

Consolidated Financial Statements of

FORWARD WATER TECHNOLOGIES CORP.

Fifteen-month period ended March 31, 2025 and twelve-month period ended
December 31, 2023

Independent Auditor's Report

To the Shareholders and Board of Directors of Forward Water Technologies Corp.

Opinion

We have audited the consolidated financial statements of Forward Water Technologies Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2025, the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the for the fifteen-month period ended March 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2025 and its consolidated financial performance and its consolidated cash flows for the fifteen-month period ended March 31, 2025 in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements which indicates the Company incurred a net loss of \$1,678,555 for the fifteen-month period ended March 31, 2025, and as of that date had an accumulated deficit of \$1,869,138. These conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter below to be the key audit matters to be communicated in our report.

Key Audit Matters (continued)

Reverse takeover transaction

Refer to note 1 and 4 of the consolidated financial statements.

On September 30, 2024, the Company completed a reverse takeover transaction with Forward Water Merger Corp. (formerly Fraser Mackenzie Accelerator Corp.) (“FMAC”), a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange, pursuant to which the Company acquired all of the issued and outstanding securities of FMAC in exchange for securities of the Company (the “Transaction”).

As the former shareholders of FMAC control the Company following the Transaction, excluding the shares issued in connection with the concurrent financing, management has accounted for the Transaction as a reverse acquisition where FMAC is deemed to be the acquirer for accounting purposes. Management has determined that the Transaction shall be accounted as a business combination in accordance with IFRS 3 – Business Combinations (“IFRS 3”) as the Company’s assets and liabilities constitute a business as defined under IFRS 3.

As a result, the consolidated financial statements for the fifteen-month period ended March 31, 2025 represent the continuance of FMAC’s historical results and reflect the identifiable assets acquired and liabilities assumed of the Company on September 30, 2024 and the results of operations of the Company beginning on October 1, 2024. The comparative figures presented in the consolidated financial statements for the twelve-month period ended December 31, 2023 are those of FMAC.

Due to the uncommon and material nature of the accounting for reverse acquisitions as business combinations and the complexities, management judgments and estimates required in determining the appropriate accounting treatment as well as valuation of the purchase price consideration and assets acquired and liabilities assumed as part of the business combination, we have determined the assessment and accounting of the Transaction as a key audit matter.

Our approach to addressing the matter involved the following procedures, among others:

- Obtained an understanding of the Transaction through examination of the acquisition agreement and other agreements and documents related to the Transaction;
- An evaluation of management’s assessment of legal acquirer vs accounting acquirer and whether the transaction qualifies as a business combination in accordance with IFRS 3;
- An evaluation of management’s calculation of purchase price consideration and reasonableness of the inputs and significant assumptions used, including fair value of the Company’s shares and volatility used in Black-Scholes models for warrants and options,
- An assessment of the qualifications, independence and objectivity of the third-party valuation expert engaged by management to prepare the purchase price allocation report;
- Reviewed the purchase price allocation report prepared by the third-party valuation expert engaged by management and evaluated the appropriateness of valuation methodologies and key inputs and assumptions used.

Other Matter

As described in the *Key Audit Matters* section of our report, the comparative figures presented in the consolidated financial statements for the twelve-month period ended December 31, 2023 are those of FMAC. The consolidated financial statements of FMAC for the twelve-month period ended December 31, 2023, were audited by another auditor who expressed an unmodified opinion on those statements on April 19, 2024.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ratanamol Toor.

Forbes Andersen LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 29, 2025

FORWARD WATER TECHNOLOGIES CORP.Consolidated Statements of Financial Position
As at March 31, 2025 and December 31, 2023

	March 31, 2025	December 31, 2023
Assets		
Current assets:		
Cash	\$ 673,249	\$ 235,986
Short-term investment certificate	11,203	1,271,912
Amounts receivable (note 5)	38,181	2,316
Prepaid expenses	48,782	-
	771,415	1,510,214
Property and equipment (note 6)	1,577,896	-
Intangible assets (note 4, 7)	1,114,286	-
Goodwill (note 4)	280,968	-
	\$ 3,744,565	\$ 1,510,214

Liabilities and Shareholders' Equity

Current liabilities:		
Accounts payables and accrued liabilities (note 8)	\$ 274,907	\$ 24,594
Current portion of bank loan payable (note 11)	6,672	-
Deferred capital contributions (note 9)	8,356	-
Debenture payable (note 13)	50,000	-
Current portion of license liability (note 15)	110,442	-
	450,377	24,594
Bank loan payable (note 11)	31,901	-
Loan payable (note 10)	242,109	-
License liability (note 15)	266,046	-
	990,433	24,594
Shareholders' Equity:		
Share capital (note 12)	3,712,635	1,488,456
Warrants (note 12)	629,426	-
Contributed surplus	281,209	187,747
Accumulated deficit	(1,869,138)	(190,583)
	2,754,132	1,485,620
	\$ 3,744,565	\$ 1,510,214

Nature of operations and going concern (note 1)

Basis of presentation (note 2)

Reverse takeover transaction (note 4)

Commitments (note 16)

See accompanying notes to these consolidated financial statements.

On behalf of the Board of Directors:

/s/ "Phil Benson"

Phil Benson, Director

/s/ "Don Bent"

Don Bent, Director

FORWARD WATER TECHNOLOGIES CORP.

