

Condensed Consolidated Interim Financial Statements of

## **FORWARD WATER TECHNOLOGIES CORP.**

For the three and nine months ended September 30, 2024 and 2023  
*(Unaudited)*

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

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

**FORWARD WATER TECHNOLOGIES CORP.**

Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2024 and December 31, 2023

(Unaudited)

	September 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash	\$ 2,882,298	\$ 235,986
Short-term investments	11,203	1,271,912
Amounts receivable (note 5)	58,322	2,316
Prepaid expenses	23,724	-
	\$ 2,975,547	\$ 1,510,214
Property and equipment (note 6)	1,456,825	-
Intangible assets (note 4)	1,761,657	-
	\$ 6,194,029	\$ 1,510,214

**Liabilities and Shareholder's Equity (deficiency)**

Current liabilities:		
Accounts payables and accrued liabilities (note 7)	\$ 1,313,204	\$ 24,594
Current portion of bank loan payable (note 9)	11,222	-
Deferred capital contributions (note 8)	9,412	-
Loans payable (note 12)	100,000	-
Current portion of license liability (note 15)	102,080	-
	\$ 1,535,918	\$ 24,594
Bank loan payable (note 10)	31,297	-
Loans payable (note 9)	242,507	-
License liability (note 15)	241,805	-
	\$ 2,051,527	\$ 24,594
Shareholders' Equity (Deficiency):		
Share capital (note 11)	\$ 3,634,122	\$ 1,488,456
Warrants (note 11)	562,484	-
Contributed surplus	308,161	187,747
Deficit	(362,265)	(190,583)
	\$ 4,142,502	\$ 1,485,620
	\$ 6,194,029	\$ 1,510,214

Going concern (note 1)

Commitments (note 14)

Subsequent event (17)

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:

"C. Howie Honeyman" \_\_\_\_\_ Director

"Don Bent" \_\_\_\_\_ Director

**FORWARD WATER TECHNOLOGIES CORP.**

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Expenses:				
General and administrative (note 13)	\$ 176,217	\$ 5,652	\$ 199,236	\$ 134,346
Listing expenses	14,560	53	28,502	11,076
	190,777	5,705	227,738	145,422
	(190,777)	(5,705)	(227,738)	(145,422)
Other expense (income):				
Finance income	(17,072)	(15,052)	(46,663)	(15,564)
Gain on debt settlement	(9,393)	-	(9,393)	-
	(26,465)	(15,052)	(56,056)	(15,564)
Net gain/(loss) and comprehensive gain/(loss)	\$ (164,312)	\$ 9,347	\$ (171,682)	\$ (129,858)
Earnings/(loss) and comprehensive income/(loss) per share*				
Basic	(0.008)	0.001	(0.009)	(0.011)
Diluted	(0.008)	0.001	(0.009)	(0.010)
Weighted average number of shares outstanding				
Basic	19,542,450	14,792,450	19,542,450	11,974,917
Diluted	19,542,450	16,157,695	19,542,450	13,080,116

\*Reflect the retrospective application of the 0.95:1 exchange ratio (Note 4)

See accompanying notes to condensed consolidated interim financial statements.

**FORWARD WATER TECHNOLOGIES CORP.**

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
For the three and nine months ended September 30, 2024 and 2023  
(Unaudited)

	# of shares	Share Capital	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2022	5,000,000	\$ 250,000	\$ 16,078	\$ -	\$ (66,194)	\$ 199,884
Shares issued in private placement	1,200,000	120,000	-	-	-	120,000
Shares issued in initial public offering	14,371,000	1,437,100	-	-	-	1,437,100
Share issuance costs	-	(247,328)	-	-	-	(247,328)
Issuance of broker warrants in connection with the initial public offering	-	(71,316)	71,316	-	-	-
Issuance of stock options	-	-	100,353	-	-	100,353
Net loss and other comprehensive loss	-	-	-	-	(129,858)	(129,858)
Balance, September 30, 2023	20,571,000	\$ 1,488,456	\$ 187,747	\$ -	\$ (196,052)	\$ 1,480,151
Balance, December 31, 2023	20,571,000	1,488,456	187,747	-	(190,583)	1,485,620
Shares and warrants issued in private placement	15,887,850	1,191,589	-	508,411	-	1,700,000
Issuance cost	-	(120,984)	-	(51,621)	-	(172,605)
Issuance of Finder warrants in connection with private placement	-	(56,077)	80,003	(23,926)	-	-
FMAC shares exchanged	(36,458,850)	-	-	-	-	-
Shares issued in exchange for FMAC shares	34,635,908	-	-	-	-	-
Fair value of deemed issuance to FWTC	11,794,110	930,555	40,411	8,212	-	979,178
Conversion of bridge financing debentures	1,776,199	108,156	-	91,844	-	200,000
Conversion of convertible debenture	689,654	70,436	-	29,564	-	100,000
Share issued for debt settlement	278,721	21,991	-	-	-	21,991
Net loss and other comprehensive loss	-	-	-	-	(171,682)	(171,682)
Balance, September 30, 2024	49,174,592	\$ 3,634,122	\$ 308,161	\$ 562,484	\$ (362,265)	\$ 4,142,502

See accompanying notes to condensed consolidated interim financial statements.

