current WATER TECHNOLOGIES INC.

FIRST QUARTER 2022
UNAUDITED CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(Expressed in Canadian Dollars)

The auditor of Current Water Technologies Inc. has not performed a review of the unaudited condensed interim statement for the periods ended March 31, 2022 and March 31, 2021.

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NOTICE TO READER

The Company has compiled the condensed statement of financial position of Current Water Technologies Inc. as at March 31, 2022 and the condensed statements of earnings and comprehensive loss, changes in equity and cash flows for the period then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

CONDENSED STATEMENT OF FINANCIAL POSITION

Expressed in Canadian Dollars	As at March 31 2022	As at December 31 2021
CURRENT ASSETS		
Cash and cash equivalents (note 2)	305,105	635,301
Accounts receivable	427,018	84,198
Inventories	372,038	384,038
Prepaid	-	1,287
Current total	1,104,162	1,104,824
RIGHT-TO-USE ASSET (note 5)	201,958	233,846
PROPERTY, PLANT AND EQUIPMENT (note 3)	150,576	159,607
INTANGIBLE ASSETS (Patents) (note 4)	2,261	2,295
	1,458,956	1,500,573
CURRENT LIABILITIES		
Current		
Accounts payable and accrued liabilities	271,676	199,642
Deferred revenue	544,562	714,580
Lease Liability (note 3)	100,396	132,957
Loans Payable (note 10)	2,385	3,625
	919,019	1,050,804
Long term		
Lease Liability	113,058	113,058
Loans Payable	-	-
Bank Loans	120,000	120,000
	233,058	233,058
SHAREHOLDERS' DEFICIT		
CAPITAL STOCK (note 7)	20,827,917	20,827,917
Warrants (note 7)	985,519	985,519
Contributed surplus	7,499,445	7,343,834
	29,312,880	29,157,269
DEFICIT	(29,006,001)	(28,940,558)
	306,879	216,712
	$ 1,458,957	$ 1,500,573

APPROVED ON BEHALF OF THE BOARD:

"Gene Shelp"
Gene Shelp, Director

"Alex Kaszuba"
Alex Kaszuba, Director

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
Prepared without audit – see Notice to Reader

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Common shares		Warrants	Contributed Surplus	Deficit	Total
	Number	Amount				
Balance – January 1, 2021	**175,629,538**	**$ 19,724,565**	**$ 352,846**	**$ 7,230,247**	**$ (27,371,864)**	**$ (64,206)**
Net loss/income		-			(364,515)	(364,515)
Share-based payments		-		32,910		32,910
Share issue cost		(96,250)				(96,250)
Private Placement	33,165,500	1,658,275				1,658,275
Warrants exercised	3,480,000	174,000				174,000
Warrants		(1,437,866)	1,437,866			-
Expiration of warrants		-				-
Balance – March 31, 2021	**212,275,038**	**$ 20,022,724**	**$ 1,790,712**	**$ 7,263,157**	**$ (27,736,379)**	**$ 1,340,214**
Net loss/income		-			(1,204,179)	(1,204,179)
Share-based payments		-		80,676		80,676
Share issue cost		-				-
Private Placement		(680,891)	680,891			-
Warrants exercised		48,217	(48,217)			-
Warrants		1,437,866	(1,437,866)			-
Expiration of warrants		-				-
Balance – December 31, 2021	**212,275,038**	**$ 20,827,917**	**$ 985,520**	**$ 7,343,833**	**$ (28,940,558)**	**$ 216,711**
Balance – January 1, 2022	**212,275,038**	**$ 20,827,917**	**$ 985,520**	**$ 7,343,833**	**$ (28,940,558)**	**$ 216,712**
Net loss/income					(65,443)	(65,443)
Share-based payments				155,611		155,611
Share issue cost						-
Private Placement						-
Warrants exercised						-
Warrants						-
Expiration of warrants		-				-
Balance – March 31, 2022	**212,275,038**	**$ 20,827,917**	**$ 985,520**	**$ 7,499,445**	**$ (29,006,001)**	**$ 306,879**

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
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CONDENSED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