Consolidated Statements of Loss and Comprehensive Loss

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

	For the fifteen months ended March 31, 2025	For the twelve months ended December 31, 2023
	2025	2023
Revenue	\$ 70,514	\$ -
Expenses:		
General and administrative (note 14)	1,072,751	148,457
Selling and marketing	22,105	-
Research and development (note 14)	368,926	-
Listing expenses	28,502	8,759
Foreign exchange loss (income)	16,221	-
	<u>1,508,505</u>	<u>157,216</u>
Net loss before the undernoted	(1,437,991)	(157,216)
Other expense (income):		
Amortization of deferred capital contributions (note 9)	(1,056)	-
Finance income	(46,965)	(32,827)
Finance costs	38,585	-
Transaction costs (note 4)	250,000	-
	<u>240,564</u>	<u>(32,827)</u>
Net loss and comprehensive loss	<u>\$ (1,678,555)</u>	<u>\$ (124,389)</u>
Loss and comprehensive loss per share		
Basic and diluted	(0.053)	(0.007)
Weighted average number of shares outstanding		
Basic and diluted	31,446,410	17,563,911

See accompanying notes to these consolidated financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Consolidated Statements of Changes in Shareholders' Equity

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

	# of shares	Share Capital	Contributed surplus	Warrants	Accumulated deficit	Total
Balance, December 31, 2022	4,749,998	\$ 250,000	\$ 16,078	\$ -	\$ (66,194)	\$ 199,884
Shares issued in private placement (note 12)	1,140,000	120,000	-	-	-	120,000
Shares issued in initial public offering (note 12)	13,652,450	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	-	-	-
Share-based compensation (note 12)	-	-	100,353	-	-	100,353
Net loss and other comprehensive loss	-	-	-	-	(124,389)	(124,389)
Balance, December 31, 2023	19,542,448	\$ 1,488,456	\$ 187,747	\$ -	\$ (190,583)	\$ 1,485,620
Balance, December 31, 2023	19,542,448	1,488,456	187,747	-	(190,583)	1,485,620
Fair value of deemed issuance of equity interests in reverse takeover transaction (note 4)	14,538,685	1,147,102	8,213	196,562	-	1,351,877
Shares and warrants issued on conversion of subscription receipts (notes 4, 12)	15,093,459	1,191,589	-	508,411	-	1,700,000
Issuance costs	-	(120,984)	-	(51,621)	-	(172,605)
Issuance of finder warrants in connection with subscription receipts (note 12)	-	(56,077)	80,003	(23,926)	-	-
Shares issued for debt settlement (note 12)	586,829	62,549	-	-	-	62,549
Share-based compensation (note 12)	-	-	5,246	-	-	5,246
Net loss and other comprehensive loss	-	-	-	-	(1,678,555)	(1,678,555)
Balance, March 31, 2025	49,761,421	\$ 3,712,635	\$ 281,209	\$ 629,426	\$ (1,869,138)	\$ 2,754,132

*The number of shares in the comparative period reflect the retrospective application of the 0.95:1 exchange ratio as part of the reverse takeover transaction (note 4)

See accompanying notes to these consolidated financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Consolidated Statement of Cash Flows

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

	For the fifteen months ended March 31, 2025	For the twelve months ended December 31, 2023
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (1,678,555)	\$ (124,389)
Items not involving cash:		
Depreciation and amortization	170,124	-
Amortization of deferred capital contributions (note 9)	(1,056)	-
Share-based compensation	5,246	100,353
Foreign exchange loss	18,429	-
Finance costs (notes 10, 11, 15)	29,482	-
Changes in non-cash operating working capital:		
Amounts receivable	80,724	(2,316)
Prepaid expenses	(30,058)	10,597
Accounts payable and accrued liabilities	(748,284)	(23,451)
Deferred financing costs	-	71,661
Net cash (used in) provided by operating activities	(2,153,948)	32,455
Financing activities:		
Issuance of capital stock	-	1,557,100
Repayment of bank loan payable (note 10)	(3,947)	-
Proceeds from issuance of subscription receipts (note 12)	1,700,000	-
Issuance costs (note 12)	(172,605)	(247,328)
Interest paid	(1,967)	-
Net cash from financing activities	1,521,481	1,309,772
Investing activities:		
Purchase of property and equipment (note 6)	(205,481)	-
Redemption (purchase) of short-term investment certificate	1,271,912	(1,271,912)
Cash obtained from reverse takeover transaction (note 4)	3,299	-
Net cash from (used in) investing activities	1,069,730	(1,271,912)
Increase in cash	437,263	70,315
Cash, beginning of period	235,986	165,671
Cash, end of period	\$ 673,249	\$ 235,986

See accompanying notes to these consolidated financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

1. Nature of operations and going concern

Forward Water Technologies Corp. (the "Company" or "FWTC") was incorporated under the *Business Corporations Act* (Ontario) ("OBCA") on December 1, 2016. FWTC is dedicated to saving the earth's water supply by using its patented Forward Osmosis technology. FWTC's shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "FWTC". FWTC's corporate office is 1086 Modeland Road, Sarnia, Ontario, Canada.

Fraser Mackenzie Accelerator Corp. ("FMAC") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the OBCA on February 9, 2022. The Company was classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. The principal business of the Company was to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

On September 30, 2024, 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 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 Exchange following the completion of the Transaction. See Note 4 for further information.

The Transaction constituted a reverse acquisition in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") (collectively "IFRS Accounting Standards") 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 consolidated 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 the Company has a history of losses and negative cash flows from operations.

For the fifteen months ended March 31, 2025 the Company had a loss and comprehensive loss of \$1,678,555 and as at March 31, 2025, had an accumulated deficit of \$1,869,138.

These aforementioned conditions have resulted in material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

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. However, there can be no assurance that the steps management is taking will be successful. The accompanying consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could have a material impact on the consolidated financial statements.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

The consolidated financial statements were approved by the Board of Directors on July 29, 2025.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain items which are recorded at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. By their nature, these are uncertain and actual outcomes could differ from the estimates, judgments and assumptions.

The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and assumptions are reviewed on an ongoing basis.

