

Consolidated Financial Statements of

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

Years ended March 31, 2022 and 2021

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

Consolidated Statements of Financial Position

As at March 31, 2022 and March 31, 2021

	March 31, 2022	March 31, 2021
Assets		
Current assets:		
Cash	\$ 3,012,369	\$ 147,236
Short-term investments	28,064	7,500
Amounts receivable (note 5)	216,837	30,346
Investment tax credits receivable	-	24,004
Prepaid expenses	374,389	85,230
	<hr/> 3,631,659	<hr/> 294,316
Property and equipment (note 6)	925,547	803,447
	<hr/> 4,557,206	<hr/> 1,097,763

Liabilities and Shareholder's Equity (deficiency)

Current liabilities:		
Accounts payables and accrued liabilities (note 7)	463,995	525,356
Debentures (note 10(b))	-	500,000
Warrant liability (note 10(b))	-	230,880
Convertible debentures (note 10(a))	-	1,482,636
	<hr/> 463,995	<hr/> 2,738,872
Deferred capital contributions (note 8)	261,859	361,125
Government loan payable (note 11)	38,382	31,077
Loans payable (note 9(a))	279,172	233,289
	<hr/> 1,043,408	<hr/> 3,364,363
Shareholders' Equity (Deficiency):		
Share capital (note 12)	9,497,026	1,636,352
Warrants (note 12)	1,760,865	-
Contributed surplus	2,635,705	2,298,170
Deficit	(10,379,798)	(6,201,122)
	<hr/> 3,513,798	<hr/> (2,266,600)
Going concern (note 1)		
Commitments (note 14)		
	<hr/> \$ 4,557,206	<hr/> \$ 1,097,763

See accompanying notes to financial statements.

On behalf of the Board:

"C. Howie Honeymoon" Director"Gerald Goldberg" Director

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

Consolidated Statements of Loss and Comprehensive Loss

For the year ended March 31, 2022 and 2021

	For the year ended March 31,	
	2022	2021
Revenue	\$ 6,244	41,575
Expenses:		
General and administrative (note 13)	2,001,842	589,473
Selling and marketing	133,938	22,656
Research and development	916,579	705,761
Listing expenses (note 4)	1,143,481	-
Foreign exchange loss (gain)	(8,907)	187
	4,186,933	1,318,077
	(4,180,689)	(1,276,502)
Other expense (income):		
Amortization of deferred capital contributions (note 8)	(99,266)	(210,294)
Operating grants	(26,581)	(223,033)
Finance income	(1,152)	(1,998)
Finance costs	111,908	389,822
Change in fair value of financial instruments (note 10(a))	13,078	269,271
	(2,013)	223,768
Net loss and comprehensive loss	\$ (4,178,676)	\$ (1,500,270)
Basic/diluted loss per share*	\$ (0.05)	\$ (0.03)
Weighted average number of basic common shares (note 16)	77,872,756	54,000,000

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

See accompanying notes to financial statements.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the year ended March 31, 2022 and 2021

	Share capital	Contributed surplus	Warrants	Deficit	Total
Balance, March 31, 2020	\$ 1,636,352	\$ 2,298,170	\$ -	\$ (4,700,852)	\$ (766,330)
Net loss and other comprehensive loss	-	-	-	(1,500,270)	(1,500,270)
Balance, March 31, 2021	\$ 1,636,352	\$ 2,298,170	\$ -	\$ (6,201,122)	\$ (2,266,600)
Exercise of warrants (note 10(b))	230,880	-	-	-	230,880
Broker warrants issued (note 12(a)(iv))	-	-	232,831	-	232,831
Advisory shares issued (note 12(a)(iv))	200,000	-	-	-	200,000
Advisory warrants issued (note 12(a)(iv))	-	-	123,000	-	123,000
Private placement (note 12(a)(iv))	5,111,300	-	1,358,700	-	6,470,000
Share issuance costs (note 12(a)(iv))	(1,053,192)	-	-	-	(1,053,192)
Fair value of deemed issuance to HWCC (note 4)	1,545,000	53,901	-	-	1,598,901
Units issued for Finder's fee (Note 12(a)(v))	174,306	-	46,334	-	220,640
Stock options issued for service (note 12(c)(ii))	-	248,956	-	-	248,956
Stock based compensation (note 12(c)(iii))	-	34,678	-	-	34,678
Conversion of convertible debenture (note 10(a))	1,652,380	-	-	-	1,652,380
Net loss and comprehensive loss	-	-	-	(4,178,676)	(4,178,676)
Balance, March 31, 2022	\$ 9,497,026	\$ 2,635,705	\$ 1,760,865	\$ (10,379,798)	\$ 3,513,798

See accompanying notes to financial statements.

