



Water Ways

technologies

WATER WAYS TECHNOLOGIES INC.

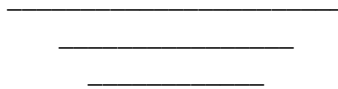
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS **FOR THE THREE AND SIX MONTHS PERIOD ENDED JUNE 30, 2023**

(UNAUDITED)

WATER WAYS TECHNOLOGIES INC.

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NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of WATER WAYS TECHNOLOGIES INC. for the six months ended June 30, 2023, have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 2). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(US Dollar in thousands)

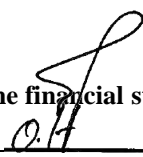
	<u>Note</u>	<u>June 30, 2023</u>	<u>December 31, 2022</u>
CURRENT ASSETS:			
Cash and cash equivalents		459	1,064
Restricted Cash		14	14
Trade accounts receivable, net		3,101	2,402
Other accounts receivable		286	464
Advance payments for projects		549	697
Inventory		2,690	2,249
Total current assets		7,099	6,890
NON-CURRENT ASSETS:			
Deferred tax asset		86	88
Other accounts receivable		108	114
Intangible assets, net		744	808
Goodwill		916	916
Property, plant and equipment, net		375	414
Total non-current assets		2,229	2,340
TOTAL ASSETS		9,328	9,230
CURRENT LIABILITIES:			
Short term loans, current portion of long-term loans and line of credit		1,618	1,745
Lease liabilities		17	17
Trade accounts payable		3,248	2,674
Deferred revenues		-	29
Other accounts payable		296	293
Total current liabilities		5,179	4,758
NON-CURRENT LIABILITIES:			
Long-term loans		151	239
Contingent liability		365	365
Share issuance liability		700	700
Lease liabilities		1	10
Tax liability		123	135
Convertible debenture	4	397	406
Derivative - warrants	4	349	839
Total non-current liabilities		2,086	2,694
SHAREHOLDERS' EQUITY:			
Share capital	4	*	*
Additional paid in capital		7,520	7,307
Reserves		246	200
Retained deficit		(5,786)	(5,796)
Water Ways Technologies Inc shareholders' equity		1,980	1,711
Non-controlling interest		83	67
Total shareholders' equity		2,063	1,778
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,328	9,230

* Represent an amount lower than 1 thousand.

The accompanying notes are an integral part of the financial statements

August 29, 2023

Date of approval



Ohad Haber
CEO & Executive Director



Dor Sneh
CFO

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(US Dollars in thousands, except for share and per share amounts)

	Note	For the three months period ended June 30		For the six months period ended June 30	
		2023	2022	2023	2022
		Unaudited	Unaudited	Unaudited	Unaudited
Revenues:	6				
Services		645	1,257	1,136	1,971
Products		1,076	2,531	3,625	5,486
Total revenues		1,721	3,788	4,761	7,457
Cost of revenues:					
Services		525	1,013	891	1,551
Products		1,028	2,129	3,047	4,618
Total cost of revenues		1,553	3,142	3,938	6,169
Gross profit		168	646	823	1,288
Sales and marketing expenses		274	360	506	582
General and administrative expenses		312	387	779	942
Operating profit (loss)		(418)	(101)	(462)	(236)
Finance expenses		(49)	(36)	(152)	(62)
Finance income		19	-	24	133
Revaluation of derivatives		191	2,843	609	3,318
Profit (loss) before taxes on income		(257)	2,706	19	3,153
Tax on income (recovery)		(7)	38	(7)	36
Profit (loss) for the period		(250)	2,668	26	3,117
Other comprehensive expense:					
Item that will not be reclassified to profit or loss:					
Foreign currency translation differences		7	35	50	(28)
Total other comprehensive loss		7	35	50	(28)
Net comprehensive income (loss)		(243)	2,703	76	3,089
Profit for the period attributed to:					
Non-controlling interests		4	7	16	7
Water Ways Technologies Inc Shareholders'		(254)	2,661	10	3,110
Profit (loss) for the period		(250)	2,668	26	3,117
Total Comprehensive income (loss) for the period attributed to:					
Non-controlling interests		16	7	16	7
Water Ways Technologies Inc Shareholders'		(259)	2,696	50	3,082
Net comprehensive income (loss)		(243)	2,703	76	3,089
Basic profit per share attributable to shareholders :		(0.0017)	0.018	0.0002	0.021
Weighted average number of common shares outstanding:		148,566,664	145,436,937	147,673,577	145,008,415
Diluted profit per share attributable to shareholders :		(0.0013)	0.014	0.0001	0.016
Weighted average number of common shares outstanding:		197,627,899	190,194,069	197,113,849	190,168,910