The areas involving significant judgments, estimates and assumptions are as follows:

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

- i) Leases - Judgments are required to determine if a contract is, or contains, a lease. These judgments require an assessment of whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Judgment is also required to determine the interest rate used to discount the lease payments.
- ii) Share-based compensation – The amounts recorded for share-based compensation expense relating to the fair value of stock options issued are estimated using the Black-Scholes option pricing model including management’s estimates of the future volatility of the Company’s share value, estimated market value of the Company’s shares at grant date, expected forfeiture rates, expected lives of the options (based on general holder behavior) and the risk-free interest rate (based on government bonds).
- iii) Warrants - The fair value of warrants issued is calculated using the Black-Scholes options pricing model. Key assumptions include management’s estimates of the future volatility of the Company’s share value, estimated market value of the Company’s shares at issuance date, expected forfeiture rates, expected lives of the warrants (based on general holder behavior) and the risk-free interest rate (based on government bonds).
- iv) Useful lives of depreciable assets - The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.
- v) Impairment of long-lived assets - In assessing impairment, management estimates the recoverable amount of each asset or Cash Generating Unit (CGU) based on expected future cash flows. Estimation uncertainty relates to assumptions about future operating results.
- vi) Going concern - The preparation of the consolidated financial statements requires management to make judgments and estimates regarding the ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon, but not limited to, its ability to generate sufficient cash and working capital to fund its operations and discharge its liabilities as they become due for the next twelve months.
- vii) Impairment of Goodwill - When completing an impairment test for goodwill, the Company calculates the estimated recoverable amount of CGU, which requires management to make estimates and assumptions with respect to items such as future sales and cost of sales, future operating and capital costs, future foreign exchange rates and discount rates. These estimates and assumptions are subject to risk and uncertainty, particularly in circumstances where there is limited operating history. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of the CGU. Accordingly, it is possible that some or the entire carrying amount of goodwill may be impaired with the impact recognized in the consolidated statements of loss and comprehensive loss.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

2. Basis of preparation (continued)

d) Use of estimates and judgments (continued)

viii) Business combinations - Judgment is required to determine if the reverse takeover transaction (note 4) is a business combination in accordance with IFRS 3 which requires that the assets and liabilities constitute a business.

The acquisition method of accounting for business combinations in accordance with IFRS 3 requires management to determine which entity in the reverse takeover transaction (note 4) is the accounting acquirer and determine the fair value of the purchase price consideration and the accounting acquiree's assets acquired and liabilities assumed on the date of the acquisition. In determining and allocating the fair values of assets and liabilities in a business combination, the Company relies on internal and external valuations based on discounted cash flow, historical experience and other reliable information available as of the date of the acquisition

(e) Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary: Forward Water Technologies Inc. ("FWTI") and Forward Water Merger Corp (formerly Fraser Mackenzie Accelerator Corp).

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. Material accounting policies

(a) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the construction or development of the assets. Assets are depreciated over their estimated useful life using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

Asset	Basis	Rate
Equipment	Straight-line	5 years
Mobile equipment	Straight-line	5 years

Construction in progress is not depreciated until the asset is substantially complete and available for use. Depreciation commences when the underlying asset is placed into use.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(a) Property and equipment (continued)

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(b) Impairment of long-lived assets

The carrying amount of long lived assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment indicators include, but are not limited to, internal and external factors such as (i) current and future commodity pricing and demand (ii) lack of evidence to support technical feasibility or commercial viability (iii) no plans by management to continue developing the long-lived assets and utilizing it to generate future cashflows (iv) the Company's market capitalization to net asset ratio (v) and facts and circumstances that suggest that the carrying amount exceeds the recoverable amount.

An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its recoverable amount.

If any such indication of impairment exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). The preparation of projected future cash flows involves the estimation of future revenue and operating costs which are based on reasonable assumptions supported by information available to the Company. Changes in these estimates would result in additional impairment provisions or reversal of impairment in future years.

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(c) Intangible assets

Intangible assets acquired in a business combination are measured at fair value as at the date of acquisition. Following the initial recognition, intangible assets are carried at cost less accumulated amortization and impairment. They are amortized on a straight-line basis over their remaining estimated useful lives as these assets are considered finite.

The useful life of the developed technology is 7 years.

Amortization is included in research and development in the consolidated statements of loss and comprehensive loss.

(d) Research and development

Research activities are expensed as incurred. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Company's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the asset for use or for sale; the Company's ability to use or sell the asset; the adequacy of the Company's resources to complete the development and to use or sell the asset; the Company's ability to measure reliably the expenditures during the development; and the Company's ability to demonstrate that the asset will generate future economic benefits.

(e) Revenue recognition

Revenue is recognized upon transfer of control of goods or services to the buyer in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. The Company's goods and services are generally distinct and accounted for as separate performance obligations. Billings in excess of revenue are recorded as unearned revenue. Revenue recognized in excess of billings is recorded as unbilled revenue within amounts receivable. The company recognizes an asset related to the incremental costs of obtaining a contract with a customer. The Company has elected to make use of the practical expedient and will expense sales commission costs when incurred if the amortization period is less than 12 months.

Revenue from the sale of licenses in the ordinary course of business is measured at the fair value of the consideration received or receivable. Revenue is recognized when control is transferred to the customer.

Royalty revenue is included in sales and is recognized on an accrual basis in accordance with the various contractual agreements, based on the financial results as reported by the Company's international partner and other third-party licensees, and when collectability is reasonably determined.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(f) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that deferred tax relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Investment tax credits relating to scientific research and experimental development expenditures are recorded in the fiscal period the qualifying expenditures are incurred based on management's interpretation of applicable legislation in the Income Tax Act of Canada. Credits are recorded provided there is reasonable assurance that the tax credit will be realized.