Expressed in Canadian Dollars	Three months ended 31-Mar 2022	2021
REVENUE - sales	$ 689,229	$ 307,193
EXPENSES		
Direct operating expenses	$ 376,978	$ 432,589
General and administrative expenses	176,895	163,762
Interest expense - long term	4,234	4,997
Depreciation and amortization	40,954	37,451
Share-based payments	155,611	32,909
	$ 754,672	671,708
NET EARNINGS (COMPREHENSIVE LOSS) FOR THE PERIOD	$ (65,443)	$ (364,515)
Basic and diluted earnings (loss) per share	(0.008)	(0.002)
Weighted average number of shares outstanding – basic and diluted	214,725,765	185,568,599

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
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CONDENSED STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars	Three months ended 31-Mar 2022		2021	
Operating activities				
Net earnings (loss) for the period	$	(65,443)	$	(364,515)
Add: Items not involving an outlay of cash				
Depreciation and amortization		40,954		37,451
Share-based payments		155,611		32,909
	$	131,121	$	(294,155)
Changes in non-cash working capital				
Decrease (Increase) in accounts receivable		(342,820)		79,759
Increase (Decrease) in inventories		12,000		(187,700)
Increase (Decrease) in prepaid expenses		1,287		-
Decrease (Increase) in accounts payable and accrued liabilities		72,034		156,832
Cash flow from operating activities	$	(126,376)	$	(245,265)
Financing activities				
Common Shares issued for cash (net share issue costs)		-		1,562,025
Bank loan proceeds		-		120,000
Repayment of loans payable		(8,362)		(103,942)
Reduction of Lease liability		(32,561)		120,145
Cash flow from financing activities	$	(40,923)	$	1,698,228
Net change in cash and cash equivalents during the period	$	(167,299)	$	1,452,964
Cash and cash equivalents, beginning of period		635,301	$	189,063
Cash and cash equivalents, end of period	$	305,105	$	1,648,664
Interest paid in cash	$	6,168	$	7,801

(The accompanying summarized notes form an integral part of these unaudited condensed interim financial statements)
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SUMMARIZED NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDING MARCH 31, 2022

(CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)

1. DESCRIPTION OF BUSINESS

CORPORATE INFORMATION

Current Water Technologies Inc. (the ‘Company’), is incorporated under the Ontario Business Corporations Act and is a publicly traded company whose common shares are listed under the symbol “WATR” on the TSX Venture Exchange. Previously the Company's name was Enpar Technologies Inc. under the symbol "ENP" on the TSX Venture Exchange and changed its name effective January 2, 2018. The Company is engaged in the development of environmental technologies. The Company currently markets its products throughout the world and in this regard the Company has signed a number of marketing and distribution agreements with various parties granting exclusive rights to these parties for the sale of the Company’s various technologies in specific geographic regions. The Company's corporate head office and principal place of business is located at 70 Southgate Drive, Unit 4, Guelph, Ontario, Canada N1G 4P5.

BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements (“interim financial statements”) of Current Water Technologies Inc. were approved for issuance by the Board of Directors on May 30, 2022. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These interim financial statements do not include all disclosures normally provided in consolidated annual financial statements and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2021.

The policies applied in these interim consolidated financial statements are based on IFRS’s issued and outstanding as of September 30, 2019. Any subsequent changes to IFRS, which may give effect to the Company’s annual financial statements for the year ending December 31, 2021, could result in restatement of these interim financial statements.

These financial statements have been prepared under the assumption that the Company is a going concern. This assumption, among other things, contemplates that the Company will be able to realize on its assets and discharge its liabilities in the normal course of operations. The Company had net losses during the three months period in the amount of $65,443 (2020: loss of $364,515), resulting in an accumulated deficit of $29,006,001 (2021: deficit of $27,736,379) and generated a negative cash flow from operations in the amount of $126,376 (2020: negative $245,265). The Company has been able to fund these operating losses mainly by raising equity; however, there can be no assurance that the Company will be able to do so in the future. Should the going concern assumption be proven to be invalid the carrying amounts of certain assets may have to be restated. Management has estimated that the Company will have adequate funds from existing working capital to meet its corporate, administrative, and other obligations for the coming year.