The accompanying notes are an integral part of the financial statements

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollars in thousands, except for share and per share amounts)

For the six months period ended June 30, 2023:

	Number of Shares	Share capital	Additional paid-in capital	Retained deficit	Capital reserve for share-based payment	Currency translation adjustment	Total	Non- controlling interests	Total Shareholders' equity
Balance at January 1, 2023	145,970,345	*	7,307	(5,796)	203	(3)	1,711	67	1,778
Net income				10			10	16	26
<i>Other comprehensive income (loss):</i>									
Exchange differences on translating foreign operation						50	50	-	50
Total comprehensive income	-	-	-	10	-	50	60	16	76
Exercise of Options to employees and directors	300,000	-	17	-	(4)		13	-	13
Private placement, net	2,415,000	*	196	-	-	-	196	-	196
Balance at June 30, 2023	148,685,345	*	7,520	(5,786)	199	47	1,980	83	2,063

*Represent an amount lower than 1 thousand

The accompanying notes are an integral part of the financial statements

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(US Dollar in thousands)

For the six months period ended June 30, 2022:

	Number of Shares	Share capital	Additional paid-in capital	Retained deficit	Capital reserve for share-based payment	Currency translation adjustment	Total	Non- controlling interests	Total Shareholders' equity
Balance at January 1, 2022	143,575,710	*	6,780	(7,863)	247	5	(831)	63	(768)
Net income				3,110			3,110	7	3,117
Other comprehensive income (loss):									
Exchange differences on translating foreign operation						(28)	(28)	-	(28)
Total comprehensive income	-	-	-	3,110	-	(28)	3,082	7	3,089
Exercise of Options to employees and directors	350,000	-	46	-	(15)	-	31	-	31
Exercise of Options to service providers	450,000	-	116	-	(31)	-	85	-	85
Shares for debt	102,320	-	22	-	-	-	22	-	22
Exercise of PP Warrants	1,276,398	-	310	-	-	-	310	-	310
Exercise of Finder Warrants	65,917	-	14	-	-	-	14	-	14
Balance at June 30, 2022	145,820,345	*	7,288	(4,753)	201	(23)	2,713	70	2,783

*Represent an amount lower than 1 thousand

The accompanying notes are an integral part of the financial statements

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(US Dollars in thousands)

	For the six months period ended June 30, 2023	For the six months period ended June 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss) for the period	26	3,117
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	94	132
Stock based compensation	-	(17)
Accrued interest	26	19
Change in short term deposits	-	*
(increase) in trade accounts receivable, net	(699)	(712)
Decrease (increase) in other accounts receivable	184	(777)
Decrease in project advance payments	148	-
(increase) in inventory	(441)	(933)
Increase in trade accounts payable	574	1,064
Increase in other accounts payable	3	700
Change in fair value of derivative	(609)	(3,318)
(decrease) in deferred revenues	(29)	(226)
(decrease) increase in deferred taxes	(10)	35
Net cash (used in) operating activities	(733)	(916)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net	-	(133)
Change in short term deposits	-	-
Net cash (used in) investing activities	-	(82)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank loans	(808)	(344)
Receipt of bank loans	751	335
Line of credit	(57)	-
Lease payments	(8)	(8)
Convertible debenture proceeds, net	62	-
Private placement proceeds, net	214	-
Exercise of options	13	118
Exercise of warrants	-	187
Net cash provided by financing activities	167	288
Effect of foreign exchange rate on cash	(39)	(6)
(decrease) Increase in cash and cash equivalents	(605)	(767)
Cash and cash equivalents at beginning of the period	1,064	2,599
Cash and cash equivalents at the end of the period	459	1,832

*Represent an amount lower than 1 thousand.

The accompanying notes are an integral part of the financial statements.