(g) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the dilutive effects of all potential common share issuances relating to outstanding stock options, warrants and convertible debentures.

(h) 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.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(h) Financial instruments (continued)

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

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(h) Financial instruments (continued)

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, debenture 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:

<u>Financial instrument</u>	<u>Classification</u>
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost
Bank loan payable	Amortized cost
License liability	Amortized cost
Debenture payable	Amortized cost

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. Accretion expense is recognized by applying the effective interest rate except for short-term payables where the accretion 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.

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);

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(h) Financial instruments (continued)

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

The carrying value of cash, short-term investment certificate, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term to maturity.

There were no transfers between levels within the fair value hierarchy for the period ended March 31, 2025 and December 31, 2023.

(i) Foreign currency translation

Monetary items denominated in a foreign currency are adjusted at the statement of financial position date to reflect the exchange rate in effect at that date. Exchange gains and losses are included in the determination of net loss for the period.

(j) 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 3. 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.

(k) Goodwill

Under the acquisition method of accounting, the costs of business combinations are allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of the fair value of consideration paid over the fair value

of the identifiable net assets acquired is recorded as goodwill. Goodwill is not amortized; instead it is tested for impairment at the end of the fiscal year and also when there is an indicator of impairment.

The Company identifies any potential impairment by comparing the carrying value of a CGU to its recoverable amount. The recoverable amount of a CGU or group of CGUs is the higher of its fair value less costs of disposal and its value in use.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(k) Goodwill (continued)

Both fair value less costs of disposal and value in use are based on estimates of discounted future cash flows or other valuation methods. Cash flows are projected based on past experience and future expectations and business plans. When the recoverable amount of a CGU is less than its carrying value, the recoverable amount is determined for its identifiable assets and liabilities. The excess of the recoverable amount of the CGU over the total of the amounts assigned to its assets and liabilities is the recoverable amount of goodwill. An impairment charge is recognized for any excess of the carrying value of goodwill over its recoverable amount. Goodwill impairment charges are not reversible.

(l) Share-based payments

The Company may make periodic grants of stock options to selected directors, officers, employees, and others providing a similar service, pursuant to its stock option plan. The fair value of the options is determined at the date of the grant using the Black-Scholes option pricing model. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry to contributed surplus. No expense is recognized for awards that do not ultimately vest.

(m) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve the issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the agreement. Warrants that are part of units are valued based on the relative value method. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

(n) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: the contract involves the use of an identified asset; the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and, the Company has the right to direct the use of the asset.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(o) Leases (continued)

The Company has elected not to recognize right of use assets and lease liabilities for short term leases that have a term of 12 months or less and leases of low value assets. The Company treats lease payments for these types of leases as an expense when incurred, over the lease term. The Company recognizes a right of use asset and a lease liability at the commencement date of the lease contract, which is the date that the lease asset is available to the Company. The lease asset is initially measured at cost. The cost of a lease asset includes the amount of the initial measurement of the lease liability, lease payments made at or before to the commencement date less any incentives received, initial direct costs and estimates of the decommissioning liability, if any. Subsequent to initial recognition, the lease asset is depreciated using the straight-line method over the earlier of the end of the useful life of the lease asset or the lease term. A lease obligation is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date discounted using the rate implicit in the lease or the Company's incremental borrowing rate if the implicit rate is not readily available. Lease payments that are present valued include fixed payments, less any lease incentives receivable, variable lease payments that are based on index or rate, amounts expected to be payable under residual value guarantees, the exercise price of a purchase option that is reasonably certain of exercise and payment of penalties for terminating a lease if the lease term reflects exercising that option. Interest expense is recognized on the lease obligations using the effective interest rate method and payments are applied against the lease obligation. Optional renewal periods, or periods which are cancellable by the Company, are included in the lease payments if the Company is reasonably certain to exercise the renewal option or not cancel the lease. The lease liability is measured at amortized cost using the effective interest method. The lease liability is re-measured when there is a change in the Company's assessment of the expected lease term or if there is a lease modification.

(p) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions are generally measured at fair value.

(q) Provisions and contingencies

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required if the amount cannot be estimated reliably or if the occurrence of the outflow can only be confirmed by the occurrence of a future event. Provisions are not recognized for future operating losses. Contingent assets are disclosed if a future economic benefit is probable but are only recorded when recovery of the contingent asset is virtually certain.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

3. Material accounting policies (continued)

(r) New standards adopted in the period

The Company adopted the amendments to IAS1, Presentation of Financial Statements, that pertain to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments were effective as of January 1, 2024 and did not have any impact on the Company's financial statements.

(s) Future accounting pronouncements

IFRS 18 Presentation and disclosure in financial statements ("IFRS 18")

In April 2024, the IASB issued IFRS 18 which replaces IAS 1. IFRS 18 introduces new requirements to improve the reporting of financial performance and give investors a better basis for analyzing and comparing companies. Specifically, it introduces:

- three defined categories for income and expenses (operating, investing and financing) and requires companies to provide new defined subtotals, including operating profit;
- enhanced transparency of management-defined performance measures requiring companies to disclose explanations of those company-specific measures related to the statement of income; and
- enhanced guidance on how companies group information in the financial statements, including guidance on whether information is included in the financial statements or is included in the notes.

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Company is assessing the potential impact of this new standard.

IFRS 9 Financial Instruments ("IFRS 9")

Amendments to IFRS 9 have been issued with the intention to clarify the date of recognition and derecognition of some financial assets and liabilities. The amendments are effective for fiscal periods beginning on or after January 1, 2026,

with early adoption permitted. The Company is currently evaluating the impact of these amendments on the financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

4. Reverse takeover transaction

On September 30, 2024, FWTC completed a reverse takeover transaction with FMAC (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.