**FORWARD WATER TECHNOLOGIES CORP.**  
Condensed Consolidated Interim Statement of Cash Flows  
For the nine months ended September 30, 2024 and 2023  
(Unaudited)

	Nine months ended September 30,	
	2024	2023
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (171,682)	\$ (129,858)
Items not involving cash:		
Share-based compensation	-	100,353
Gain on debt settlement	(9,393)	-
Changes in non-cash operating working capital:		
Amounts receivable	(2,684)	-
Prepaid expenses	-	10,597
Accounts payable and accrued liabilities	27,466	(36,006)
Deferred financing costs	-	71,661
<b>Net cash provided by (used in) operating activities</b>	<b>(156,293)</b>	<b>16,747</b>
Financing activity:		
Issuance of capital stock	-	1,557,100
Proceeds on issue of subscription receipts (note 11)	1,700,000	-
Issuance costs (note 11)	(172,605)	(247,329)
<b>Net cash from financing activities</b>	<b>1,527,395</b>	<b>1,309,771</b>
Investing activity:		
Cash obtained from reverse takeover transaction	3,299	-
<b>Net cash from investing activity</b>	<b>3,299</b>	<b>-</b>
Decrease in cash	1,374,401	1,326,518
Cash, beginning of period	1,507,897	165,671
<b>Cash, end of period</b>	<b>\$ 2,882,298</b>	<b>\$ 1,492,189</b>

See accompanying notes to condensed consolidated interim financial statements.

## **FORWARD WATER TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements  
For the nine months ended September 30, 2024 and 2023  
(Unaudited)

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### **1. Nature of operations and going concern:**

Forward Water Technologies Corp. (the "Company" or "FWTC"), formerly Hope Well Capital Corp. was incorporated under the *Business Corporations Act* (Ontario) ("OBCA") on December 1, 2016 and was a Capital Pool Company as defined in the CPC Policy. On October 20, 2021, FWTC completed a qualifying transaction with Forward Water Technologies Inc. ("FWTI"). The transaction was completed by way of a three-cornered amalgamation pursuant to the provisions of the OBCA. Immediately following the completion of the transaction, Hope Well Capital Corp. changed its name from "Hope Well Capital Corp." to "Forward Water Technologies Corp." FWTC is dedicated to saving the earth's water supply by using its patented Forward Osmosis technology. FWTC's shares are listed on the Exchange under the symbol "FWTC". FWTC's corporate office is 1086 Modeland Road, Sarnia, Ontario, Canada.

On September 30, 2024, Fraser Mackenzie Accelerator Corp. ("FMAC") completed a qualifying transaction (the "Transaction") with FWTC. Pursuant to the Transaction a wholly-owned subsidiary of FWTC amalgamated with FMAC and all of the issued and outstanding common shares of FMAC ("FMAC Shares") were exchanged for post-Consolidation (as defined below) common shares of FWTC ("FWTC Shares") at an exchange ratio of 0.95 of an FWTC Share for each FMAC Share (the "Exchange Ratio"). In addition, each outstanding option and warrant to purchase an FMAC Share was adjusted to entitle the holders thereof to purchase FWTC Shares based on the Exchange Ratio. The issuer resulting from the Transaction carries on the business of FWTC. FMAC shares ceased being listed on the TSX Venture Exchange ("TSXV") following the completion of the Transaction. See Note 4 for further information on the Transaction.

FMAC was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the OBCA on February 9, 2022. In connection with the amalgamation of FMAC and the wholly owned subsidiary of FWTC, the name of the amalgamated entity became Forward Water Merger Corp.

The Transaction constituted a reverse acquisition in accordance with International Financial Reporting Standards ("IFRS") as the shareholders of FMAC took control of FWTC. As FMAC was deemed to be the acquirer for accounting purposes, the resulting statements of financial position are presented as a continuance of FMAC's operations at their historical carrying values, and the comparative figures presented are those of FMAC.

These unaudited condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern. However, in common with many early-stage enterprises engaged in product commercialization, there is significant doubt about the appropriateness of the use of the going concern assumption because FWTC has a history of losses and negative cash flows from operations.

For the nine months ended September 30, 2024, the Company had a loss and comprehensive loss of \$171,682 and an accumulated deficit of \$362,265.

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.