These interim financial statements are presented in Canadian dollars, which is our presentation and functional currency. These interim financial statements have been prepared using the historical cost basis except for certain financial instruments that have been evaluated at fair value. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

These condensed interim consolidated financial statements incorporate the financial statements of Current Water Technologies Inc. and its subsidiary, Pumptronics Incorporated over which Current Water Technologies Inc. has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. The Company owns 100% of Pumptronics.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these condensed interim financial statements are consistent with those described in the notes to the Company's annual financial statements for the year ended December 21, 2021.

(a) KEY ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are used when accounting for items such as share-based payments and warrants, impairment of long-lived assets, percentage of completion on contracts, onerous contracts, collectability of receivables, inventory obsolescence and business combinations. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(b) CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consist of cash, demand deposits, and short-term investments which are highly liquid and having an initial term of less than 90 days. The cash and cash equivalents balance of $305,105 has been invested in bank deposits.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost January 1, 2022	Accumulated Amortization January 1, 2022	Additions (disposal)	Depreciation	Impairment loss	Net March 31, 2022
Office furniture and fixtures	$ 72,118	$ 64,495	$ -	$ 381	$ -	7,241
Equipment	201,822	$ 119,231	-	4,130	-	78,461
Computer hardware	143,689	$ 101,654	-	3,153	-	38,883
Automotive	85,849	$ 58,491	-	1,368	-	25,990
Leasehold improvements	313,298	$ 313,298	-	-	-	-
Demonstration units	50,872	$ 50,872	-	-	-	-
	$ 867,649	$ 708,041	$ -	$ 9,031	$ -	$ 150,576

	Cost January 1, 2021	Accumulated Amortization January 1, 2021	Additions (disposal)	Depreciation	Impairment loss	Net December 31, 2021
Office furniture and fixtures	$ 72,060	$ 62,604	$ 58	$ 1,891	$ -	$ 7,623
Equipment	149,764	105,091	52,058	$ 14,140	-	$ 82,591
Computer hardware	96,545	93,741	47,144	$ 7,913	-	$ 42,035
Automotive	91,849	51,652	(6,000)	$ 6,839	-	$ 27,358
Leasehold improvements	313,298	313,298	-	-	-	-
Demonstration units	50,872	50,872	-	-	-	-
	$ 774,389	$ 677,258	$ 93,260	$ 30,783	$ -	$ 159,607

4. INTANGIBLE ASSETS

	Cost January 1, 2022	Accumulated Amortization January 1, 2022	Additions Disposals	Amortization	Impairment Loss	Net March 31, 2022
Patents	$ 545,983	$ 545,983	$ -	$ -	$ -	$ -
Right to technology	10,000	7,705	-	34	-	2,261
	$ 555,983	$ 553,688	$ -	$ 34	$ -	$ 2,261

	Cost January 1, 2021	Accumulated Amortization January 1, 2021	Additions Disposals	Amortization	Impairment Loss	Net December 31, 2021
Patents	$ 545,983	$ 545,983	$ -	$ -	$ -	$ -
Right to technology	10,000	7,558	-	147	-	2,295
	$ 555,983	$ 553,541	$ -	$ 147	$ -	$ 2,295

5. RIGHT OF USE ASSET

Right of use ("ROU") assets

ROU assets are initially recorded at cost, which comprises the initial amount of the lease liability and any initial direct costs incurred less any lease payments made at or before the initial recognition date. ROU assets are depreciated on a straight-line basis over the estimated useful life of the asset if the Corporation expects to take ownership of the asset at the end of the lease term, or over the lease term if the Corporation does not expect to take ownership of the asset at the end of the lease term. The lease term includes periods covered by an option to extend if the Corporation's intention is to exercise that option. ROU assets are periodically reduced by impairment losses, if any, and adjusted for re-measurements of the lease obligation.