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 post-Consolidation FWTC Shares at an exchange ratio of 0.95 of an FWTC Share for each FMAC Share (the "Exchange Ratio").

A total of 19,542,448 post-Consolidation FWTC Shares were 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 31,336,558 FWTC Shares outstanding (excluding shares issued in connection with the concurrent financing or conversion of debt of FWTC), of which 19,542,448 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 consolidated financial statements for the fifteen months ended March 31, 2025 represent the continuance of FMAC and reflect the identifiable assets acquired and liabilities assumed of FWTC at fair value on September 30, 2024. The results of operations of FWTC beginning on October 1, 2024 were included in the consolidated statements of loss. The comparative figures for the twelve-month period ended December 31, 2023 presented in these consolidated financial statements are those of FMAC alone.

FWTC is deemed to be the acquiree for accounting purposes and it had substantive processes capable of generating outputs on the date of acquisition. Therefore, the Transaction constitutes a business combination for accounting purposes and is accounted for using the acquisition method under IFRS 3.

If the Transaction had occurred on January 1, 2024, management estimates that the consolidated revenue and net loss would have been \$227,633 and \$3,209,809 respectively for the period ended March 31, 2025.

Included in the consolidated statement of comprehensive income for the reporting period, the acquiree's revenue and net loss since the acquisition date were \$70,514 and \$1,250,864.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

4. Reverse takeover transaction (continued)

The fair value of the equity consideration paid as part of the Transaction as well as the fair value of identifiable assets acquired and liabilities assumed are presented below.

Purchase consideration	
Fair value of deemed issuance of shares	\$ 1,147,102
Fair value of deemed issuance of warrants	196,562
Fair value of deemed issuance of options	8,213
Fair value of consideration	\$ 1,351,877
Assets acquired (liabilities assumed)	
Cash	\$ 3,299
Short-term investment certificate	11,203
Amounts receivable	116,589
Prepaid expenses	18,724
Property and equipment	1,456,825
Intangible assets (developed technology)	1,200,000
Goodwill	280,968
Accounts payable and accrued liabilities	(1,001,836)
Bank indebtedness and bank loan payable	(51,828)
Deferred capital contributions	(9,412)
Debenture payable	(100,000)
License liability	(335,454)
Loan payable	(237,201)
Fair value of net assets acquired	\$ 1,351,877

The fair value of the deemed issuance of shares was determined based on 14,538,685 FWTC shares outstanding which included 11,794,110 shares held by former shareholders of FWTC and 2,744,575 shares issued concurrently with the Transaction to settle certain FWTC debts. The fair value per FWTC share was estimated to be \$0.0789 based on the Black-Scholes Model used to measure the concurrent financing of subscription receipts that was completed concurrently with the completion of the Transaction.

As at September 30, 2024, FWTC had 924,000 warrants outstanding exercisable at \$0.75 expiring on October 20, 2026, 1,776,199 warrants outstanding exercisable at \$0.1579 expiring on September 30, 2027, 344,828 warrants outstanding exercisable at \$0.20 expiring on September 30, 2027 and 142,096 agents compensation options ("Broker Warrant") outstanding exercisable at \$0.1126 expiring on August 19, 2026. Each Broker Warrant is exercisable into a unit of the Company which is comprised of one share and one-half of a share purchase warrant exercisable at a price of \$0.1579 expiring on August 19, 2027. The aggregate fair value of the aforementioned warrants of \$196,562 was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94 to 3.44%%
Unit price	\$0.1126	Volatility	185.68 to 194.61%
Expected life	2 to 3 years		
Dividend yield	0.00%		

As at September 30, 2024, FWTC had 62,250 options outstanding exercisable at \$1.75 expiring on November 9, 2026, 62,000 options outstanding exercisable at \$0.85 expiring on January 9, 2028 and 40,120 options outstanding exercisable at \$1.05 expiring on January 19, 2028. The aggregate fair value of the aforementioned options of \$8,213 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%		

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

4. Reverse takeover transaction (continued)

The goodwill recognized in connection with the Transaction is primarily attributable to other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill is not deductible for income tax purposes. The assets acquired and liabilities assumed recognized in the purchase price allocation generate deferred tax liabilities of \$335,000 related to the intangible assets and loan payable. The deferred tax liabilities have been offset with deferred tax assets which related primarily to non-capital losses carried forward. Deferred tax assets, in excess of deferred tax liabilities, have not been recognized as its uncertain whether FWTC will generate taxable income in the future.

The fair value of amounts receivable amounts to \$116,589, which is approximately the same as the gross amount. None of the amounts receivable have been impaired and it is expected that the full contractual amounts can be collected. Included in amounts receivable are trade receivables, HST receivables and SR&ED receivables.

Transaction costs in the amount of \$579,090 were incurred in connection with the reverse acquisition and were expensed as incurred. Included in the transaction costs is a \$250,000 loan provided by FMAC (the "FMAC Loan") to FWTC in various tranches prior to completion of the Transaction. The FMAC Loan was non-interest bearing and only repayable if the Transaction was not completed. Upon completion of the transaction, the FMAC loan was no longer repayable and was expensed as transaction costs on the consolidated statement of loss and comprehensive loss.

5. Amounts receivable

		March 31, 2025		December 31, 2023
Amounts receivable	\$	13,290	\$	2,316
HST receivable		24,891		-
	\$	38,181	\$	2,316

6. Property and equipment

	Equipment	Construction in progress	Mobile Equipment	Total
Cost				
December 31, 2022 and 2023	\$ -	\$ -	\$ -	\$ -
Reverse takeover transaction (note 4)	9,411	1,447,414	-	1,456,825
Additions	-	194,292	11,189	205,481
Reallocation to mobile equipment	-	(1,641,706)	1,641,706	-
March 31, 2025	9,411	-	1,652,895	1,662,306
Accumulated depreciation				
December 31, 2022 and 2023	-	-	-	-
Depreciation	2,112	-	82,298	84,410
March 31, 2025	2,112	-	82,298	84,410
Net book value				
March 31, 2025	\$ 7,299	\$ -	\$ 1,570,597	\$ 1,577,896

As at March 31, 2025, there were no indicators of impairment.