## **FORWARD WATER TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Unaudited)

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### **1. Nature of operations and going concern (continued):**

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 continued debt or equity financing, and on its ability to achieve and maintain profitable operations in the future. The Company's ability to establish profitable operations in the future is dependent upon securing additional funding and financing arrangements. There can be no assurance that such events will occur.

These unaudited condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these unaudited condensed consolidated interim financial statements, then adjustments would be necessary to the carrying amount of assets, the reported revenue and expenses, and balance sheet classifications used. These adjustments could be material

### **2. Basis of preparation:**

#### **(a) Statement of compliance:**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, ("IAS 34"), *Interim Financial Reporting* using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (IASB). Certain information and disclosures normally included in the annual financial statement prepared in accordance with IFRS have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with FMAC's financial statements for the year ended December 31, 2023.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors of the Company on November 28, 2024.

#### **(b) Basis of measurement:**

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments presented at fair value.

#### **(c) Functional and presentation currency:**

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

## **FORWARD WATER TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Unaudited)

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### **2. Basis of preparation (continued):**

#### (d) Use of estimates and judgments:

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results may differ from these estimates.

Significant items subject to such estimates and judgments include the fair value of certain financial instruments. Actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed periodically and the effects of revisions are recorded in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these interim financial statements are included in notes 4, 11 and 12.

#### (e) Principles of consolidation:

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries: FWTI. and Forward Water Merger Corp.(formerly FMAC).

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

### **3. Significant accounting policies:**

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

## **FORWARD WATER TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Unaudited)

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### **3. Significant accounting policies (continued):**

#### **Financial instruments**

Financial assets and financial liabilities are recorded when the Company becomes party to the contractual provisions of the financial instruments. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

On initial recognition, trade receivables without a significant financing component are initially measured at the transaction price. All other financial assets and liabilities are initially measured at their fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### Financial assets

All financial assets are recognized and de-recognized on the trade date. The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company's financial assets are cash, short-term investments, and amounts receivable. These financial assets are all classified at amortized cost.

#### *Amortized cost*

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment, and any gain or loss on de-recognition are recognized in profit or loss.

#### *Impairment of financial assets*

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the number of delayed payments in the portfolio, observable changes in national or local economic conditions that are correlated with default on receivables, financial difficulty of the borrower, and it is becoming probable that

## **FORWARD WATER TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

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### **3. Significant accounting policies (continued):**

the borrower will enter bankruptcy or financial re-organization. Financial assets are written off when there is no reasonable expectation of recovery.

#### Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are accounts payables and accrued liabilities, convertible debentures, government loan payable, bank loan payable, loan payable, and the license liability. Financial liabilities are classified as measured at amortized cost or fair value through profit or loss ("FVTPL"). Financial liabilities at FVTPL include financial liabilities held for trading, derivatives that do not meet hedge accounting criteria and financial liabilities designated upon initial recognition at FVTPL. The Company's financial liabilities are classified as follows:

#### *Amortized cost*

Financial liabilities at amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these instruments are measured using the effective interest rate method. Interest expense is recognized by applying the effective interest rate except for short-term payables where the interest expense would be immaterial.

#### *FVTPL*

Financial liabilities at FVTPL are recognized initially at fair value. Any transaction costs are recorded directly in the statement of profit or loss. Subsequent to initial recognition the financial liability is measured at fair value at each reporting date, with changes in fair value included in the statement of profit and loss. The convertible debentures have been designated at FVTPL upon initial recognition as permitted by IFRS 9 as they contain an embedded derivative.

#### *Fair value measurement:*

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## **FORWARD WATER TECHNOLOGIES CORP.**

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Unaudited)

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### **3. Significant accounting policies (continued):**

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 value of the government loan payable, bank loan payable, license liability and the loan payable approximate their fair value as the loans bear interest at market rates or follow amortized costs using a market rate.

There were no transfers between levels within the fair value hierarchy for the period ended September 30, 2024.

#### **Business combinations**

Business combinations are accounted for using the acquisition method when the acquisitions of companies and/or assets meet the definition of a business under IFRS. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The acquired identifiable assets and liabilities and any contingent consideration are measured at their fair value at the date of acquisition. There is an option to apply a concentration test that permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. The optional concentration test is met if substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Any excess of the purchase price over the fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the cost of acquisition is less than fair value of the identifiable assets and liabilities, the difference is recorded as a gain in profit or loss. Associated transaction costs are expensed when incurred.

## FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Unaudited)

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### 4. Reverse takeover transaction

On September 30, 2024, FMAC completed the Transaction, pursuant to which FWTC acquired all of the issued and outstanding securities of FMAC in exchange for securities of FWTC by way of an amalgamation between FMAC and 1000925180 Ontario Limited (a wholly-owned subsidiary of FWTC incorporated for the sole purpose to facilitate the Transaction). Upon completion of the amalgamation, the amalgamated corporation became a wholly owned subsidiary of FWTC. The Transaction constituted the qualifying transaction of FMAC under the policies of the TSXV.