FORWARD WATER TECHNOLOGIES CORP. (Formerly Hope Well Capital Corp.)Consolidated Statement of Cash Flows
For the year ended March 31, 2022 and 2021

	For the year ended March 31,	
	2022	2021
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (4,178,676)	\$ (1,500,270)
Items not involving cash:		
Depreciation of property and equipment (note 6)	265,252	356,259
Amortization of deferred capital contributions (note 8)	(99,266)	(210,294)
Share-based compensation	34,678	-
Shares issued for consulting services (note 12)	248,956	-
Units issued for finder's fee (note 12)	220,640	-
Finance costs	111,908	389,822
Gain on government grant (note 11)	-	(32,709)
Change in fair value of financial instruments	13,078	269,271
Non-cash listing expenses	1,143,481	-
Changes in non-cash operating working capital:		
Amounts receivable	(186,491)	76,563
Investment tax credits receivable	24,004	404,468
Prepaid expenses	(289,159)	(42,239)
Accounts payable and accrued liabilities	36,585	89,406
	(2,655,010)	(199,723)
Financing activities:		
Proceeds from government loan payable (note 11)	-	60,000
Repayment of debentures (note 10(b))	(500,000)	(50,000)
Proceeds on issue of subscription receipts (note 12)	6,470,000	-
Issuance costs (note 12)	(497,361)	-
	5,472,639	10,000
Investing activities:		
Purchase of property and equipment	(387,352)	-
Purchase of short-term investments	(20,564)	-
Cash obtained from reverse takeover transaction (note 4)	455,420	-
	47,504	-
Increase (decrease) in cash	2,865,133	(189,723)
Cash, beginning of year	147,236	336,959
Cash, end of year	\$ 3,012,369	\$ 147,236

See accompanying notes to financial statements.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

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

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

FWTI was incorporated under the Business Corporations Act (Ontario). Its principal activity is the development and sale of desalination technology and products.

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

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

1. Going concern:

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

The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon the continued support from its shareholders, and on its ability to achieve and maintain profitable operations in the future. The Company's ability to establish profitable operations in the future is dependent upon securing additional funding and financing arrangements. There can be no assurance that such events will occur.

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

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

2. Basis of preparation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements were authorized for issue on July 11, 2022.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for certain financial instruments presented at fair value.

(c) Functional and presentation currency:

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

(d) Use of estimates and judgments:

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

Significant items subject to such estimates and judgments include the fair value of certain financial instruments (Refer to Note 10). Actual results may differ from the estimate.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in notes 4, 10, and 12.

(e) Principles of consolidation:

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

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.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

3. Significant 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
Computer hardware	Straight-line	3 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.

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 property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

3. Significant accounting policies (continued):

(b) Impairment of long-lived assets (continued):

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.

(c) 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.

(d) 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 good 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. 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. (Formerly Hope Well Capital Corp.)

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

3. Significant accounting policies (continued):

(e) Government assistance:

Government assistance is recognized when there is reasonable assurance the assistance will be received, and the Company will comply with all attached conditions. When the government assistance relates to an expense item, it is recognized in profit or loss as miscellaneous income over the period necessary to match the government assistance on a systematic basis in the period in which the expenses are recognized.

Grants restricted for the purchase of property and equipment are deferred and amortized into income on a straight-line basis, at a rate corresponding with the amortization rate for the related assets.

(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 it 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.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

3. Significant accounting policies (continued):

(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 profit or 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 profit or 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 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.

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.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

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 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.

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, debentures, convertible debentures warrant liability, government loan payable and loan payable. 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
Debenture	Amortized cost
Government loan payable	Amortized cost
Warrant liability	FVTPL
Convertible Debenture	FVTPL

Amortized cost

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

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

FVTPL

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

Fair value measurement:

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

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

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

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

(i) Leases:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (lease term of 12 months or less) and leases for which the underlying asset is of low value. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(j) 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 income for the period.