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS - APPENDICES
(US Dollar in thousands)

APPENDIX A - AMOUNT PAID DURING THE PERIOD FOR:

	For the six months period ended June 30	
	2023	2022
Loan Interest	40	19
Convertible debenture interest	22	-

The accompanying notes are an integral part of the financial statements

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(US Dollars in thousands)

NOTE 1 – GENERAL:

- A. Water Ways Technologies Inc. ("**Water Ways**", "**WWT**" or the "**Company**") was incorporated under the Business Corporations Act (Ontario) on April 20, 2007 and was classified as a Capital Pool Corporation as defined by TSX Venture Exchange ("**TSX-V**" or "**Exchange**") Policy 2.4. Water Ways Technologies Inc. is the parent company of Irri-Al-Tal Ltd. ("**Irri-Al-Tal**" or "**IAT**"), Heartnut Grove WWT Inc. ("**HGWWT**"), Zoryan Trade S.A. ("**Zoryan**") and Maravey Corporation S.A. ("**Maravey**"), and indirectly through Irri-Al-Tal of H.D.P Irrigation Ltd. ("**H.D.P**") and IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd. ("**IRRI-AL TAL (Shanghai)**" or "**IAT Shanghai**"). The Company's registered address is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1.
- B. Water Ways is an agriculture technology company that specializes in providing water irrigation solutions to agricultural producers. The Company competes in the global irrigation water systems market with a focus on developing solutions with commercial applications in the micro and precision irrigation segments of the overall market.
- C. 1. Irri-Al-Tal was incorporated on October 11, 2003, under the laws of the State of Israel.
2. On March 6, 2019, Water Ways completed its qualifying transaction by completing a reverse takeover with Irri-Al-Tal.
3. On June 17, 2019, the Company acquired certain assets of Heartnut Grove Inc. ("**Heartnut**") and established HGWWT.
4. On October 27, 2019, Water Ways, thorough Irri-Al-Tal, established a new Israeli company, H.D.P, of which Irri-Al-Tal holds a 73% interest.
5. On February 26, 2020, H.D.P established a new wholly owned subsidiary in the Republic of China, IRRI-AL TAL (Shanghai).
6. On September 2, 2020, Water Ways acquired 52% interest in two companies, incorporated and existing in the Oriental Republic of Uruguay, Zoryan and Maravey.
- D. The geopolitical situation of tension in Ukraine intensified on February 24, 2022, with Russia's invasion of Ukraine (the "**Conflict**"). The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighboring countries or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. Because of its broader impact on these macroeconomic conditions, the Company may need to consider the war's effect on certain accounting and financial reporting matters. The degree to which the Company is or will be affected by them largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 1 – GENERAL (CONT.):

The impact of the Conflict on the Company has caused delays in 2022 projects in Uzbekistan and other regional territories which conduct business with Russia and may be expected to continue to do so in unpredictable fashion. As of June 30, 2023, total advance payment to suppliers with respect to the three Uzbeki projects was \$549. The Company is in communication with its suppliers and throughout 2022 has made agreements with respect to the advance payments, which includes return of the amounts paid or taking inventory in the value of the advance payment.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

These consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The financials were prepared based on the same accounting policy as the annual financials. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ending December 31, 2022. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed consolidated interim financial statements as signed on April 30, 2023.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. *De-facto* control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether *de-facto* control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights.
- Substantive potential voting rights held by the Company and by other parties.
- Other contractual arrangements.
- Historic patterns in voting attendance.

The consolidated financial statements present the results of WWT and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(US Dollars in thousands)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Business Combination

The consolidated financial statements of the Company include the accounts of the Company and the following subsidiaries:

<u>Entity Name</u>	<u>Jurisdiction of Incorporation</u>	<u>Percentage of WWT Ownership (Direct and Indirect)</u>
Water Ways Technologies Inc.	Canada	Parent Company
Irri-Al-Tal Ltd.	Israel	100%
Heartnut Grove WWT Inc.	Canada	100%
H.D.P Irrigation Ltd.	Israel	73%
IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd.	People's Republic of China	73%
Maravey Corporation S.A.	Oriental Republic of Uruguay	52%
Zoryan Trade S.A.	Oriental Republic of Uruguay	52%

NOTE 3 - SUBSTANTIAL EVENTS DURING THE REPORTED PERIOD

- A. On March 3, 2023, the Company announced the closing of the 2023 Offering of 2,415,000 (as explained more fully in Note 4A2, below) Series B Units.
- B. On March 3, 2023, the Company announced the closing of the 2023 Financing of 9 (as explained more fully in Note 4B2, below) Series B CD Units.