Prior to the amalgamation, FWTC completed a consolidation on the basis of one post-consolidation FWTC Share for every ten pre-consolidation FWTC Shares (the "Consolidation"). Pursuant to the Transaction, all issued and outstanding FMAC Shares were exchanged for FWTC Shares at the Exchange Ratio with a total of 19,542,450 post-Consolidation FWTC Shares being issued based on the 20,571,000 FMAC Shares that were issued and outstanding. Each outstanding option and warrant to purchase an FMAC Share was exchanged for comparable FWTC options or FWTC warrants based on the Exchange Ratio with each such FWTC option or FWTC warrant entitling the holder to purchase FMAC Shares at the applicable exercise prices, with the appropriate adjustments for the Exchange Ratio.

Immediately following the closing of the Transaction, there were 31,336,560 FWTC Shares outstanding (excluding shares issued in connection with the concurrent financing or conversion of debt of FWTC), of which 19,542,450 were held by the former shareholders of FMAC (representing approximately 62.36% of the outstanding FWTC Shares) and 11,794,110 were held by the shareholders of FWTC. As the former shareholders of FMAC control FWTC following the Transaction, the Transaction was accounted for as a reverse acquisition where FMAC is deemed to be the acquirer for accounting purposes. As a result, ***the condensed consolidated interim financial statements for the nine months ended September 30, 2024 represent the continuance of FMAC*** and reflect the identifiable assets acquired and liabilities assumed of FWTC at fair value. The results of operations of FWTC have not been included in the consolidated statements of loss as the Transaction occurred on September 30, 2024. If the Transaction had occurred on January 1, 2024, management estimates that the consolidated revenue and net loss would have been \$157,119 and \$1,702,929 respectively for the nine months ended September 30, 2024.

## FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2024 and 2023

(Unaudited)

### 4. Reverse takeover transaction (continued)

FWTC is a publicly traded Canadian company dedicated to saving the earth's water supply using its patented Forward Osmosis technology. The Transaction meets the definition of a business combination in accordance with IFRS 3 Business Combinations as FWTC had substantive processes capable of generating outputs on the date of acquisition. The identifiable assets and liabilities of FWTC were recognized at fair value at the acquisition date.

The consideration for the Transaction has been calculated as \$979,178 and is based on the fair value of the shares, options and warrants that were issued to the shareholders and option holders of FMAC to give the shareholders and option holders of FMAC the same percentage equity interest in the combined entity that resulted from the Transaction. The following table summarizes the allocation of the purchase price consideration to the fair value of the net assets acquired at September 30, 2024, the closing date of the Transaction.

Purchase consideration			
Fair value of deemed issuance of shares	\$		930,555
Fair value of deemed issuance of options			40,411
Fair value of deemed issuance of warrants			8,212
Fair value of consideration	\$		979,178
Assets acquired (liabilities assumed)			
Cash	\$		3,299
Accounts receivable and prepaids			77,046
Short-term investments			11,203
Property and equipment			1,456,825
Accounts payable and accrued liabilities			(1,042,529)
Loan and other liabilities			(1,288,323)
Intangible assets (Patented technology)			1,761,657
Fair value of net assets acquired	\$		979,178

The fair value of the FWTC Shares of \$930,555 was valued at \$0.0789 per FWTC Share, the market price per FWTC Share from the financing that was completed concurrently with the completion of the Transaction.

The fair value of the warrants of \$40,411 was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	2.05 years	Volatility	185.68%
Dividend yield	0.00%		

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Notes to the Condensed Consolidated Interim Financial Statements  
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### 4. Reverse takeover transaction (continued)

The fair value of the options of \$8,212 was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	2.11-3.30 years	Volatility	185.68%
Dividend yield	0.00%		

The fair value of accounts receivable amounts to \$40,064, approximately the same as the gross amount. None of the accounts receivable have been impaired and it is expected that the full contractual amounts can be collected.

The fair value of the intangible assets (Patented technology) has been measured provisionally, pending completion of an independent valuation. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

### 5. Amounts receivable:

	September 30, 2024		December 31, 2023	
Amounts receivable	\$	11,966	\$	2,316
HST receivable		46,356		-
	\$	58,322	\$	2,316

### 6. Property and equipment:

	Equipment		Construction in progress		Total
<b>Cost</b>					
January 1, 2024	\$	-	\$	-	\$ -
Acquisitions through business combination		9,411		1,447,414	1,456,825
September 30, 2024		9,411		1,447,414	1,456,825
<b>Accumulated depreciation</b>					
January 1, 2024		-		-	-
Depreciation		-		-	-
September 30, 2024		-		-	-
<b>Net book value</b>					
September 30, 2024	\$	9,411	\$	1,447,414	\$ 1,456,825

All property and equipment is located in Canada. At September 30, 2024, there were no indicators of impairment.