4. Reverse takeover transaction (the “Transaction”):

On October 20, 2021, HWCC completed the Transaction with FWTI.

The Transaction was completed by way of a three-cornered amalgamation pursuant to the provisions of the *Business Corporations Act* (Ontario), whereby 2644246 Ontario Limited, a wholly-owned subsidiary of HWCC, amalgamated with and into FWTI, with FWTI surviving as a wholly-owned subsidiary of HWCC. Pursuant to the Transaction, the outstanding common shares and warrants of FWTI were exchanged for common shares and warrants, respectively, of HWCC on the basis of five HWCC securities for every one FWTI security (the “Exchange Ratio”). Immediately following the

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

4. Reverse takeover transaction (the “Transaction”) (continued):

completion of the Transaction, HWCC changed its name from “Hope Well Capital Corp.” to “Forward Water Technologies Corp.”.

In connection with the Transaction, FWTI completed a brokered private placement offering of an aggregate of 6,470,000 subscription receipts (“Subscription Receipts”) at a subscription price of \$1.00 per Subscription Receipt for aggregate gross proceeds of \$6,470,000. At closing of the Transaction, each Subscription Receipt was converted, for no additional consideration, into one unit of FWTI (a “FWTI Unit”). Each FWTI Unit consisted of one common share in the capital of FWTI and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one FWTI common share at an exercise price of \$1.25 for 24 months following the closing of the Transaction, subject to adjustment and acceleration. Each FWTI common share and FWTI common share purchase warrant issued pursuant to the conversion of the Subscription Receipts was exchanged for common shares and warrants, respectively, of HWCC on the basis of five HWCC securities for every one FWTI security and the exercise price of the warrants was adjusted to \$0.25.

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

Immediately following the closing of the Transaction, there were 105,600,099 common shares of the Company outstanding, of which 97,875,100 were held by the former shareholders of FWTI (representing approximately 92.7% of the outstanding shares of the Company) and 7,724,999 (7.3%) were held by the shareholders of HWCC. As the former shareholders of FWTI, as a group, retained control of the resulting issuer, FWTC. The Transaction was accounted for as a reverse acquisition where FWTI is deemed to be the acquirer for accounting purposes. The audited condensed consolidated financial statements for the years ended March 31, 2022 and 2021 to which this MD&A relates represent the continuance of FWTI and reflect the identifiable assets acquired and liabilities assumed of HWCC at fair value. The results of operations of HWCC have been included in the consolidated statements of comprehensive loss from October 20, 2021, the closing date of the Transaction.

As HWCC did not meet the definition of a business as defined in IFRS 3 – Business Combinations, the acquisition was not within the scope of IFRS 3 and is accounted for as a share-based payment transaction in accordance with IFRS 2, Share-based Payments. Accordingly, the fair value of the purchase consideration was accounted for at the fair value of the equity instruments deemed issued by the shareholders of FWTI to the shareholders and option holders of HWCC. The fair value of the shares was determined based on the historical trading price of HWCC which was determined to be the most reliable measure of the Transaction. The fair value of the options was determined using the Black-Scholes pricing model.

The consideration for the Transaction has been calculated as \$1,598,901 and is based on the fair value of the number of shares and options that were issued to the shareholders and option holders of HWCC to give the shareholders and option holders of HWCC the same percentage equity interest in

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

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For the year ended March 31, 2022 and 2021

4. Reverse takeover transaction (the “Transaction”) (continued):

the combined entity that resulted from the Transaction. The following table summarizes the allocation of the purchase price consideration to the fair value of the net assets acquired at October 20, 2021, the closing date of the Transaction.

Purchase consideration		
Fair value of deemed issuance of FWTI shares	\$	1,545,000
Fair value of deemed issuance of FWTI options		53,901
Fair value of consideration		1,598,901
Identifiable assets acquired		
Cash		455,420
Net assets acquired		455,420
Listing expense		1,143,481
	\$	1,598,901

In addition to the above-mentioned listing expense, the Company incurred \$505,128 in legal and accounting fees in connection with the Transaction. Further, the agent involved in the offering of the Subscription Receipts received a cash finder’s fee of \$165,480 and 220,640 units (the “Finder Units”) for a total fair value of \$386,120.