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 4 – SHAREHOLDERS' EQUITY:

Common Shares confer upon their holders the right to receive notice, to participate and vote in general meetings of the Company and the right to receive dividends, if and when declared.

Shares, Warrants, Finder Warrants, Options and Convertible Debentures Outstanding as of June 30, 2023:

<u>Security</u>	<u>Number Outstanding</u>	<u>Exercise Price in CAD\$</u>	<u>Expiry Date</u>
Ordinary shares	148,685,345	-	
Options for directors	800,000	0.25	6/3/2024
Options for employees	2,673,527	0.06	25/6/2024
Options for directors and employees	800,000	0.06	14/5/2025
PP Warrant (First Tranche)	25,682,346	0.18	30/6/2024
PP Warrant (Second Tranche)	9,113,375	0.18	3/8/2024
Finder Warrant (First Tranche)	2,145,653	0.12	30/6/2024
Finder Warrant (Second Tranche)	900,545	0.12	3/8/2024
Participant Options	1,410,000	0.195	29/8/2026
Convertible Debentures	2,131,429	0.35	22/7/2024
CD Warrant	2,131,429	0.45	22/7/2024
CD Finder Warrant	149,200	0.35	22/7/2024
Warrant - Series B	1,207,500	0.20	3/3/26
Finder Warrant - Series B	193,200	0.13	3/3/26
Convertible Debentures - Series B	382,500	0.24	3/3/25
CD Warrant - Series B	191,250	0.3	3/3/25
CD Finder Warrant - Series B	30,600	0.24	3/3/25
Total securities	198,627,899		

A. Equity Private Placements

- On 2021, the Company announced the closing of the first tranche (the "**First Tranche**") and the second tranche (the "**Second Tranche**"), respectively, of a private placement (the "**Offering**") of units (the "**PP Units**") at a price of CAD\$0.12 per PP Unit. The First Tranche and Second Tranche escrow closing resulted in the issuance of 27,016,666 and 10,022,850 PP Units, respectively. Each PP Unit is composed of one common share of the Company and one common share purchase warrant (the "**PP Warrants**"). Pursuant to the Offering, the Company issued an aggregate of 37,039,516 PP Units at a price of CAD\$0.12 per Unit. Each PP Unit is composed of one common share of the Company and one PP Warrant. Each whole PP Warrant entitles the holder thereof to acquire one additional common share of the Company (each a "**Warrant Share**"), upon payment to the Company of CAD\$0.18 per Warrant Share until June 30, 2024 (in respect of 27,016,666 PP Warrants) and August 3, 2024 (in respect of 10,022,850 PP Warrants), however, that if, following July 1, 2022, the volume weighted average price is CAD\$0.24 for 10 consecutive trading days, the Company may, upon providing written notice to the holders of the PP Warrants, accelerate the expiry date of the PP Warrants to the date that is 30 days following the date of such written notice.

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(US Dollars in thousands)

NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

A. Equity Private Placements (cont.)

2. On March 3, 2023, the Company announced the closing of a private placement (the "**2023 Offering**") of 2,415,000 units (the "**Series B Units**") at a price of CAD\$0.13 per Series B Unit, for gross proceeds of \$232 (equivalent to CAD\$314) (the "**Series B Offering Gross Proceeds**"). Each Unit Series B is comprised of one Common Share in the capital of the and one half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "**Series B Warrant**") with each Series B Warrant exercisable into one additional Common Share (a "**Series B Warrant Share**" and, collectively with the Common Shares and Warrants, the "**Securities**") at a price of CAD\$0.20 for a period of 36 months from the closing date. The aggregate amount of Series B Warrants issued is 1,207,500. If following July 4, 2023, the volume weighted average price ("**VWAP**") of the Common Shares for any 10 consecutive trading days equals or exceeds CAD\$0.26, the Company may, upon providing written notice to the holders of the Series B Warrants, accelerate the expiry date of the Series B Warrants to the date that is 30 days following the date of such written notice.

