-	-	-	13,078
Total other expenses	28,201	(23,799)	(95,346)	(2,013)
Net loss and comprehensive loss	\$ (697,558)	\$ (674,276)	\$ (2,286,526)	\$ (4,178,676)
Basic loss per share*	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.05)
Weighted average number of basic common shares	107,038,494	105,600,099	106,022,711	77,872,756

*Reflects the retrospective application of the 1:5 exchange ratio

Revenue:

Revenues for the three months ended March 31, 2023 were \$9,357 compared to \$nil for the same period in 2022. Revenues for the year ended March 31, 2023 were \$39,726 compared to \$6,244 for the same period in 2022. The revenue increases for both periods are 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 March 31, 2023 were \$392,376, a \$72,254 or 23% increase over the same period in 2022 as a result of higher consulting, professional fees, and share based compensation. General and administrative expenses for the year ended March 31, 2023 were \$1,102,345, a decrease of \$899,497 or 45% from the prior year. The

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

decrease is primarily due to lower consulting and administrative expenses related to the Transaction partially offset by higher salaries and benefits as a result of the hiring of the VP of Engineering Sales and the Laboratory Manager.

Selling and Marketing – selling and marketing expenses for the three months ended March 31, 2023 were \$93,560, an increase of \$45,129 or 93% compared to the same period in 2022. Selling and marketing expenses for the year ended March 31, 2023 were \$303,064, an increase of \$169,126 or 126% compared to 2022. For both periods, the increase is a result of the Company ramping up the commercialization of the technology.

Research and Development – research and development costs for the three months ended March 31, 2023 were \$192,405, a decrease of \$141,147 or 42% as a result of lower engineering development costs as the business transitioned to commercialization. Research and development costs for the year ended March 31, 2023 were \$1,013,560, a \$96,981 or 11% increase over 2022. The higher costs are primarily due to higher engineering development costs for the first three quarters.

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 loss for the three months ended March 31, 2023 was \$373, a \$4,403 decrease compared to 2022. The foreign exchange loss for the year ended March 31, 2023 was \$2,629, a decrease of \$11,536 over 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 March 31, 2023 was income of \$151,294 or a \$135,841 increase compared to the same period in 2022. The amortization of deferred capital contributions for the year ended March 31, 2023 was income of \$241,287, an increase of \$142,021 or 143% over the same year in 2022. For both periods, the increase is the result of the disposal of the field pilot unit in Alberta.

Operating Grants - operating grants for the three months ended March 31, 2023 were \$30,742, an increase of \$8,991 or 41% compared to the same period in 2022. The operating grants for the year ended March 31, 2023 were \$42,991, compared to \$26,581 for the same period in 2021, an increase of 62%. The operating grant is from CanExport (a program through the Government of Canada's Trade Commissioner Service).

Government Grant – government grants for the three months ended March 31, 2023 were \$31,198, compared to \$nil for the same period in 2022. Government grants for the year ended March 31, 2023 were \$78,990 compared to \$nil for the same year in 2022. This is a result for both periods of receiving a Scientific Research Experimental and Development grant.

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 March 31, 2023 was \$24 compared to \$64 for

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

the same period in 2022. Finance income for the year ended March 31, 2023 was \$528, a decrease of \$624 compared to 2022.

Finance Costs – finance costs for the three months ended March 31, 2023 was a gain of \$138 compared to the prior period. Finance costs for the year ended March 31, 2023 were \$26,853, a decrease of \$85,055 or 76% compared to 2022. This is primarily due to interest accrued on debentures and CEBA loans in the prior period that did not occur in 2023.

Loss on Disposal – loss on disposal of assets for the three months ended March 31, 2023 was \$241,597 compared to \$nil for the same period in 2022. Loss on disposal for the year ended March 31, 2023 was \$241,597, compared to \$nil in the prior year. The loss is a result of the disposal of the Field Pilot Unit in Alberta. Commissioned in September 2019, the unit was built to prove out the RO technology in the field.

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 March 31, 2023, the change in fair value instruments was \$nil compared to \$nil for the same period in 2022. For the year ended March 31, 2023 the change in fair value was \$nil, a decrease of \$13,078 as a result of a 2022 adjustment from a debt conversion preceding the Transaction.