Each Finder Unit was comprised of one common share in the capital of FWTI and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one FWTI common share at an exercise price of \$1.25 for 24 months. In connection with the closing of the Transaction the securities underlying the Finders Units were exchanged for securities of the Company based on the Exchange Ratio and the exercise price of the warrants was adjusted to \$0.25

5. Amounts receivable:

	March 31, 2022	March 31, 2021
Accounts receivable	300	-
Grants receivable	21,751	11,787
HST receivable	194,786	18,559
	\$ 216,837	\$ 30,346

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Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

6. Property and equipment:

Cost	Equipment	Computer hardware	Construction in progress	Total
March 31, 2020 and 2021	\$ 2,076,254	\$ 5,500	\$ -	\$ 2,081,754
Additions	21,120	-	366,232	387,352
March 31, 2022	\$ 2,097,374	\$ 5,500	\$ 366,232	\$ 2,469,106

Accumulated depreciation	Equipment	Computer hardware	Construction in progress	Total
March 31, 2020	\$ 917,649	\$ 4,399	\$ -	\$ 922,048
Depreciation	355,158	1,101	-	356,259
March 31, 2021	1,272,807	5,500	-	1,278,307
Depreciation	265,252	-	-	265,252
March 31, 2022	\$ 1,538,059	\$ 5,500	\$ -	\$ 1,543,559

Net book value	Equipment	Computer hardware	Construction in progress	Total
March 31, 2021	\$ 803,447	\$ -	\$ -	\$ 803,447
March 31, 2022	559,315	-	366,232	925,547

All property and equipment is located in Canada.

7. Accounts payables and accrued liabilities:

	March 31, 2022	March 31, 2021
Trade payables	\$ 302,864	\$ 107,426
Accrued liabilities	161,131	230,632
Accrued interest on debentures	-	187,298
	\$ 463,995	\$ 525,356

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

8. Deferred capital contributions:

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

The balance of deferred capital contributions consists of the following:

Cost	
March 31, 2020	\$ 571,419
Amortization into income	(210,294)
March 31, 2021	361,125
Amortization into income	(99,266)
March 31, 2022	\$ 261,859

9. Related party transactions:

a) Loans payable:

In April 2018, the Company's original shareholder sold 66% of the Company to two unrelated parties.

As part of the transaction with the unrelated parties, the common shares held by the original shareholder at the time of the transaction were cancelled, 3,400 Class A common shares were issued to the original shareholder, the outstanding loan payable balance was extinguished, and two additional liabilities were established, as follows: (1) The Company issued a \$300,000 loan payable to the original shareholder payable upon the Company obtaining one million (\$1,000,000) in gross revenue, with repayments calculated as 5% of gross margin and payable within 30-days of receipt of related revenue. The fair value of the loan payable on initial recognition was determined to be \$134,493. The difference between the amount of \$300,000 and the fair value was recorded as debt forgiveness. During the year ended March 31, 2022 finance costs of \$45,883 (2021 - \$39,128) were recorded related to this loan payable. (2) The Company entered into a loan payable in the amount of \$100,000 related to certain costs that were paid by the original shareholder on the Company's behalf as a post-closing adjustment. During the year ended March 31, 2022, \$Nil (2021 - \$50,000) were paid on the loan payable described in (2) above.

Balance at April 1, 2020	\$	194,161
Accretion expenses		39,128
Balance at March 31, 2021		233,289
Accretion expenses		45,883
Balance at March 31, 2022	\$	279,172

(b) Key management personnel:

	2022	2021
Salaries and benefits	\$ 132,963	\$ 195,038
Stock based compensation	29,216	-

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

10. Debentures:

(a) Convertible debentures:

On March 29, 2019, the Company entered into an agreement with two of its shareholders to issue two series of secured, convertible debentures in an aggregate principal amount of \$1,000,000. The debentures bore interest of 8% per annum, were secured by the property and assets of the Company, and were payable at the earlier of March 2022, or the date of a conversion event.

On April 26, 2021, the option to convert was amended such that the issued debentures plus any unpaid interest will be converted into equity securities at 70% of the price per share of the Company to be paid or offered by a purchaser.