During the period ended March 31, 2025, mobile equipment that was previously under construction in progress was substantially complete and available for use and commenced depreciation.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

7. Intangible assets

During the period ended March 31, 2025, the Company acquired developed technology intangible assets as part of the reverse takeover transaction (note 4) with a fair value of \$1,200,000. The intangible assets have an estimated useful life of 7 years.

During the period ended March 31, 2025, the Company recognized amortization of \$85,714 for the intangible assets. As at March 31, 2025, the intangible assets have a net book value of \$1,114,286.

8. Accounts payables and accrued liabilities

	March 31, 2025	December 31, 2023
Trade payables	\$ 70,907	\$ 4,594
Accrued liabilities	204,000	20,000
	\$ 274,907	\$ 24,594

9. 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 consolidated statement of loss and comprehensive loss.

The balance of deferred capital contributions consists of the following:

Cost	
December 31, 2022 and 2023	-
Reverse takeover transaction (note 4)	9,412
Amortization into income	(1,056)
March 31, 2025	\$ 8,356

10. Related party transactions

a) Loan payable

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 matured on April 27, 2023 and was amended with a maturity date of April 30, 2024. The loan payable was subsequently amended with a maturity date of April 30, 2029. As of September 30, 2024, the fair value of the loan payable was determined to be \$237,201 using discount rate of 12.45%, as part of the liabilities assumed in the reverse takeover transaction (note 4). 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.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

10. Related party transactions (continued)

During the period ended March 31, 2025, the Company issued 115,285 shares to settle interest payable of \$9,453.

During the period ended March 31, 2025, \$4,908 of accretion expense related to the loan payable was recognized and included in finance costs in the consolidated statements of loss and comprehensive loss.

As at March 31, 2025, the carrying value of the loan payable is \$242,109 and the amount of accrued interest outstanding on the loan payable is \$2,412 included in accounts payable and accrued liabilities.

b) Key management personnel

Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company and include all directors and officers.

	For the fifteen months ended March 31, 2025	For the twelve months ended December 31, 2023
Salaries and benefits	\$ 94,500	\$ -
Share-based compensation	1,402	100,353
	\$ 95,902	\$ 100,353

During the period ended March 31, 2025, the Company incurred consulting fees of \$72,735 (2023 - \$nil), to WD Numeric Corporate Services, for the services of Mike Willetts to act as Chief Financial Officer of the Company.

11. Bank loan payable

During the period ended March 31, 2025, the Company entered into 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 repayable monthly in blended principal and interest payments of \$845, maturing July 2029.

As at March 31, 2025, the amounts owed under the bank loan is \$38,573, of which \$6,672 is presented as the current portion of the bank loan payable on the statement of financial position and \$31,901 is presented as the non-current portion of the bank loan payable.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

12. Capital

(a) Share capital

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

	Note	# Shares	Amount
Balance, December 31, 2022		4,749,998	\$ 250,000
Shares issued in private placements	12(a)(i)	1,140,000	120,000
Shares issued in Initial public offering	12(a)(ii)	13,652,450	1,437,100
Share issuance costs	12(a)(ii)	-	(318,644)
Balance, December 31, 2023		19,542,448	1,488,456
Fair value of deemed issuance of equity interests in reverse takeover transaction (note 4)	4 & 12(a)(iv)(v)(vi)(vii)	14,538,685	1,147,102
Shares and warrants issued on conversion of subscription receipts	12(a)(iii)	15,093,459	1,191,589
Share issuance costs	12(a)(iii)	-	(177,061)
Shares issued for debt settlement	10(a) and 13(c)	586,829	62,549
Balance, March 31, 2025		49,761,421	\$ 3,712,635

- i. On January 10, 2023, FMAC completed a private placement of 1,140,000 FMAC Shares at a price of \$0.105 per share for gross proceeds of \$120,000.
- ii. On February 22, 2023, FMAC completed its initial public offering (“IPO”) of 13,652,450 FMAC Shares at a price of \$0.105 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 of the agent compensation broker warrants of \$71,316 estimated on grant date was included as share issuance costs.
- iii. In conjunction with the reverse takeover transaction (note 4), FMAC issued 15,887,850 subscription receipts for gross proceeds of \$1,700,000 (“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”) which resulted in the issuance of 15,093,459 shares and 7,546,729 warrants of FWTC. 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.

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 (note 4). 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.

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

12. Capital (continued)

(a) Share capital (continued)

As part of the issuance of the Subscription Receipts, FMAC incurred issuance costs of \$252,608 which were allocated as \$177,061 to shares and \$75,547 to warrants based on the relative fair values. The issuance costs are comprised 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) 828,593 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 issuance costs of \$79,279 for professional fees and transfer agent fees.

- iv. On September 30, 2024, 14,538,685 shares were deemed to be issued which included 11,794,110 shares held by former shareholders of FWTC and 2,744,575 shares issued to settle certain FWTC debts in connection with the reverse takeover transaction (note 4). The debts settled in connection with the reverse takeover transaction are described below in note 12(a)(v)(vi)(vii). The fair value of the shares was determined based on the most reliable and observable fair value measure being the market price per share of \$0.0789 from the concurrent financing.
- v. Concurrent with reverse takeover transaction (note 4), 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 exercise price of \$0.20 at any time prior to September 30, 2027. The shares and warrants issued as a result of this debt conversion are included as part of the purchase consideration for the reverse takeover transaction (note 4).