In connection with the 2023 Offering the Company issued to the finder: (i) an aggregate cash payment of \$18 (equivalent to CAD\$25) being an amount equal to 8% of the Gross Proceeds; and (ii) issue 193,200 Series B Finders Warrants (an amount equal to 8% of the Units sold (the "**Series B Finders Warrants**")). Each Series B Finder Warrant will be exercisable into a Series B Unit (consisting of a Common Share and half a Series B Warrant) upon payment of CAD\$0.13 per Unit.

B. Convertible Debentures Placement

1. On July 22, 2022, the Company announced the closing of a private placement (the "**Financing**") of 746 CD Units at a price of CAD\$1 (one thousand) per CD Unit, for gross proceeds (the "**CD Gross Proceeds**") of CAD\$746. Each CD Unit is comprised of one unsecured convertible debenture (each a "**Convertible Debenture**") with a principal amount of CAD\$1 (the "**Subscription Price**") and 2,857 common share purchase warrant (each whole common share purchase warrant, a "**CD Warrant**") with each CD Warrant exercisable, upon payment of an additional CAD\$0.45, into one additional common share in the capital of the Company (a "**Common Share**"). Pursuant to the Financing the Company issued an aggregate 2,131,429 CD Warrants. If the Company does not repay the Subscription Price on or before the date that is 24 months from the Closing Date (the "**Term**"), the Term will be extended by an additional 12 months (the "**Revised Maturity Date**") and the Company will be obligated to pay a penalty in cash only, equal to 10% of any amounts of the Subscription Price that were outstanding and not repaid at the end of the Term. The Convertible Debentures shall bear an annual interest rate of 8% payable quarterly in cash only. The Convertible Debentures are subject to conversion into Common Shares, at the option of the holder, at a conversion price of CAD\$0.35 per Common Share (the "**Conversion Price**"), provided that if, following the date that is 4 months and 1 day following the closing of the Financing (the "**Closing Date**") the volume

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(US Dollar in thousands)

NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

B. Convertible Debentures Placement (cont.)

weighted average price ("**VWAP**") of the Common Shares for any 10 consecutive trading days equals or exceeds CAD\$0.525, the Company may, upon providing written notice to the holders of the Convertible Debentures, force the conversion of the Convertible Debentures to the date that is 30 days following the date of such written notice. In the event that following the date that is 4 months and 1 day following the Closing Date, the VWAP of the Common Shares of for any 10 consecutive trading days equals or exceeds CAD\$0.675, the Company may, upon providing written notice to the holders of the CD Warrants, accelerate the expiry date of the CD Warrants to the date that is 30 days following the date of such written notice.

In connection with the Financing the Company issued to the finder: (i) an aggregate cash payment of \$40 (equivalent to CAD\$52), being an amount equal to 7% of the CD Gross Proceeds; and (ii) 149,200 finder warrants as is equal to 7% of the CD Units sold ("**CD Finder Warrant**"). Each CD Finder Warrant will be exercisable into a Common Share of the Company upon payment by the holder thereof of CAD\$0.35 per CD Finder Warrant.

2. On March 3, 2023, the Company announced the closing of a private placement (the "**2023 Financing**"), subject to receipt of all regulatory approvals and final TSX Venture Exchange approval, of the 2023 Financing of 9 units (the "**Series B CD Units**") at a price of CAD\$10.2 per Series B CD Unit (the "**Subscription Price**"), for gross proceeds of \$71 (equivalent to CAD\$92) (the "**Series B CD Gross Proceeds**"). Each Series B CD Unit comprised of one unsecured convertible debenture (each a "**Series B Convertible Debenture**") with a principal amount of CAD\$10.2 and 42,500 half of one Common Share purchase warrant (each whole such Common Share purchase warrant, a "**Series B CD Warrant**") with each Series B CD Warrant exercisable into one additional Common Share (a "**Series B CD Warrant Share**"). The aggregate amount of Series B CD Warrants issued is 191,250. If the Company does not repay the Subscription Price by the end of the date that is 24 months from the Closing Date (the "**Maturity Date**") the Series B Convertible Debenture only, will be extended by an additional 12 months (the "**Revised Maturity Date**") and the Company will be obligated to pay a penalty, payable in cash, equal to 10% of any amounts of the Subscription Price that were outstanding and not repaid at the end of the Maturity Date. The Series B Convertible Debentures shall bear an annual interest rate of 8%, payable quarterly in cash only (the "**Interest**"). The Series B Convertible Debentures are subject to conversion, at the option of the holder, at a conversion price of CAD\$0.24 per Common Share (the "**Conversion Price**") , provided that if, following July 4, 2023, the VWAP of the Common Shares for any 10 consecutive trading days equals or exceeds CAD\$0.36, the Company may, upon providing written notice to the holders of the Series B Convertible Debentures, force the conversion of the Series B Convertible Debentures to the date that is 30 days following the date of such written notice.