Lease liabilities

The lease liability is measured at the present value of the expected lease payments over the lease term, discounted at the implicit rate in the lease; if the rate cannot be determined, the incremental borrowing rate of the asset or asset grouping is used. The lease liability is increased for the passage of time and payments on the lease are offset against the lease liability. The liability is subsequently re-measured when there is a change in the lease agreement, such as a change in future lease payments or if the Corporation decides to purchase, extend or terminate the lease option. When the lease liability is re-measured, an adjustment is applied to the carrying value of the ROU asset.

	Cost January 1, 2022	Accumulated Amortization January 1, 2022	Additions Disposals	Amortization	Impairment Loss	Net March 31, 2022
Right to Use Asset	$ 616,503	$ 382,657		$ 32,561		$ 201,285

	Cost January 1, 2021	Accumulated Amortization January 1, 2021	Additions Disposals	Amortization	Impairment Loss	Net December 31, 2021
Right to Use Asset	$ 616,503	$ 255,105		$ 127,552		$ 233,846

6. BANK LOANS

During the prior year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The outbreak of coronavirus has impacted the company's business resulting in reduction of sales revenue for the current year. As a result of the outbreak the Company has applied and obtained bank loans financing totaling $120,000 under the terms of the Canada Emergency Business Account ("CEBA"). The loans are government guaranteed, non-interest bearing loans until December 31, 2022 (subsequently extended to December 31, 2023). If 75% of the loan is repaid by December 31, 2022 (subsequently extended to December 31, 2023) the remaining 25% balance will be forgiven. If the loans are not repaid by December 31, 2022 (subsequently extended to December 31, 2023) the loans will bear interest at an annual rate of 5% per annum and will be due in full by December 31, 2025.

During the year the Company received $Nil (2021: Nil) for the Canada Emergency Wage Subsidy ("CEWS").

7. CAPITAL STOCK

(a) Capital stock consists of 212,275,038 common shares outstanding as at March 31, 2022. An unlimited number of common shares and an unlimited number of preferred shares are authorized. To date the Company has not issued any preferred shares. The following are share issuances and cancellations for the most recently completed financial year.

i) Basic income (loss) per share was calculated on the basis of the weighted average number of common shares outstanding for the year. Fully dilutive income (loss) per share has not been disclosed as the exercise of the common share purchase options and warrants outstanding as at March 31, 2022 and 2021 would have anti-dilutive effect.

(b) Stock incentive plan

Approved by the shareholders on July 8, 2008 and pursuant to Policy 4.4 of the TSX Venture Exchange, the Company maintains a Stock Incentive Plan for designated officers, directors, consultants and employees. Each stock option entitles the holder to one common share. Under the terms of the plan the term of the options shall not exceed five years. The Option price of any shares in respect of which an option may be granted under the Plan shall be not less than the closing price of the Company's common shares on the TSX Venture Exchange on the last day of trading immediately preceding the date of the grant less any applicable discount, provided that where the common shares have not traded for a period of twenty days (20) preceding the date of grant, the Option price shall be determined based upon the average between the closing bid and asked prices for the five days (5) immediately preceding the date of grant. A summary of the status of the outstanding and exercisable stock options under the Stock Incentive Plan is presented below:

The following table summarized information about the options outstanding at March 31, 2022:

	Options	Weighted average exercise price	
Outstanding, December 31, 2020	14,475,000	$	0.06
Granted, May 31, 2021	500,000		0.06
Granted, October 4, 2021	1,000,000		0.05
Cancelled, December 31, 2021	(150,000)		0.05
Outstanding December 31, 2021	15,825,000	$	0.06
Granted, January 13, 2022	7,825,000	$	0.06
Outstanding March 31, 2022	23,650,000	$	0.06

The following table summarizes information about the options outstanding at March 31, 2022:

	Options outstanding	Remaining contractual life in years	Weighted average exercise price
$0.05	7,825,000	9.79	
$0.05	11,300,000	8.27	
$0.06	500,000	9.15	
$0.10	3,775,000	5.06	
$0.15	250,000	1.07	
	15,825,000	7.42	$0.06

(c) Warrants

The following table summarizes information about common share purchase warrants outstanding at March 31, 2022:

	Warrants outstanding	Weighted average exercise price	Weighted average remaining contractual life in years
Outstanding January 1, 2021	25,540,000	0.05	3.04
Issued - private placements	35,090,500	0.07	1.93
Exercised	(3,480,000)	0.05	
Outstanding December 31, 2021	57,150,500	0.06	2.61
Outstanding March 31, 2022	57,150,500	0.06	2.36

In determining the value of the warrants issued related to the private placements during the current year, the fair value of the warrants were estimated using a Black-Scholes option pricing model with the following weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility ranging from 161.7% to 161.98%, risk-free interest rate of 0.50% and expected life of 3 years.