Net Loss and Earnings per Share:

The net loss and comprehensive loss for the three months ended March 31, 2023 was \$697,558 compared to a loss of \$674,276 for the same period in 2022. The net loss and comprehensive loss for the year ended March 31, 2023 was \$2,286,526 compared to \$4,178,676 for 2022. On a per share basis this translated into a net loss per basic share of \$0.01 for the three months ended March 31, 2023, compared to a loss per basic share of \$0.01 for the same period in the prior year. For the year ended March 31, 2023, the net loss per basic share was \$0.02 compared to net loss per basic share of \$0.05 for the year ended March 31, 2022.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

Total Assets and Liabilities:

	March 31, 2023	March 31, 2022
Assets		
Current assets	1,130,223	3,631,659
Property and equipment	1,004,179	925,547
Total assets	2,134,402	4,557,206
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payables and accrued liabilities	345,881	463,995
Loans payable	300,000	-
Government loan payable	36,769	-
	682,650	463,995
Deferred capital contributions	20,572	261,859
Government loan payable	-	38,382
Loan payable	-	279,172
Total liabilities	703,222	1,043,408
Shareholders' equity:		
Share capital	9,637,121	9,497,026
Warrants	1,760,865	1,760,865
Contributed surplus	2,699,518	2,635,705
Deficit	(12,666,324)	(10,379,798)
Total shareholder's equity	1,431,180	3,513,798
Total liabilities and shareholder's equity	\$ 2,134,402	\$ 4,557,206

Total assets were \$2,134,402 as of March 31, 2023, a decrease of \$2,422,804 or 53% 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 expenses, net of depreciation.

Current liabilities as of March 31, 2023 were \$682,650, an increase of \$218,655 or 47% over the period ended March 31, 2022 primarily as a result of the addition of the loan payable and government loan payable previously classed as a long term liability, partially offset by lower accounts payable.

Long term liabilities as of March 31, 2023 were \$20,572 a decrease of \$558,841 or 96% over the amount as of March 31, 2022 primarily as a result the re-classification of the loan payable and government loan payable to current liabilities partially offset by lower amortization of deferred capital contributions due to a depletion of contributions.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

Statement of Cash Flows:

	For the year ended March 31,	
	2023	2022
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (2,286,526)	\$ (4,178,676)
Items not involving cash	486,289	1,938,727
Changes in non-cash operating working capital	340,909	(415,061)
	(1,459,328)	(2,655,010)
Financing activities	2,499	5,472,639
Investing activities	(585,584)	47,504
Increase (decrease) in cash	(2,042,413)	2,865,133
Cash, beginning of year	3,012,369	147,236
Cash, end of year	\$ 969,956	\$ 3,012,369

Net cash outflows from operating activities:

For the year ended March 31, 2023, net cash flows from operating activities were an outflow of \$1,459,328, a decrease in outflows of \$1,195,682 or 45% compared to the year ended March 31, 2022. 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 year ended March 31, 2023 were \$2,499, a decrease of \$5,470,140 compared to the year ended March 31, 2022 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 year ended March 31, 2023 were \$585,584, an increase in outflows of \$633,088 compared to the year ended March 31, 2022 due to cash spent to build the commercial demonstration unit. In addition, there was a cash inflow of \$455,420 from the Transaction.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

Quarterly Results:

	Three Months Ended							
	Jun 21	Sep 21	Dec 21	Mar 22	Jun 22	Sep 22	Dec 22	Mar 23
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	600	5,644	-	-	-	30,369	9,357
Net loss/comprehensive loss	(565,985)	(999,559)	(1,938,856)	(674,276)	(541,966)	(524,082)	(522,920)	(697,558)
Net cash (outflow) from operating activities	(90,506)	(97,578)	(2,052,629)	(414,297)	(325,261)	(366,790)	(457,260)	(310,017)
Weighted average number of shares (m)	56.2	56.2	94.9	105.6	105.6	105.9	106.1	107.0
Basic loss per share	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)

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. Significant progress has been made on the unit which is now 85% complete, the completion of which will align with the first commercial contract.

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	-	
Total	3,750,000	3,750,000	-	
Working Capital and Other Corporate Purposes	1,250,000			
Total for Transaction	5,000,000			

The funds used in the operations are a result of the Transaction. The main focus is the launch the commercial demonstration unit and to continue with business development efforts.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

Breakdown of Material Expense:

General and administrative

	Three months ended March 31,		For the year ended March 31,	
	2023	2022	2023	2022
General and administrative:	392,376	320,122	1,102,345	2,001,842
Amortization	-	-	-	-
Office, administration and other	90,123	98,014	230,857	299,642
Consulting, contracts and professional fees	131,142	84,895	287,174	1,332,875
Salaries and benefits	131,890	137,213	518,505	334,647
Shared based compensation	39,221	-	65,809	34,678

General and Administrative expenses for the three months ended March 31, 2023 were \$392,376, a \$72,254 or 23% increase over the same period in 2022 as a result of higher consulting, professional fees, and share based compensation. General and administrative expenses for the year ended March 31, 2023 were \$1,102,345, a decrease of \$899,497 or 45% from the prior year. The decrease is primarily due to lower consulting and administrative expenses related to the Transaction partially offset by higher salaries and benefits as a result of the hiring of the VP of Engineering Sales and Laboratory Manager.