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(US Dollars in thousands)

NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

B. Convertible Debentures Placement (cont.)

Each Series B CD Warrant will entitle the holder to purchase an additional Common Share at an exercise price of CAD\$0.30 on or before the Maturity Date, provided that if, following July 4, 2023, the VWAP of the Common Shares of for any 10 consecutive trading days equals or exceeds CAD\$0.45, the Company may, upon providing written notice to the holders of the Series B CD Warrants, accelerate the expiry date of the Series B CD Warrants to the date that is 30 days following the date of such written notice

In connection with the 2023 Financing the Company will issue to Exiteam Capital Partners Ltd.: (i) an aggregate cash payment of \$5 (equivalent to CAD\$7), being an amount equal to 8% of the Series B CD Gross Proceeds; and (ii) issue 30,600 Series B Finder Warrants (an amount equal to 8% of the Units sold (the "**Series B CD Finders Warrants**")). Each Series B CD Finder Warrant will be exercisable into one half of one Common Share upon payment of \$0.24 per Series B CD Finders Warrant.

3. The convertible debentures, as well as the warrants were classified as a derivative financial liability and its fair value measurement was applied using a binomial model, based on the Cox, Ross Rubinstein (1979) method, is based on significant unobservable inputs and thus represents a level 3 measurement within the fair value hierarchy (see Note 2 in the Audited Financial Statements).
4. The following table reflects the fair value composition of the Convertible Debenture:

	2023	2022
Balance – Beginning of Period	406	-
Receipts of Convertible Debenture securities	71	579
Fair value revaluation	(80)	(173)
Balance – End of Period	397	406

C. The Following Details the Outstanding Ordinary Shares, Warrants, Compensation Warrants and Stock Options

1. Options and shares granted to employees, directors and service providers:

- a) On January 21, 2022, The Company announced that it has agreed to issue to an arm's length service provider 102,321 common shares in lieu of payments owing to such service provider in the aggregate amount of \$22. The Shares were issued on May 16, 2022, with final approval by the TSXV.
- b) During the year ended December 31, 2022, the Company received instructions to exercise 200,000 Options at an exercise price of \$CAD0.06 resulting in the issuance of an equal number of common shares and proceeds to the Company of \$9 (equivalent to CAD\$12). In addition, the Company received instructions to exercise 150,000 Participant Options at an exercise price of \$CAD0.195 resulting in the issuance of an equal number of common shares and proceeds to the Company of \$23 (equivalent to CAD\$29).

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NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

C. The Following Details the Outstanding Ordinary Shares, Warrants, Compensation Warrants and Stock Options (cont.)

1. Options and shares granted to employees, directors and service providers (cont.):

- c) During the six months period ended June 30, 2023, the Company received instructions to exercise 300,000 Options at an exercise price of \$CAD0.06 resulting in the issuance of an equal number of common shares and proceeds to the Company of \$13 (equivalent to CAD\$18).

A summary of the status of the Company's option plan granted to employees and directors as of June 30, 2023, and changes during the relevant period ended on that date is presented below:

	For the six months period ended		Year ended December 31, 2022	
	June 30, 2023			
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	5,983,527	CAD\$0.12	6,333,527	CAD\$0.12
Granted	-	-	-	-
Exercised	300,000	CAD\$0.06	350,000	CAD\$0.12
Forfeited and cancelled	-	-	-	-
Outstanding at end of the period	5,683,527	CAD\$0.12	5,983,527	CAD\$0.12
Exercisable options	5,683,527	CAD\$0.12	5,983,527	CAD\$0.12

The options to employees and directors outstanding as of June 30, 2023, are comprised, as follows:

Exercise price	Outstanding as of June 30, 2023	Weighted average remaining contractual term	Exercisable as of June 30, 2023	Weighted average remaining contractual term
		(years)		(years)
CAD\$0.25	800,000	0.62	800,000	0.62
CAD\$0.06	2,673,527	0.93	2,673,527	0.93
CAD\$0.06	800,000	1.83	800,000	1.83
CAD\$0.195	1,410,000	3.14	1,410,000	3.14
	5,683,527		5,683,527	

2. Derivative liability - Warrants:

In accordance with IAS 32, since the exercise prices of the PP Warrants, Finder Warrants, CD Warrants and CD Finder Warrants, Series B CD Warrants and Series B CD Finder Warrants (all collectively, the "Derivative Liability Warrants") issued are not a fixed amount as they are denominated in a currency (Canadian dollar) other than the Company's functional currency (U.S. dollar), the Derivative Liability Warrants are accounted for as a derivative financial liability. Each warrant liability is initially measured at fair value and subsequent changes in fair value are recorded through the Net and Comprehensive Profit for the period. The fair value of the Derivative Liability Warrants was determined initially using a comparable warrant quoted in an active market, adjusted for differences in the terms of the warrant.

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NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

C. The Following Details the Outstanding Ordinary Shares, Warrants, Compensation Warrants and Stock Options (cont.)

2. Derivative liability – Warrants (cont.):

The Derivative Liability Warrants were categorized as level 3 (see Note 2 to the Audited Financial Statements - Fair value measurement).

As of June 30, 2023, the Derivative Liability Warrants fair value measurement was \$349.

- a) During the year ended December 31, 2022, the Company received instructions to exercise 1,426,398 PP Warrants resulting in the issuance of an equal number of common shares and aggregate proceeds to the Company of \$200 (equivalent to CAD\$257). In addition, the Company received instructions to exercise 65,917 Finder Warrants resulting in the issuance of an equal number of common shares and PP Warrant and aggregate proceeds to the Company of \$6 (equivalent to CAD\$8).

The following table reflects the continuity of the Derivative Liability Warrants for the periods presented:

Warrant activity	Exercisable on June 30, 2023	Weighted average exercise price in CAD\$
Balance – Beginning of Period	40,122,548	
Issued during the period (Series B Warrant)	1,207,500	0.20
Issued during the period (Series B Finder Warrant)	193,200	0.13
Issued during the period (Series B CD Warrant)	191,250	0.30
Issued during the period (Series B CD Finder Warrant)	30,600	0.24
Balance – End of Period	41,745,098	

Warrant activity	Exercisable on December 31, 2022	Weighted average exercise price in CAD\$
Balance – Beginning of Period	39,268,317	
Issued during the period (PP Warrant)	65,917	0.18
Exercised during the period (PP Warrants)	(1,426,398)	0.18
Exercised during the period (Finder Warrant)	(65,917)	0.12
Issued during the period (CD Warrant)	2,131,429	0.45
Issued during the period (CD Finder Warrant)	149,200	0.35
Balance – End of Period	40,122,548	

The following table reflects the fair value composition of Derivative Liability Warrants:

	2023	2022
Balance – Beginning of Period	839	5,037
Issuance of Series B Warrants	24	-
Issuance of Series B Broker Warrants	12	-
Issuance of Series B CD Warrants	3	-
Issuance of Series B CD Broker Warrants	*	-
Issuance of CD Warrants	-	77
Exercise of PP Finder Warrants	-	(8)
Exercise of PP Warrants	-	(129)
Fair value revaluation	(529)	(4,138)
Balance – End of Period	349	839

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NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

C. The Following Details the Outstanding Ordinary Shares, Warrants, Compensation Warrants and Stock Options (cont.)

2. Derivative liability – Warrants (cont.):

The warrants were classified as a derivative financial liability and its fair value measurement was applied using a binomial model, based on the Cox, Ross Rubinstein (1979) method, is based on significant unobservable inputs and thus represents a level 3 measurement within the fair value hierarchy (see Note 2 in the Audited Financial Statements).