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**7. Accounts payables and accrued liabilities:**

	September 30, 2024	December 31, 2023
Trade payables	\$ 836,424	\$ 24,594
Accrued liabilities	469,159	-
Accrued Interest	7,621	-
	\$ 1,313,204	\$ 24,594

**8. Deferred capital contributions:**

Deferred capital contributions represent the unamortized and unspent balances of designated grants and funding received for the purchase of equipment. The amortization of capital contributions is recorded as income in the unaudited condensed consolidated interim statement of loss and comprehensive loss.

The balance of deferred capital contributions consists of the following:

Cost	
January 1, 2024	-
Acquisitions through business combination	9,412
Amortization into income	-
September 30, 2024	\$ 9,412

**9. Related party transactions:**

## a) Loans payable:

In April 2018, FWTC's original shareholder sold 66% of FWTI to two unrelated parties. As part of the transaction with the unrelated parties, the common shares of FWTI 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:

FWTI issued a \$300,000 loan payable to the original shareholder of FWTI payable upon FWTI 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 loan expired on April 27, 2023 and was renewed with a maturity date of April 30, 2024. It was subsequently renewed as part of the Transaction with an expiration date of April 30, 2029. In addition, the loan has interest thereon at 6% per annum, payable semi-annually on October 31 and April 30 in each year until April 30, 2029.

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### 9. Related party transactions (continued):

The fair value of the loan payable as of September 30, 2024 is \$242,507.

(b) Key management personnel:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Salaries and benefits	\$ -	\$ -	\$ -	\$ -
Stock-based compensation	-	-	-	100,353
	\$ -	\$ -	\$ -	\$ 100,353

There are no paid key management personnel as at September 30, 2024 as the business was a capital pool company.

### 10. Bank Loan Payable

On April 24, 2020, and March 8, 2021, FWTC received loans of \$40,000 and \$20,000, respectively, pursuant to the Canada Emergency Business Account ("CEBA"). The CEBA provided zero interest, partially forgivable loans to small businesses that faced ongoing non-deferrable costs, such as rent, utilities, insurance, taxes and employment costs due to COVID-19. If the balance of the loan was repaid on or before December 31, 2023, up to 33% of the loan would be forgiven. The loan bore no interest until December 31, 2023, at which point if unpaid, it would convert to a three-year term loan bearing interest at 5% per annum.

The loans were initially measured at their fair value of \$27,291 and were subsequently measured at amortized cost, using a discount rate of 21.3%.

The CEBA loan was repaid in March 2024, by way of a bank loan for \$40,000. The bank loan is unsecured and bears interest at the bank's prime rate plus 2.54% per annum, and is repaid via 60 monthly blended instalments, maturing December 20, 2028.

This is represented on the balance sheet as short-term debt under the current portion of the bank loan payable, amounting to \$11,222, and as long-term liabilities under the bank loan payable, amounting to \$31,297.

Balance, September 30, 2024	\$ 42,519
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### 11. Share capital

#### (a) Share capital

Authorized:

The Company is authorized to issue an unlimited number of common shares with no par value.

Issued:

	Note	# Shares	Amount
<b>Balance, December 31, 2022</b>		<b>5,000,000</b>	<b>\$ 250,000</b>
Shares issued in private placements	11(a)(i)	1,200,000	120,000
Shares issued in Initial public offering	11(a)(ii)	14,371,000	1,437,100
Share issuance costs	11(a)(ii)	-	(318,644)
<b>Balance, December 31, 2023</b>		<b>20,571,000</b>	<b>1,488,456</b>
Shares and warrants issued in private placements	11(a)(iii)	15,887,850	1,191,589
Share issuance costs	11(a)(iii)	-	(177,061)
FMAC shares exchanged	4 & 11(a)(iii)	(36,458,850)	-
Shares issued in exchange for FMAC shares	4 & 11(a)(iii)	34,635,908	-
Shares issued to parent company shareholders	4 & 11(a)(iv)	11,794,110	930,555
Conversion of convertible debenture	11(a)(v)	689,654	70,436
Conversion of bridge financing debentures	11(a)(vi)	1,776,199	108,156
Shares issued for debt settlement	11(a)(vii)	278,721	21,991
<b>Balance, September 30, 2024</b>		<b>49,174,592</b>	<b>\$ 3,634,122</b>