For accounting purposes the Company has designated the convertible debenture at Fair Value through Profit or Loss ("FVTPL"). The equity conversion option was not separately classified as equity as the number of shares upon conversion does not meet the fixed-for-fixed criteria. The Company does not separately account for the fair value of the equity conversion option as a derivative as it has classified the entire instrument as FVTPL. The change in fair value of the debentures was \$13,078 during the year ended March 31, 2022 (2021 - \$269,271).

The fair value measurement uses the following Level 3 inputs:

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

Immediately prior to the closing of the Transaction, the full principal and all accrued and unpaid interest was converted into 1,652,380 FWTI common shares at a conversion price equal to \$0.70 per share, which was exchanged for 8,261,900 common shares of the Company based on the Exchange Ratio.

The resulting 8,261,900 shares were transferred to equity based on the value of \$0.20/share or \$1,652,380.

(b) Non-convertible debentures:

On March 18, 2020, the Company entered into an agreement with two of its shareholders to issue secured debentures in an aggregate principal amount of \$500,000. The debentures bore interest of 8% per annum, were secured by the property and assets of the Company, and were payable at the earlier of March 2021 or the date of a qualified financing event, being a financing where the Company issues equity securities with rights at least equal to the common shares in any arm's length transaction or a coincidental series of related arm's length transactions resulting in aggregate gross proceeds to the Company of at least CDN\$5,000,000. In addition, the holders of the debentures were granted warrants. The number of warrants granted was equivalent to the number of common shares that could be purchased for \$500,000 at 70% of the price per share of the Company to be paid or offered by a purchaser. The warrants entitled the holder to an exercise price of \$0.01 per common share of the Company. The warrants could be exercised upon the earliest of:

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

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For the year ended March 31, 2022 and 2021

10. Debentures (continued):

(b) Non-convertible debentures (continued):

- (i) the maturity date of the issued debentures;
- (ii) upon the company issuing equity securities with rights at least equal to the common shares in any arm's length transaction or a coincidental series of related arm's length transactions resulting in aggregate gross proceeds to the Company of at least CDN\$5,000,000;
- (iii) the occurrence of default conditions as specified in the terms of the agreement entered into between the Company and the shareholders.

All unexercised warrant shares terminate and expire 45 days following the maturity date of the issued debentures.

The fair value of the debenture liability at inception was determined to be \$269,120. The discount of \$230,880 was recognized as the warrant liability and will be amortized over the term of the debenture using the effective interest method.

For accounting purposes the warrants have been classified as a derivative financial liability as they do not meet the fixed for fixed criteria and are subsequently measured at FVTPL at each reporting date. On initial recognition the total value of the warrant liability was determined based on the total shares expected to be issued upon exercise and the fair value of each warrant. In April, 2021, the warrants were exercised for 232,000 common shares of the Company. The total fair value of the warrants at the exercise date was transferred to share capital, in the amount of \$230,880.

On June 2, 2021, the debentures were amended to extend the maturity date of the debentures until the earlier of September 30, 2021 or the occurrence of a qualified financing. In consideration of the further extension for repayment, the annual interest rate of 8% per annum under the debenture was rolled up and capitalized as part of principal as at June 30, 2021, and the annual interest rate increased to 16% per annum for the period after July 1, 2021.

Following the closing of the Transaction, the Company settled all the outstanding principal and interest accrued on the secured debentures issued to its shareholders.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

10. Debentures (continued):

	Convertible debenture	Debenture	Warrant liability	Total
	Note 10(a)	Note 10(b)	Note 10(b)	
Balance at April 1, 2020	1,279,124	274,631	230,880	1,784,635
Change in fair value	269,271	-	-	269,271
Financing costs	80,000	266,908	-	346,908
Balance at March 31, 2021	1,628,395	541,539	230,880	2,400,814
Recorded in the Balance Sheet as follows:				
Long-term debentures	1,482,636	-	-	1,482,636
Current portion of debenture	-	500,000	-	500,000
Warranty liability	-	-	230,880	230,880
Included in accounts payable and accrued liabilities	145,759	41,539	-	187,298
Balance at April 1, 2021	1,628,395	541,539	230,880	2,400,814
Change in fair value	13,078	-	-	13,078
Financing costs	10,907	47,813	-	58,720
Repayment	-	(589,352)	-	(589,352)
Debt conversion	(1,652,380)	-	-	(1,652,380)
Transferred to share capital	-	-	(230,880)	(230,880)
Balance at March 31, 2022	-	-	-	-

11. Government Loan Payable

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

The loans were initially measured at their fair value of \$27,291 and were subsequently measured at amortized cost, using a discount rate of 21.3%. During the year ended March 31, 2022, \$7,305 (2021 - \$3,786) of interest expense related to the CEBA loans was recognized and included in finance costs in the statements of comprehensive loss.