Research and development

	Three months ended March 31,		For the year ended March 31,	
	2023	2022	2023	2022
Research and development	192,405	333,552	1,013,560	916,579

Research and development costs for the three months ended March 31, 2023 were \$192,405, a decrease of \$141,147 or 42% as a result of lower engineering development costs as the business transitioned to commercialization. Research and development costs for the year ended March 31, 2023 were \$1,013,560, a \$96,981 or an 11% increase over the year ended March 31, 2022. The higher costs are primarily due to higher engineering development costs for the first three quarters.

Property and equipment

Cost	Equipment	Computer hardware	Construction in progress	Total
March 31, 2021	\$ 2,076,254	\$ 5,500	\$ -	\$ 2,081,754
Additions	21,120	-	366,232	387,352
March 31, 2022	\$ 2,097,374	\$ 5,500	\$ 366,232	\$ 2,469,106
Additions	-	-	585,585	585,585
Disposal	(1,115,074)	-	-	(1,115,074)
March 31, 2023	\$ 982,300	\$ 5,500	\$ 951,817	\$ 1,939,617

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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: 107,038,494

Warrants: 19,614,600

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 year ended March 31, 2023 finance costs of \$20,828 (2022 - \$45,883) were recorded related to this loan payable. The loan matures on April 30, 2023. If no repayments are made by the maturity date, a new maturity date and payment process will need to be established. To the date of the consolidated financial statements no new agreement has been put in place and no demand has been made on the loan. The Company has been working the shareholder to establish a new load. (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 March 31, 2023, the loan balance of \$100,000 has been fully repaid.

Balance at March 31, 2021	\$	233,289
Accretion expense		45,883
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Balance at March 31, 2022		279,172
Accretion expense		20,828
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FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

Balance at March 31, 2023	\$	300,000
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b) Key management personnel

	For the year ended March 31,	
	2023	2022
Salaries and benefits	\$ 259,876	\$ 132,963
Stock-based compensation	41,565	29,216
	\$ 301,441	\$ 162,179

During the year ended March 31, 2023, the Company incurred consulting fees of \$69,478 (2022 - \$55,600), to WD Numeric Corporate Services, for the services of Mike Willetts to act as Chief Financial Officer of the Company.

(c) Other

During the year, the Company paid a shareholder of the Company \$52,377 (2022 - \$51,173) for licensing fees.

Subsequent Events:

On April 5, 2023, the Company entered into a contract with Global One Media to manage its social media channels including brand promotion, social media strategy and planning, monthly content calendar creation and lead generation. Under the terms of the agreement, Global One Media will receive \$110,922 in cash from the Company which will be paid in a single payment on November 30, 2023 in exchange for their social media services. The contract is expected to be completed by December 31, 2023.

On April 20, 2023, the Company entered into a contract and has licensed specific intellectual property from FUJIFILM Corporation. The contract includes total payments of \$500,000 USD with an initial payment of \$100,000 USD, 30 days from the effective date and payments of \$100,000 USD on the first, second, third, and fourth anniversary dates of the agreement.

On June 13, 2023, the Company issued a total of 347,692 common shares with a deemed cost of \$22,600 to AGORA for certain advertising services provided by AGORA to the Company over three months.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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.

For the year ended March 31, 2023 the Company had a loss and comprehensive loss of \$2,286,526 and accumulated deficit of \$12,666,324. 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 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.

Financial risks and concentration of risk: 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 year ended March 31, 2023 and 2022

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>

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>

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. The Company believes it has sufficient funds to meet foreseeable obligations by actively monitoring its working capital and debt repayment requirements.

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 March 31, 2023 and March 31, 2022, 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 shareholder.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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

	March 31, 2023	March 31, 2022
Shareholders' equity	\$ 1,431,180	\$ 3,513,798
Loan payable	300,000	279,172
	\$ 1,731,180	\$ 3,792,970

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 March 31, 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 March 31, 2023 and March 31, 2022.

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.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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.

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.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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.

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.

FORWARD WATER TECHNOLOGIES CORP.

MD&A (Cont'd)

For the year ended March 31, 2023 and 2022

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 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 the issuer's GAAP.

Additional information related to the Company can be found on the Company's profile on www.sedar.com