- i. On January 10, 2023, FMAC completed a private placement of 1,200,000 FMAC Shares at a price of \$0.10 per share for gross proceeds of \$120,000.
- ii. on February 22, 2023, FMAC completed its initial public offering (“IPO”) of 14,371,000 FMAC Shares at a price of \$0.10 per share, for gross proceeds of \$1,437,100. Related legal, audit and underwriter cash compensation were recorded as share issuance costs in the amount of \$247,328. In addition to the share issuance costs incurred in cash, the original fair value estimated on the grant of the agent compensation broker warrants was \$71,316.
- iii. In conjunction with the Transaction, FMAC raised \$1,700,000 in gross proceeds from the sale of FMAC subscription receipts (“Subscription Receipts”) at a price of \$0.107 per Subscription Receipt (the “Issue Price”). Immediately prior to the closing of the Transaction and for no additional consideration, each Subscription Receipt automatically converted into one unit (the “FMAC Units”) with each FMAC Unit consisting of one FMAC Share (which was exchanged for 0.95 of a FWTC Share on closing of the Transaction) and one-half of one FMAC Share purchase warrant, (each whole such warrant a “Concurrent Financing Warrant”). Following completion of the Transaction, each Concurrent Financing Warrant entitled the holder to purchase FWTC Shares based on the Exchange Ratio at a purchase price of \$0.1579 per share.

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### 11. Share capital (continued)

The allocation of the FMAC Units between share capital and warrants was done based on the relative fair value of each of the components after applying the Exchange Ratio. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	3.0 years	Volatility	185.68%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$1,191,589 and the relative fair value of the warrant was determined to be \$508,411.

As part of the private placement, FMAC incurred share issuance costs of \$252,608 made up of the following:

At the closing of the Transaction, FMAC paid to certain finders (each, a "Finder") aggregate fees comprised of: (a) a cash fee of \$93,326 and (b) 872,204 compensation warrants (the "Finder Warrants"). Each Finder Warrant entitles the holder to subscribe for one unit (a "Finder Unit") at a price \$0.1126 per Finder Unit (the "Exercise Price"). Each Finder Unit will be comprised of one FWTC Share and one-half of one FWTC Share purchase warrant (each whole warrant being referred to herein as a "Warrant"), with each Warrant entitling the holder thereof to purchase one additional FWTC Share (a "Warrant Share") at a price of \$0.1579 per Warrant Share until September 30, 2027.

The fair value of the Finder Warrants of \$80,003 was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	2.0 years	Volatility	205.09%
Dividend yield	0.00%		

In connection of the private placement, FMAC incurred \$79,279 in legal, accounting and transfer agent fees.

- iv. On September 30, 2024, 11,794,110 shares were deemed to be issued to the original owners of FWTC in connection with the Transaction. The fair value of the shares was determined based on the most reliable and observable fair value measure being the market price per share from the concurrent financing.
- v. Immediately after the Transaction, an aggregate of \$100,000 principal amount of debentures was converted into 689,654 units at a conversion price of \$0.145 per unit. Each unit is comprised of one FWTC Share and one-half of one FWTC Share purchase warrant with each whole warrant entitling the holder to purchase one FWTC Share at an

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exercise price of \$0.20 at any time prior to September 30, 2027.

### 11. Share capital (continued)

The allocation of the units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	3.0 years	Volatility	185.68%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$70,436 and the relative fair value of the warrant was determined to be \$29,564.

- vi. Immediately after the Transaction, an aggregate of \$200,000 of the principal amount of bridge financing debentures were converted into 1,776,199 units at a conversion price of \$0.1126 per unit. Each unit is comprised of one FWTC Share and one FWTC Share purchase warrant entitling the holder to purchase one FWTC Share at an exercise price of \$0.1579 at any time prior to the August 19, 2027.

The allocation of the units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	2.88 years	Volatility	186.98%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$108,156 and the relative fair value of the warrant was determined to be \$91,844.

- vii. Immediately after the Transaction, the Company settled certain outstanding interest accrued on secured debentures issued to one of FWTI's original shareholders. The \$300,000 principal amount of debt, in respect of which interest and penalties in an amount of approximately \$31,384 was converted into 278,721 FWTC Shares at a conversion price of \$0.1126 per FWTC Share.

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**11. Share capital (continued)****(b) Warrants**

	Number of warrants	Weighted average exercise price
Warrants outstanding at December 31, 2022	-	
Broker warrants issued in IPO	1,437,100	\$ 0.10
Warrants outstanding at December 31, 2023	1,437,100	0.10
Warrants issued in private placement	7,943,925	0.15
Finder warrants issued in private placement	872,204	0.107
FMAC warrants exchanged (note 4)	(10,253,229)	(0.139)
Warrants issued in exchange for FMAC warrants (note 4)	9,740,567	0.147
Warrants issued to FWTC warrant holders (note 4)	924,000	0.75
Warrants issued for conversion of convertible debenture	344,828	0.20
Finder warrants issued in bridge financing	142,096	0.1126
Warrants issued for conversion of bridge financing debentures	1,776,199	0.1579
Warrants outstanding at September 30, 2024	12,927,690	\$ 0.1924

On February 22, 2023 FMAC issued 1,437,100 broker warrants to FMAC's IPO agent, iA Private Wealth Inc., as compensation, which are exercisable within five years of the date of grant at an exercise price of \$0.10 per share. Inputs into the Black-Scholes valuation pricing model include: share price \$0.08; volatility 80%, risk free interest rate 3.54%.