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

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For the year ended March 31, 2022 and 2021

11. Government Loan Payable (continued)

The Company recognized a benefit of \$32,709 due to the below-market interest rate and forgivable portion on the CEBA loan. Government loan payable received during the year ended March 31, 2022 is summarized as follows:

Balance, March 31, 2021	\$ 31,077
Accretion expenses	7,305
Balance, March 31, 2022	\$ 38,382

12. Share capital**(a) Share capital**

Authorized:

- (i) The Company is authorized to issue an unlimited number of common shares with no par value.
- (ii) On February 1, 2021, the Company filed articles of amendment to reclassify the Class A Shares on a 1000:1 basis. Accordingly, the number of shares were retroactively adjusted to reflect the share split.
- (iii) On March 24, 2021, the Company filed articles of amendment to reclassify the Class A Shares as common shares.

Issued:

	# Shares*	Amount
Balance at March 31, 2021 & 2020	54,000,000	\$ 1,636,352
Exercise of warrants (note 10(b))	1,160,000	230,880
Shares issued in relation to private placement net of issue costs	32,350,000	4,058,108
Advisory shares issued	1,000,000	200,000
Shares issued in reverse takeover (Note 4)	7,724,999	1,545,000
Shares issued for services (Finder's fee)	1,103,200	174,306
Conversion of convertible debenture (note 10(a))	8,261,900	1,652,380
Balance at March 31, 2022	105,600,099	\$ 9,497,026

**All figures reflect the Exchange Ratio*

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

12. Share capital (continued)

(a) Share capital (continued)

- (iv) As referenced in the table above, in connection with the Transaction, FWTI completed the first tranche of a brokered private placement offering for an aggregate of 5,170,000 Subscription Receipts at a subscription price of \$1.00 per Subscription Receipt on June 4, 2021 and the second tranche of 1,300,000 Subscription Receipts on the same terms on July 26, 2021, resulting in aggregate gross proceeds of \$6,470,000. Immediately prior to the closing of the Transaction, each Subscription Receipt was converted, for no additional consideration, into one unit of FWTI (a "FWTU Unit"). Each FWTI Unit consisted of one common share in the capital of FWTI and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one FWTI common share at an exercise price of \$1.25 for 24 months following the Transaction, subject to adjustment and acceleration. Each FWTI common share and FWTI common share purchase warrant issued pursuant to the conversion of the Subscription Receipts was exchanged for common shares and warrants, respectively, of the Company on the basis the Exchange Ratio and the exercise price of the warrants was adjusted to \$0.25.

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

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

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

In connection with the private placement of Subscription Receipts, FWTI issued 343,600 broker warrants ("QT Broker Warrants") on June 4, 2021 and 34,000 QT Broker Warrants on July 26, 2021, with each QT Broker Warrant being exercisable for one underlying unit (a "QT Broker Unit") at a price of \$1.00 for a period of 24 months from the closing date of the Transaction. The QT Broker Units were comprised of one FWTI Share and one-half of one FWTI common share purchase warrant, with each such warrant entitling the holder thereof to purchase one common share in the capital of FWTI at a price of \$1.25 for a period of 24 months following the closing date of the Transaction, subject to adjustment in certain events.

