



# Water Ways

technologies

## **WATER WAYS TECHNOLOGIES INC.**

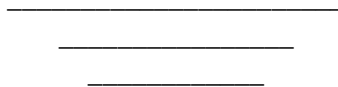
### **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** **FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

**(UNAUDITED)**

**WATER WAYS TECHNOLOGIES INC.**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Notice to Shareholders	2
Unaudited Condensed Interim Statements of Financial Position	3
Unaudited Condensed Interim Statements of Comprehensive Income	4
Unaudited Condensed Interim Statements of Changes in shareholders' equity	5-6
Unaudited Condensed Interim Statements of Cash Flows	7-8
Notes to Unaudited Condensed Interim Financial Statements	9-21



## **NOTICE TO SHAREHOLDERS**

The accompanying unaudited condensed consolidated interim financial statements of WATER WAYS TECHNOLOGIES INC. for the three months ended March 31, 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)

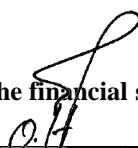
	<u>Note</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		852	1,064
Restricted Cash		14	14
Trade accounts receivable, net		3,445	2,402
Other accounts receivable		451	464
Advance payments for projects		587	697
Inventory		2,665	2,249
<b>Total current assets</b>		<b>8,014</b>	<b>6,890</b>
<b>NON-CURRENT ASSETS:</b>			
Deferred tax asset		83	88
Other accounts receivable		114	114
Intangible assets, net		776	808
Goodwill		916	916
Property, plant and equipment, net		387	414
<b>Total non-current assets</b>		<b>2,276</b>	<b>2,340</b>
<b>TOTAL ASSETS</b>		<b>10,290</b>	<b>9,230</b>
<b>CURRENT LIABILITIES:</b>			
Short term loans, current portion of long-term loans and line of credit		1,771	1,745
Lease liabilities		17	17
Trade accounts payable		3,591	2,674
Deferred revenues		-	29
Other accounts payable		282	293
<b>Total current liabilities</b>		<b>5,661</b>	<b>4,758</b>
<b>NON-CURRENT LIABILITIES:</b>			
Long-term loans		194	239
Contingent liability		365	365
Share issuance liability		700	700
Lease liabilities		6	10
Tax liability		129	135
Convertible debenture	4	425	406
Derivative - warrants	4	512	839
<b>Total non-current liabilities</b>		<b>2,331</b>	<b>2,694</b>
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital		*	*
Additional paid in capital		7,509	7,307
Reserves		241	200
Retained deficit		(5,531)	(5,796)
<b>Water Ways Technologies Inc shareholders' equity</b>		<b>2,219</b>	<b>1,711</b>
Non-controlling interest		79	67
<b>Total shareholders' equity</b>		<b>2,298</b>	<b>1,778</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>10,290</b>	<b>9,230</b>

\* Represent an amount lower than 1 thousand.

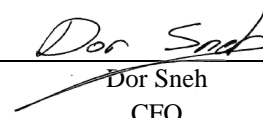
The accompanying notes are an integral part of the financial statements

May 30, 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)

	<u>Note</u>	<b>For the three months period ended</b>	
		<b>March 31</b>	
		<u>2023</u>	<u>2022</u>
<b>Revenues:</b>	6		
Services		491	714
Products		2,549	2,955
<b>Total revenues</b>		<u><b>3,040</b></u>	<u><b>3,669</b></u>
<b>Cost of revenues:</b>			
Services		366	538
Products		2,019	2,489
<b>Total cost of revenues</b>		<u><b>2,385</b></u>	<u><b>3,027</b></u>
<b>Gross profit</b>		<b>655</b>	<b>642</b>
Sales and marketing expenses		232	222
General and administrative expenses		467	555
<b>Operating loss</b>		<u><b>(44)</b></u>	<u><b>(135)</b></u>
Finance expenses		(103)	(54)
Finance income		5	161
Revaluation of derivatives and convertible debentures	4	418	475
<b>Profit before taxes on income</b>		<u><b>276</b></u>	<u><b>447</b></u>
Tax on income (recovery)		-	(2)
<b>Profit for the period</b>		<u><u><b>276</b></u></u>	<u><u><b>449</b></u></u>
<b>Other comprehensive profit:</b>			
Item that will not be reclassified to profit or loss:			
Foreign currency translation differences		43	(63)
<b>Total other comprehensive profit</b>		<u><b>43</b></u>	<u><b>(63)</b></u>
<b>Net comprehensive profit (loss)</b>		<u><u><b>319</b></u></u>	<u><u><b>386</b></u></u>
<b>Profit for the year attributed to:</b>			
Non-controlling interests		12	*
Water Ways Technologies Inc Shareholders'		264	449
<b>Profit for the period</b>		<u><u><b>276</b></u></u>	<u><u><b>449</b></u></u>
<b>Total Comprehensive profit for the year attributed to:</b>			
Non-controlling interests		-	*
Water Ways Technologies Inc Shareholders'		319	386
<b>Net comprehensive profit</b>		<u><u><b>319</b></u></u>	<u><u><b>386</b></u></u>
Basic profit per share attributable to shareholders:		0.0019	0.003
Weighted average number of common shares outstanding:		146,167,660	144,575,132
Diluted profit per share attributable to shareholders:		0.0014	0.002
Weighted average number of common shares outstanding:		194,546,921	190,091,143