Also see note 11 for warrants and finder warrants issued in connection with the concurrent financing and conversion of debt of FWTC in connection with the Transaction.

As at September 30, 2024, the following warrants were outstanding and exercisable:

Type	Grant Date	Expiry Date	Number of warrants Outstanding	Exercise Price	Remaining Life (in years)
Broker warrants	February 22, 2023	February 22, 2028	1,365,245	\$ 0.1053	3.40
Warrants	October 23, 2023	October 20, 2026	924,000	0.75	2.05
Warrants	September 30, 2024	September 30, 2027	7,546,729	0.1579	3.00
Broker warrants	September 30, 2024	September 30, 2026	828,593	0.1126	2.00
Warrants	September 30, 2024	September 30, 2027	344,828	0.20	3.00
Broker warrants	August 19, 2024	August 19, 2026	142,096	0.1126	1.88
Warrants	September 30, 2024	September 30, 2027	1,776,199	0.1579	3.00
			12,927,690	\$ 0.1924	2.90

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

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

The following table summarizes the movements of the stock options for the nine months ended September 30, 2024:

	Number of options	Weighted average exercise price
Options outstanding at December 31, 2022	500,000	\$ 0.05
Granted	1,557,100	0.10
Options outstanding at December 31, 2023	2,057,100	0.09
FMAC options exchanged (note 4)	(2,057,100)	(0.09)
Options issued in exchange for FMAC options (note 4)	1,954,245	0.09
Options issued to FWTC option holders (note 4)	62,250	1.75
Options issued to FWTC option holders (note 4)	62,000	0.85
Options issued to FWTC option holders (note 4)	40,120	1.05
Options outstanding at September 30, 2024	2,118,615	\$ 0.181

On February 22, 2023 FMAC granted 1,557,100 options with an expiry date of February 22, 2033. The options vested immediately and have an exercise price of \$0.10. Inputs into the Black-Scholes valuation pricing model include: share price \$0.08; volatility 80%, risk free interest rate 3.37%. Stock based compensation expense of \$100,353 was recorded in conjunction with the issuance of these options.

The following table provides additional information about the outstanding stock options as at September 30, 2024.

Grant Date	Expiry Date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Life (in years)
September 26, 2022	September 26, 2032	475,000	475,000	\$ 0.053	7.99
September 30, 2024	February 22, 2033	1,479,245	1,479,245	0.105	8.40
September 30, 2024	November 9, 2026	62,250	41,500	1.750	2.11
September 30, 2024	January 9, 2028	62,000	20,667	0.850	3.28
September 30, 2024	January 19, 2028	40,120	11,787	1.050	3.30
		2,118,615	2,028,199	\$ 0.181	8.10

## FORWARD WATER TECHNOLOGIES CORP.

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### 12. Debentures

Convertible debentures

- (a) On March 29, 2024, FWTC entered into agreements with two corporations, related by way of common directors, to issue convertible debentures in an aggregate principal amount of \$100,000. The debentures were re-issued on May 24, 2024 as secured convertible debentures that bear interest at 20% per annum with such interest to commence on November 19, 2024 and maturing on the earlier of December 31, 2024 and the closing of the Transaction. These convertible debentures converted into units of FWTC concurrently with the completion of the Transaction (see note 11(a)(v)).
- (b) In connection with the Transaction, on August 19, 2024, FWTC completed a bridge financing of \$200,000 principal amount of convertible debentures (the "Bridge Financing Debentures"). The Bridge Financing Debentures bear interest at a rate of 10% per annum and the principal amount was automatically converted into units immediately after the Transaction (see note 11(a)(vi)). In connection with the financing, a finder was paid \$16,000 finders fee and was issued 142,096 finder warrants that entitle the finder to acquire one FWTC Share and one half of one FWTC Share purchase warrant at a price of \$0.1126 at any time on or before August 19, 2026. Each underlying FWTC Share purchase warrant will entitle the holder to purchase one FWTC Share at post-Consolidation exercise price of \$0.1579 at any time on or before August 19, 2027.