NOTE 5 – SEGMENT REPORTING:

The Company identifies Mr. Haber, who is the Company's CEO and principal shareholder, as its Chief Operating Decision Maker ("CODM"). As the Company's CODM, Mr. Haber receives information on a segregated basis (for review on a regular basis) of each business unit, i.e., projects (services) and products (components) as well as information segregated for geographical areas. The financial statements present within statements of comprehensive income the revenues from each segment on a standalone basis as well as gross profit of each segment. The information presented in the consolidated financial statements is essentially the same information provided to the CODM and the same information regarding decisions about allocating resources. The Company accounts for its segment information in accordance with IFRS 8 "*Segment Reporting*" which establishes annual and interim reporting standards for operating segments of a company based on the Company's internal accounting methods. Operating segments are based upon its internal organization structure, the way the Company's operations are managed and the availability of separate financial information. Summarized financial information by segment, based on the Company's internal financial reporting system utilized by the Company's CODM, as follows:

WATER WAYS TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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NOTE 5 – SEGMENT REPORTING (CONT.):

For the three months period ended June 30, 2023:

		HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
		Products		Project Services				
<i>Revenues</i>								
	External	912	276	405	29	99		1,721
	Inter-segment	-	147	-				147
<i>Total</i>		912	423	405	29	99		1,868
<i>Segment gross profit</i>		35	14	60	9	50		168
<u>Non-allocated:</u>								
	Expenses							586
	Finance income, net							161
	Loss before provision for income taxes							(257)

For the six months period ended June 30, 2023:

		HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
		Products		Project Services				
<i>Revenues</i>								
	External	2,601	1,024	454	111	571	-	4,761
	Inter-segment	-	195	-	-	-	-	195
<i>Total</i>		2,601	1,219	454	111	571	-	4,956
<i>Segment gross profit</i>		408	171	69	33	142	-	823
<u>Non-allocated:</u>								
	Expenses							1,285
	Finance income, net							481
	Profit before provision for income taxes							19

WATER WAYS TECHNOLOGIES INC.
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NOTE 5 – SEGMENT REPORTING (CONT.):

For the three months period ended June 30, 2022:

		HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
		Products		Project Services				
<i>Revenues</i>								
	External	1,834	697	991	-	266	-	3,788
	Inter-segment	-	137	-	-	-	-	137
<i>Total</i>		1,834	834	991	-	266	-	3,925
<i>Segment gross profit</i>		310	92	177	-	67	-	646
<u>Non-allocated:</u>								
Expenses								747
Finance income, net								2,807
Profit before provision for income taxes								2,706

For the six months period ended June 30, 2022:

		HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
		Products		Project Services				
<i>Revenues</i>								
	External	3,539	1,947	1,233	365	373	-	7,457
	Inter-segment	-	185	-	-	-	-	185
<i>Total</i>		3,539	2,132	1,233	365	373	-	7,642
<i>Segment gross profit</i>		595	273	229	80	111	-	1,288
<u>Non-allocated:</u>								
Expenses								1,524
Finance income, net								3,389
Profit before provision for income taxes								3,153

WATER WAYS TECHNOLOGIES INC.
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NOTE 5 – SEGMENT REPORTING (CONT.):

Non-current assets as of June 30, 2023:

	HGWWT	IAT	IAT Shanghai	Water Ways	Company Total
Deferred tax asset	3	83	-	-	86
Other accounts receivable	-	108	-	-	108
Intangible assets	57	151	536	-	744
Goodwill	130	-	786	-	916
Property, plant and equipment, net (including ROU asset)	97	277	1	-	375

Non-current assets as of June 30, 2022:

	HGWWT	IAT	IAT Shanghai	Water Ways	Company Total
Deferred tax asset	-	27	-	-	27
Other accounts receivable	-	117	-	-	117
Intangible assets	78	173	638	-	889
Goodwill	130	-	786	-	916
Property, plant and equipment, net (including ROU asset)	145	307	4	-	456

WATER WAYS TECHNOLOGIES INC.
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NOTE 6 – REVENUES:

1. Geographic Areas Information:

The following present total revenues for the six months period ended June 30, 2023 and 2022:

	For the six months period ended June 30	
	2023	2022
Canada	2,712	3,904
Asia	855	397
South and Central America	831	2,543
Africa	209	303
Europe	76	96
Israel	58	180
Other	20	34
Total revenues	4,761	7,457

2. Principal Customers:

Major customers of the Company's revenues:

	For the six months period ended June 30	
	2023	2022
Customer A	14%	14%
Customer B	6%	10%
Customer C	6%	9%