**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 three months period ended March 31, 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
<b>Balance at January 1, 2023</b>	<b>145,970,345</b>	*	<b>7,307</b>	<b>(5,796)</b>	<b>203</b>	<b>(3)</b>	<b>1,711</b>	<b>67</b>	<b>1,778</b>
Net income				264			264	12	276
<i>Other comprehensive income (loss):</i>									
Exchange differences on translating foreign operation						43	43	-	43
<b>Total comprehensive income</b>	-	-	-	<b>264</b>	-	<b>43</b>	<b>307</b>	<b>12</b>	<b>319</b>
Exercise of Options to employees and directors	100,000	-	6	-	(1)	-	5	-	5
Private placement, net	2,415,000	-	196	-	-	-	196	-	196
<b>Balance at March 31, 2023</b>	<b>148,485,345</b>	*	<b>7,509</b>	<b>(5,532)</b>	<b>202</b>	<b>40</b>	<b>2,219</b>	<b>79</b>	<b>2,298</b>

\*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 three months period ended March 31, 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
<b>Balance at January 1, 2022</b>	<b>143,575,710</b>	*	<b>6,780</b>	<b>(7,863)</b>	<b>247</b>	<b>5</b>	<b>(831)</b>	<b>63</b>	<b>(768)</b>
Net income				449			449	*	449
<i>Other comprehensive income (loss):</i>									
Exchange differences on translating foreign operation						(64)	(64)	-	(64)
<b>Total comprehensive income</b>	-	-	-	<b>449</b>	-	<b>(64)</b>	<b>385</b>	*	<b>385</b>
Exercise of Options to employees and directors	350,000	-	46	-	(13)	-	33	-	33
Exercise of Options to service providers	450,000	-	116	-	(27)	-	89	-	89
Exercise of PP Warrants	645,000	-	183	-	-	-	183	-	183
Exercise of Finder Warrants	15,680	-	4	-	-	-	4	-	4
<b>Balance at March 31, 2022</b>	<b>145,036,390</b>	*	<b>7,129</b>	<b>(7,414)</b>	<b>207</b>	<b>(59)</b>	<b>(137)</b>	<b>63</b>	<b>(74)</b>

\*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)

	<b>For the three months period ended March 31, 2023</b>	<b>For the three months period ended March 31, 2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) for the period	276	449
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	67	66
Stock based compensation	-	(17)
Accrued interest	19	9
Change in short term deposits	*	*
Decrease (increase) in trade accounts receivable, net	(1,043)	(1,180)
increase (decrease) in other accounts receivable	13	(1,062)
Decrease in project advance payments	110	-
(increase) in inventory	(416)	(1,404)
(decrease) in trade accounts payable	917	2,066
(decrease) increase in other accounts payable	(11)	88
Change in fair value of derivative	(418)	(475)
(decrease) in deferred revenues	(29)	(230)
(decrease) in deferred taxes	(1)	(7)
<b>Net cash (used in) operating activities</b>	<b>(516)</b>	<b>(1,697)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment, net	-	(82)
Change in short term deposits	-	-
<b>Net cash (used in) investing activities</b>	<b>-</b>	<b>(82)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of bank loans	(406)	(203)
Receipt of bank loans	291	280
Line of credit	115	-
Lease payments	(4)	(4)
Convertible debenture proceeds, net	62	-
Private placement proceeds, net	214	-
Exercise of options	4	118
Exercise of warrants	-	93
<b>Net cash provided by financing activities</b>	<b>276</b>	<b>284</b>
<b>Effect of foreign exchange rate on cash</b>	<b>28</b>	<b>(55)</b>
<b>(decrease) Increase in cash and cash equivalents</b>	<b>(212)</b>	<b>(1,440)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,064</b>	<b>2,599</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>852</b>	<b>1,049</b>

\*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:**

	<b>For the three months period ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Loan Interest	26	9
Convertible debenture interest	11	-

**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 March 31, 2023, total advance payment to suppliers with respect to the three Uzbeki projects was \$587. 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. The Company is in communication with the Uzbeki customer and ready to commence the project once approved. If the customer does not fulfill its part of the contracts, management will consider legal actions for material breach of contracts.

**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 March 31, 2023:**

<u>Security</u>	<u>Number</u> <u>Outstanding</u>	<u>Exercise Price in CAD\$</u>	<u>Expiry Date</u>
Ordinary shares	148,485,345	-	
Options for directors	800,000	0.25	6/3/2024
Options for employees	2,873,527	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
<b>Total securities</b>	<b>198,627,899</b>		

**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:

	<b>2023</b>	<b>2022</b>
<b>Balance – Beginning of Period</b>	<b>406</b>	<b>-</b>
Receipts of Convertible Debenture securities	71	579
Fair value revaluation	(52)	(173)
<b>Balance – End of Period</b>	<b>425</b>	<b>406</b>

**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).



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

**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 three months period ended March 31, 2023, the Company received instructions to exercise 100,000 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 \$4 (equivalent to CAD\$6).