The fair value of the finder warrants of \$13,385 was determined using the Black-Scholes Model using the following assumptions:

Unit price	\$0.1126	Risk free interest rate	3.44%
Expected life	2 years	Volatility	194.61%
Dividend yield	0.00%		

For accounting purposes, the Company has designated the convertible debenture at Fair Value through Profit or Loss ("FVTPL"). The conversion feature does not meet the fixed-for-fixed criteria due to the conversion price being variable. The Company does not separately account for the fair value of the conversion feature as a derivative as it has classified the entire instrument as FVTPL. The change in fair value of the debentures was \$nil during the nine months ended September 30, 2024.

The fair value measurement uses the following Level 3 inputs:

- The Company's share price
- An assessment of the probability of the scenario under which conversion will occur and the expected timing of the conversion
- Credit spread

## FORWARD WATER TECHNOLOGIES CORP.

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### 12. Debentures (continued)

Non-convertible debentures

Also, an additional \$100,000 of debentures were issued on May 29, 2024 and are not convertible, will mature on December 31, 2024 and will otherwise have the same terms as set forth above.

### 13. Additional information about the nature of expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Expenses:</b>				
Office, administration and other	\$ 6,795	\$ 1,175	\$ 12,194	\$ 14,369
Listing expenses	14,560	53	28,502	11,076
Consulting, contracts and professional fees	169,422	4,477	187,042	19,624
Stock based compensation	-	-	-	100,353
<b>Total Expenses</b>	<b>\$ 190,777</b>	<b>\$ 5,705</b>	<b>\$ 227,738</b>	<b>\$ 145,422</b>

### 14. Commitments:

The Company is committed to minimum annual lease payment under one short-term lease agreement as follows: 2025 - \$51,853.

### 15. License liability

On April 20, 2023, FWTC entered into a patent license agreement with Fujifilm Corporation with initial fee of USD \$500,000. The agreement grants a right to use the patents without conferring control over them, meaning no changes, alterations, or derivative rights can be claimed without Fujifilm's consent. USD \$100,000 of the initial fee was paid on April 20, 2023, upon signing the agreement, and a further payment of USD \$100,000 is to be made every 12 months thereafter until April 20, 2027.

The fair value of the license liability on initial recognition was determined to be USD \$304,849 (\$411,515 CAD) using a discount rate of 11.23%.

As of September 30, 2024, the fair value balance of the license liability is \$343,885.

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### 16. Financial risks and concentration of risk:

(a) Currency risk:

The Company could be exposed to financial risks in the future as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company may purchase property and equipment and services denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements. The Company is expected to incur losses and generate negative cash flows from operations in the near term. The Company prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

The following table details the remaining contractual maturities at the end of the reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows.

At September 30, 2024	Carrying amount	Total contractual cash flows	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years
Accounts payables and accrued liabilities	\$ 1,313,204	\$ 1,313,204	\$ 1,313,204	\$ -	\$ -
Bank loan payable	42,519	42,519	11,411	31,108	-
Loan payable	100,000	100,000	100,000	-	-
License liability	343,885	404,970	134,990	134,990	134,990
	\$ 1,799,608	\$ 1,860,693	\$ 1,559,605	\$ 166,098	\$ 134,990

At December 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	\$ 24,594	\$ 24,594	\$ 24,594	\$ -	\$ -
	\$ 24,594	\$ 24,594	\$ 24,594	\$ -	\$ -

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 current obligations but will need to gain incremental customer traction and/or raise additional capital at some future point in order to meet future obligations.

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### 16. Financial risks and concentration of risk (continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The maximum exposure to credit risk is the Company's cash and amounts receivable balance. Substantially all the Company's cash is deposited with financial institutions in Canada that are of high-credit quality to minimize credit risk exposure. The Company is exposed to credit risk with respect to amounts receivable. The Company performs ongoing credit evaluations of its customers and maintains provisions for potential credit losses. As at September 30, 2024, no amounts receivable were considered past due.

(d) 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, 2024 and December 31, 2023, the Company is not subject to interest rate risk and its debt bears interest at fixed rates.

(e) 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. The Company's capital is made up of the following:

	September 30, 2024		December 31, 2023	
Shareholder Equity	\$	4,142,502	\$	1,485,620
Loans Payable		100,000		-
Bank loan payable		42,519		-
	\$	4,285,021	\$	1,485,620

### 17. Subsequent events:

On November 4, 2024, the Company announced that it has arranged a shares for debt transaction to settle an aggregate of \$9,453 in interest accrued up to October 31, 2024 on \$300,000 of indebtedness with GreenCentre Canada (the "Indebtedness").

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**17. Subsequent events (cont'd):**

The shares for debt settlement is pending final approval from the TSXV which is expected to be followed by the Company issuing 115,285 FWTC Shares at a deemed price of \$0.082 per share. The terms of the Indebtedness permits the issuance of FWTC Shares to settle interest owing by the Company at a deemed issue price per share equal to the five day average closing price for the five days preceding the issuance of the shares and subject to TSXV approval.