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

12. Capital (continued)

(a) Share capital (continued)

- vi. Concurrent with the reverse takeover transaction (note 4), 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 September 30, 2027. The shares and warrants issued as a result of this debt conversion are included as part of the purchase consideration for the reverse takeover transaction (note 4).
- vii. Concurrent with the reverse takeover transaction (note 4), the Company settled certain outstanding interest accrued on secured debentures issued to one of FWTC's original shareholders. The \$300,000 principal amount of debt (note 10), 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. The shares issued as a result of this debt settlement are included as part of the purchase consideration for the reverse takeover transaction (note 4).

(b) Warrants

	Number of warrants	Weighted average exercise price
Warrants outstanding at December 31, 2022	-	\$ -
Broker warrants issued in IPO	1,365,245	0.1053
Warrants outstanding at December 31, 2023	1,365,245	0.1053
Warrants issued in private placement (note 12(a)(iii))	7,546,729	0.1579
Finder warrants issued in private placement (note 12(a)(iii))	828,593	0.1126
Deemed issuance of warrants to FWTC warrant holder (note 4)	924,000	0.7500
Warrants issued for conversion of convertible debentures (note 4)	344,828	0.2000
Finder warrants issued in bridge financing (note 12(a))	142,096	0.1126
Warrants issued for conversion of bridge financing debentures (note 12(a)(vi))	1,776,199	0.1579
(c) Warrants outstanding at March 31, 2025	12,927,690	\$ 0.1924

On February 22, 2023 FMAC issued 1,365,245 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 \$0.1053 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 12(a) for warrants and finder warrants issued in connection with the concurrent financing and conversion of debt of FWTC in connection with the reverse takeover transaction (note 4).

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

12. Capital (continued)**(b) Warrants (continued)**

As at March 31, 2025, the following warrants were outstanding and exercisable:

	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	2.90
Warrants	October 20, 2023	October 20, 2026	924,000	0.7500	1.56
Warrants	September 30, 2024	September 30, 2027	7,546,729	0.1579	2.50
Broker warrants	September 30, 2024	September 30, 2026	828,593	0.1126	1.50
Warrants	September 30, 2024	September 30, 2027	344,828	0.2000	2.50
Broker warrants*	August 19, 2024	August 19, 2026	142,096	0.1126	1.39
Warrants	September 30, 2024	September 30, 2027	1,776,199	0.1579	2.50
			12,927,690	\$ 0.1924	2.40

*Agent compensation options

(d) Stock options

The Company has a rolling stock option plan (the "Plan") that authorizes the Board of Directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the Plan. Under the Plan, the exercise price of each option may not be less than the market price of the shares of the Company at the date of grant. The maximum term for options granted under the Plan is ten (10) years. The following table summarizes the movements of the stock options for the periods ended December 31, 2023 and March 31, 2025:

	Number of options	Weighted average exercise price
Options outstanding at December 31, 2022	475,000	\$ 0.05
Granted	1,479,245	0.10
Options outstanding at December 31, 2023	1,954,245	0.09
Deemed option issuance to FWTC (note 4)	62,250	1.75
Deemed option issuance to FWTC (note 4)	62,000	0.85
Deemed option issuance to FWTC (note 4)	40,120	1.05
Expired	(52,250)	(1.75)
Options outstanding at March 31, 2025	2,066,365	\$ 0.14

On February 22, 2023 FMAC granted 1,479,245 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 for the period ended December 31, 2023.

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

12. Capital (continued)

(c) Stock options (continued)

The following table provides additional information about the outstanding stock options as at March 31, 2025.

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	\$ 0.05	7.50
September 30, 2024	February 22, 2033	1,479,245	1,479,245	0.10	7.90
January 9, 2023	January 9, 2028	62,000	62,000	0.85	2.78
January 19, 2023	January 19, 2028	40,120	40,120	1.05	2.81
November 9, 2021	November 9, 2026	10,000	10,000	1.75	1.61
		2,066,365	2,066,365	\$ 0.14	7.53

13. 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 September 19, 2024 and maturing on the earlier of December 31, 2024 and the closing of the reverse takeover transaction (note 4). These convertible debentures converted into units of FWTC concurrently with the completion of the reverse takeover transaction (see note 4, 12(a)(v)).
- (b) In connection with the reverse takeover transaction (note 4), 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 concurrent with the reverse takeover transaction (see note 4, 12(a)(vi)). In connection with the financing, a finder fee was paid \$16,000 finders fee and was issued 142,096 agents compensation options 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 shares and warrants issued as a result of this debt conversion are included as part of the purchase consideration for the reverse takeover transaction (note 4).

Non-convertible debentures

An additional \$100,000 of non-convertible debentures were issued on May 29, 2024 with a maturity date of December 31, 2024 with an interest rate of 20% per annum. \$50,000 in principal and \$3,096 of accrued interest were converted into 471,544 shares (note 12) of the Company with a fair value of \$0.1126 per share. The remaining \$50,000 balance is under negotiation with the debenture holder.

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

14. Additional information about nature of expenses

	For the fifteen months ended March 31, 2025	For the twelve months ended December 31, 2023
General and administrative		
Office, administration and other	\$ 142,888	\$ 18,121
Consulting, contracts and professional fees	670,049	29,983
Salaries and benefits	254,568	-
Stock based compensation	5,246	100,353
	\$ 1,072,751	\$ 148,457
Research and development		
Rent expense	\$ 34,569	\$ -
Depreciation and amortization	170,124	-
Consulting fees	132,553	-
Supplies	26,754	-
Other	4,926	-
	\$ 368,926	\$ -

15. License liability

	License liability
Balance at December 31, 2022 and 2023	\$ -
Reverse takeover transaction (note 4)	335,454
Accretion	22,607
Foreign exchange adjustment	18,427
	\$ 376,488

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 further payment of USD100,000 shall be made every 12 months thereafter until April 20, 2027.