A summary of the status of the Company's option plan granted to employees and directors as of March 31, 2023, and changes during the relevant period ended on that date is presented below:

	<b>For the three months period ended March 31, 2023</b>		<b>Year ended December 31, 2022</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at beginning of year	5,983,527	CAD\$0.12	6,333,527	CAD\$0.12
Granted	-	-	-	-
Exercised	100,000	CAD\$0.06	350,000	CAD\$0.12
Forfeited and cancelled	-	-	-	-
Outstanding at end of the period	<b>5,883,527</b>	<b>CAD\$0.12</b>	<b>5,983,527</b>	<b>CAD\$0.12</b>
Exercisable options	<b>5,883,527</b>	<b>CAD\$0.12</b>	<b>5,983,527</b>	<b>CAD\$0.12</b>

The options to employees and directors outstanding as of March 31, 2023, are comprised, as follows:

<b>Exercise price</b>	<b>Outstanding as of March 31, 2023</b>	<b>Weighted average remaining contractual term (years)</b>	<b>Exercisable as of March 31, 2023</b>	<b>Weighted average remaining contractual term (years)</b>
CAD\$0.25	800,000	0.87	800,000	0.87
CAD\$0.06	2,873,527	1.18	2,873,527	1.18
CAD\$0.06	800,000	2.08	800,000	2.08
CAD\$0.195	1,410,000	3.39	1,410,000	3.39
	<b>5,983,527</b>		<b>5,983,527</b>	

**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.

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

**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 March 31, 2023, the Derivative Liability Warrants fair value measurement was \$512.

- 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 March 31, 2023	Weighted average exercise price in CAD\$
<b>Balance – Beginning of Period</b>	<b>40,122,548</b>	
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
<b>Balance – End of Period</b>	<b>41,745,098</b>	

Warrant activity	Exercisable on December 31, 2022	Weighted average exercise price in CAD\$
<b>Balance – Beginning of Period</b>	<b>39,268,317</b>	
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
<b>Balance – End of Period</b>	<b>40,122,548</b>	

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

	2023	2022
<b>Balance – Beginning of Period</b>	<b>839</b>	<b>5,037</b>
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	(366)	(4,138)
<b>Balance – End of Period</b>	<b>512</b>	<b>839</b>

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

**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**  
(US Dollars in thousands)

**NOTE 5 – SEGMENT REPORTING (CONT.):**

For the three months period ended March 31, 2023:

		HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
		Products		Project Services				
<i>Revenues</i>								
	External	1,689	748	49	82	472	-	3,040
	Inter-segment		246	-	-	-	-	246
<i>Total</i>		1,689	930	49	82	472	-	3,286
<i>Segment gross profit</i>		373	157	9	24	92	-	655
<u>Non-allocated:</u>								
	Expenses							699
	Finance income, net							320
	<b>Profit before provision for income taxes</b>							<b>276</b>

For the three months period ended March 31, 2022:

		HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
		Products		Project Services				
<i>Revenues</i>								
	External	1,705	1,250	242	365	107	-	3,669
	Inter-segment	-	48	-	-	-	-	48
<i>Total</i>		1,705	1,298	242	365	107	-	3,717
<i>Segment gross profit</i>		285	181	52	80	44	-	642
<u>Non-allocated:</u>								
	Expenses							777
	Finance expenses, net							582
	<b>Loss before provision for income taxes</b>							<b>447</b>

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

**NOTE 5 – SEGMENT REPORTING (CONT.):**

Non-current assets as of March 31, 2023:

	<b>HGWWT</b>	<b>IAT</b>	<b>IAT Shanghai</b>	<b>Water Ways</b>	<b>Company Total</b>
Deferred tax asset	3	80	-	-	83
Other accounts receivable	-	114	-	-	114
Intangible assets	59	156	561	-	776
Goodwill	130	-	786	-	916
Property, plant and equipment, net (including ROU asset)	107	278	2	-	387

Non-current assets as of March 31, 2022:

	<b>HGWWT</b>	<b>IAT</b>	<b>IAT Shanghai</b>	<b>Water Ways</b>	<b>Company Total</b>
Deferred tax asset	17	23	-	-	40
Other accounts receivable	-	121	-	-	121
Intangible assets	79	180	663	-	922
Goodwill	130	-	786	-	916
Property, plant and equipment, net (including ROU asset)	99	324	4	-	427

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

**NOTE 6 – REVENUES:**

**1. Geographic Areas Information:**

The following present total revenues for the three months period ended March 31, 2023 and 2022:

	<b>For the three months period ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Canada	1,772	2,069
South and Central America	601	1,181
Asia	472	107
Africa	111	76
Europe	72	56
Israel	12	180
<b>Total revenues</b>	<b>3,040</b>	<b>3,669</b>

**2. Principal Customers:**

Major customers of the Company's revenues:

	<b>For the three months period ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Customer A	22%	14%
Customer B	6%	10%
Customer C	5%	6%