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

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12. Share capital (continued)

(a) Share capital (continued)

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

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

Exercise price	\$0.20
Unit price at grant date	\$0.20
Expected life of options	2.0 years
Expected annualized volatility	122.95%
Expected dividend rate	0%
Risk-free interest rate	0.31%
Total estimated value	\$211,832

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

Exercise price	\$0.20
Unit price at grant date	\$0.20
Expected life of options	2.0 years
Expected annualized volatility	123.08%
Expected dividend rate	0%
Risk-free interest rate	0.46%
Total estimated value	\$20,999

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

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

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12. Share capital (continued)

(a) Share capital (continued)

Exercise price	\$0.20
Share price at grant date	\$0.20
Expected life of options	2.0 years
Expected annualized volatility	122.95%
Expected dividend rate	0%
Risk-free interest rate	0.31%
Total estimated value	\$123,000

Share issuance costs consist of the following:

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

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

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

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

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

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For the year ended March 31, 2022 and 2021

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

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

- (vii) Immediately prior to the closing of the Transaction, two series of FWTI convertible debentures were converted into 1,652,380 FWTI common shares, which were exchanged for 8,261,900 common shares of the Company based on the Exchange Ratio. See Note 10(a).

(b) Warrants

During the year ended March 31, 2021, there was no issuance of warrants.

During the year ended March 31, 2022, the Company issued 19,614,600 warrants in conjunction with the private placement of Subscription Receipts and the Transaction. See Note (a) (iv)&(vi).

As at March 31, 2022, the following warrants were outstanding and exercisable:

<u>Grant Date</u>	<u>Expiry Date</u>	<u>Number of warrants Outstanding</u>	<u>Exercise Price</u>	<u>Remaining Life (in years)</u>
October 20, 2021	October 20, 2023	1,888,000	\$ 0.200	1.56
October 20, 2021	October 20, 2023	1,000,000	0.200	1.56
October 20, 2021	October 20, 2023	16,175,000	0.250	1.56
October 20, 2021	October 20, 2023	551,600	0.250	1.56
		<u>19,614,600</u>	<u>\$ 0.243</u>	<u>1.56</u>

(c) Stock options

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

The following table summarizes the movements of the stock options for the year ended March 31, 2022:

	<u>Number of options</u>	<u>Weighted average exercise price</u>
Options outstanding at March 31, 2021	-	\$ -
Issued in reverse takeover	772,499	0.203
Granted	1,961,071	0.175
<u>Options outstanding at March 31, 2022</u>	<u>2,733,570</u>	<u>\$ 0.183</u>

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

12. Share capital (continued)

(c) Stock options (continued)

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

502,125 Options granted on May 3, 2017:

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

270,374 Options granted on November 6, 2017:

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

- (ii) On November 9, 2021, 1,338,571 stock options were granted in exchange for services provided. The stock options are exercisable at \$0.175 and expire on November 9, 2023. These stock options have a fair value of \$248,956 and vested immediately on the grant date.
- (iii) On November 9, 2021, 622,500 stock options were granted to certain employees and directors of the Company. The stock options are exercisable at \$0.175 and expire on November 9, 2026. These stock options have a fair value of \$82,228. 33% of the stock options vested immediately on the grant date, 33% vests on the first anniversary of the grant date, and the remaining balance vest on the second anniversary of the grant date.

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

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

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

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For the year ended March 31, 2022 and 2021

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

As at March 31, 2022, \$34,678 in stock based compensation has been recognized in the consolidated statements of loss and comprehensive loss.

The following table provides additional information about the outstanding stock options as at March 31, 2022:

Grant Date	Expiry Date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Life (in years)
October 20, 2021	May 3, 2022	502,125	502,125	\$ 0.200	0.09
October 20, 2021	November 6, 2022	270,374	270,374	0.210	0.60
November 9, 2021	November 9, 2023	1,338,571	1,338,571	0.175	1.61
November 9, 2021	November 9, 2026	622,500	207,499	0.175	4.61
		<u>2,733,570</u>	<u>2,318,569</u>	<u>\$ 0.183</u>	<u>1.43</u>

13. Additional information about the nature of expenses:

	For the year ended March 31,	
	2022	2021
General and administrative:		
Depreciation	\$ -	\$ 1,101
Office, administration and other	299,642	161,987
Consulting, contracts and professional fees	1,332,875	227,451
Salaries and benefits	334,647	198,934
Stock based compensation	34,678	-
	<u>\$ 2,001,842</u>	<u>\$ 589,473</u>
	For the year ended March 31,	
	2022	2021
Depreciation by function:		
General and administrative	\$ -	\$ 1,101
Research and development	265,252	355,158
	<u>\$ 265,252</u>	<u>\$ 356,259</u>