The fair value of the license liability as September 30, 2024, the date of the reverse takeover transaction (note 4), was determined to be USD 245,093 (\$335,454) using a discount rate of 12.45%.

During the period ended March 31, 2025, \$22,607 of accretion expense related to the license liability was recognized and included in finance costs in the consolidated statements of loss and comprehensive loss.

As of March 31, 2025, the carrying value of the license liability is USD 261,614 (\$376,488).

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

15. License liability (continued)

The Company has also entered into a license agreement for certain intellectual property with a shareholder. Under the license agreement, the Company shall pay a minimum annual royalty of \$25,000, subject to a maximum cumulative cap of \$1,000,000 on the overall royalty fees pursuant to the license agreement.

16. Commitments

The Company is committed to minimum annual lease payments of \$17,284 during fiscal 2026. Subsequent to the period ended March 31, 2025, the lease for Company's premises has expired and the Company is in the process of completing the lease renewal. The Company is operating on a month to month basis with payments of \$5,761 per month until the lease renewal is finalized. Addition commitments are disclosed in note 15.

17. Income taxes

Deferred income taxes reflect the impact of losses carried forward and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Deferred tax recoveries and the corresponding deferred tax assets are only recognized when it is probable that future taxable profit will be available to utilize the benefits.

As at March 31, 2025 and December 31, 2023, deferred tax assets and deferred tax liabilities have been recognized in respect of the following:

	March 31, 2025	December 31, 2023
Loan payable	\$ (15,000)	\$ -
Intangible assets	(295,000)	-
Non-capital losses carried forward	310,000	-
	\$ -	\$ -

Due to the uncertainty of future income, the Company has not recognized any deferred tax assets in respect of the following temporary differences:

	March 31, 2024	March 31, 2023
Non-capital losses carried forward	\$ 10,960,000	\$ 146,000
Capital losses carried forward	250,000	-
Property and equipment	762,000	-
Scientific research and experimental development	1,208,000	-
Deferred capital contribution	8,000	-
Share issuance costs	643,000	242,000
Total unrecognized temporary differences	\$ 13,831,000	\$ 388,000

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

17. Income taxes (continued)

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 26.5% (2023 - 26.5%) to earnings before income taxes. The reasons for the differences and related tax effects are as follows:

	Fifteen months ended March 31, 2025	Twelve months ended December 31, 2023
Total loss and other comprehensive income before income taxes	\$ (1,678,555)	\$ (124,389)
Expected Canadian income tax recovery	(445,000)	(33,000)
Permanent differences	36,000	(57,000)
Change in deferred tax assets not recognized	409,000	90,000
	\$ -	\$ -

At March 31, 2025, the Company has non-capital losses carried forward for income tax purposes of \$12,133,000 (December 31, 2023 - \$146,000) available to offset future taxable income. Non-capital losses expire between 2036 to 2045 and capital losses do not expire.

18. Net loss per share

The following table sets out the weighted average basic and diluted number of outstanding shares used to compute the basic and diluted loss per share:

	For the fifteen months ended March 31, 2025	For the twelve months ended December 31, 2023
Net loss and comprehensive loss	\$ (1,678,555)	\$ (124,389)
Basic and diluted weighted average number of shares outstanding	31,446,410	17,563,911
Basic and diluted net loss per share	\$ (0.053)	\$ (0.007)

During the periods ended March 31, 2025 and December 31, 2023 the diluted net loss per share was the same as the basic net loss per share since the effect of conversion options of convertible debentures, and exercise of stock options and warrants would have been anti-dilutive. Accordingly, the diluted net loss per share for each year is calculated using the basic weighted average number of shares outstanding.

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

19. Financial risks and concentration of risk**(a) Currency risk**

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company may purchase property and equipment and services denominated in U.S. dollars and carry currency risk related to cash and license liability 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:

At March 31, 2025	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	\$ 274,907	\$ 274,907	\$ 274,907	\$ -	\$ -
Bank loan payable	38,573	38,573	10,139	10,139	18,295
Debenture payable	50,000	50,000	50,000	-	-
Loan payable	242,109	300,000	-	-	300,000
License liability	376,488	431,730	143,910	143,910	143,910
	\$ 982,077	\$ 1,095,210	\$ 478,956	\$ 154,049	\$ 462,205

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 to 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 access to sufficient funds to meet foreseeable obligations by working capital and debt repayment requirements.

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Notes to the Consolidated Financial Statements

Fifteen-month period ended March 31, 2025 and twelve-month period ended December 31, 2023

19. 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. 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 amounts receivable. The Company performs ongoing credit evaluations of its customers and maintains provisions for potential credit losses. As at March 31, 2025, 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. The Company is exposed to cash flow interest rate risk as its bank loan bears interest at the bank's variable prime rate plus 2.54% per annum.

(e) Capital risk management

The Company's capital is composed of shareholders' equity, bank loan payable, loan payable and debenture payable. The Company's objective in managing capital is to safeguard the Company's assets and ensure the Company's ability to continue as a going concern. 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:

	March 31, 2025	December 31, 2023
Shareholders' equity	\$ 2,754,132	\$ 1,485,620
Bank loan payable	38,573	-
Loan payable	242,109	-
Debenture payable	50,000	-
	<u>\$ 3,084,814</u>	<u>\$ 1,485,620</u>

20. Subsequent events

As of the date of approval of these consolidated financial statements, the Company has determined that there were no subsequent events to report.