9. CONTINGENT LIABILITIES

Upon commercialization of the Acid Mine Drainage Technology ("AmdELTechnology"), payments shall be made annually in an amount equal to the greater of $20,000 or 25% of the net annual after tax income of the Corporation, as confirmed by audited annual financial statements, until an aggregate amount of $80,000 is paid to Dofasco Inc. The AmdEL Technology shall be considered to be commercialized when the first contract on commercial terms for its use is received. At March 31, 2022, management did not consider the AmdEL Technology to be commercialized.

10. GEOGRAPHIC INFORMATION

All of the Company's operations and assets are located in Canada.

On January 8, 2018, the Company acquired Pumptronics Inc. to realize operational efficiencies and as a result, the Company now has two operating segments. Key measures used by the CODM in assessing performance and in making resource allocation decisions include revenues, gross profit and net loss.

The Company's operating results are divided into two reportable operating segments. The two reportable operating segments are Current Water and Pumptronics. Included in Current Water is corporate activity.

Current Water segment, ("Current Water") operates in treating water and engineering, manufacturing and sales of advanced water systems.

Pumptronics segment, ("Pumptronics") engages in developing hydraulic fluid systems to move water and other liquids.

11. FINANCIAL INSTRUMENTS

Credit Risk

The Company's financial assets include cash and cash equivalents, and accounts receivable. The Company's maximum exposure to credit risk as at March 31, 2022, is the carrying value of its financial assets. The Company manages credit risk by maintaining bank and broker accounts with reputable banks and financial institutions.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2022, the Company had cash and cash equivalent balances of $305,105 (2021: $1,648,664) to settle current liabilities of $919,019 (2021: $1,324,626). Of the current liabilities outstanding, $271,676 (2021: $328,526) of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Of the long-term liabilities outstanding, contractual maturities range from February 2021 to October 2023.

Interest rate risk

The Company's debt is limited to accounts payable and accrued liabilities and in April 2020 the Company obtained bank loans financing totaling $120,000 under the terms of the Canada Emergency Business Account. The loan is government guaranteed, non-interest bearing up to December 31, 2022. If 75% of the loan is repaid by December 31, 2022 the remaining 25% balance will be forgiven. If still outstanding on December 31, 2022 the loan will bear interest at an annual rate of 5% and will be due in full by December 31, 2025. The company therefore has limited exposure to interest rate risk.

Foreign currency rate risk

The Company has bank balances, accounts receivable, and accounts payable that are in US dollars and therefore subject to foreign currency rate risk.

Covid 19 Risk

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, which may negatively impact the Company's business and financial condition.

Fair value of financial instruments and Hierarchy

The book value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, other liabilities, and loans payable all approximate their fair values as at March 31, 2022. The Company did not hold any FVTPL financial instruments during the current year.

For disclosure purposes, the Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement.

The three levels are defined as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

As at March 31, 2022 the Company's financial instruments are cash and cash equivalents, considered to be Level 1 as the market value is readily available.

The company does not have any financial assets or liabilities recorded at fair value or reoccurring basis.

12. CAPITAL MANAGEMENT

The Company manages its capital (debt, including accounts payable and loans payable and equity, including capital stock and contributed surplus) to ensure that the Company will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of a reasonable equity balance commensurate with current operating requirements. The strategy remains unchanged from 2022. The Company raises capital, as necessary, to meet its needs and to take advantage of perceived opportunities and therefore, does not have a numeric target for its capital structure. There were no changes to the Company's approach to capital management during the period ended March 31, 2022 compared to the year ended December 31, 2021. The Company does not have any covenants respecting its capital ratios.