14. Commitments:

The Company is committed to a minimum annual lease payment under various short-term lease agreements as follows: 2023 - \$26,283.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

15. 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, 2022 and March 31, 2021, deferred tax assets and deferred tax liabilities have been recognized in respect of the following:

	March 31, 2022	March 31, 2021
Non-capital losses carried forward	\$ 37,019	\$ 240,178
Property and equipment	(5,000)	(196,000)
Fair value difference on loan payable	(32,019)	(44,178)
	\$ -	\$ -

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

	March 31, 2022	March 31, 2021
Non-capital losses carried forward	\$ 4,746,000	\$ 1,754,000
Scientific research and experimental development	1,086,000	1,086,000
Deferred capital contribution	262,000	361,000
Financing costs	309,000	-
Reserve	161,000	150,000
	\$ 6,564,000	\$ 3,351,000

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory tax rates of 26.5% (2021 - 26.5%) to earnings before income taxes. The reasons for the differences and related tax effects are as follows:

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

15. Income taxes (continued):

	Year ended March 31, 2022	Year ended March 31, 2021
Total loss and other comprehensive income before income taxes	\$ (4,178,676)	\$ (1,500,270)
Expected Canadian income tax recovery	(1,107,349)	(397,572)
Changes in unrecognized temporary differences	723,374	340,805
Impact of prior year adjustments	(59,601)	-
Impact of debentures converted to equity	131,364	-
Amounts not deducted for tax	312,212	56,767
	\$ -	\$ -

At March 31, 2022, the Company has non-capital losses carried forward for income tax purposes of \$4,886,000 (March 31, 2021 - \$2,885,000) available to offset future taxable income. Non-capital losses begin to expire in 2035.

16. 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 year ended March 31,	
	2022	2021
Net loss	\$ (4,178,676)	\$ (1,500,270)
Basic and diluted weighted average number of shares outstanding	77,872,756	54,000,000
Basic and diluted net loss per share*	\$ (0.05)	\$ (0.03)

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

For the year ended March 31, 2022 and 2021, the diluted net loss per share was the same as the basic net loss per share, since the effect of conversion options and warrants would have been anti-dilutive. Accordingly, the diluted net loss per share for each year is calculated using the basic weighted average number of shares outstanding.

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

17. 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 denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

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

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

At March 31, 2022	Carrying amount	Total contractual cash flows	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years
Accounts payables and accrued liabilities	\$ 463,995	\$ 463,995	\$ 463,995	\$ -	\$ -
Government loan payable	38,382	45,000	-	45,000	-
Loan payable	279,172	300,000	-	-	300,000
	<u>\$ 781,549</u>	<u>\$ 808,995</u>	<u>\$ 463,995</u>	<u>\$ 45,000</u>	<u>\$ 300,000</u>

At March 31, 2021	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	\$ 525,356	\$ 525,356	\$ 525,356	\$ -	\$ -
Debentures	500,000	540,000	540,000	-	-
Convertible Debentures	1,482,636	1,224,000	1,224,000	-	-
Government loan payable	31,077	45,000	-	45,000	-
Loan payable	233,289	300,000	-	-	300,000
	<u>\$ 2,772,358</u>	<u>\$ 2,634,356</u>	<u>\$ 2,289,356</u>	<u>\$ 45,000</u>	<u>\$ 300,000</u>

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

Notes to the Consolidated Financial Statements

For the year ended March 31, 2022 and 2021

17. Financial risks and concentration of risk (continued):

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. Substantially all the Company's cash is deposited with financial institutions in Canada that are of high-credit quality to minimize credit risk exposure. The Company is exposed to credit risk with respect to accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains provisions for potential credit losses.

(d) Capital risk management:

The Company's capital is composed of shareholder's deficiency and loans payable. The Company's objective in managing its capital is to ensure it maintains capital ratios in order to support its business. The Company manages its capital structure through regular reviews of financial information to ensure adjustments can be made to be in line with changes in the economic conditions and to maintain value for the shareholder.

(e) Measurement of fair value

The carrying value of cash, short-term investments, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity. The convertible debentures and the warrant liability are measured at FVTPL.

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