Water Ways technologies

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Water Ways Technologies Inc.

Management's Discussion and Analysis
For the Period Ended June 30, 2019

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is management's assessment of the results of operation and financial condition of Water Ways Technologies Inc. , and it subsidiaries (individually and collectively (as the context requires"**Water Ways Technologies**" or the "**Company**").

The following information should be read in conjunction with the company's consolidated financial statements for the period ended June 30, 2019 and the notes to those financial statements.

The date of this management's discussion and analysis ("**MD&A**") is August 29, 2019. The Company's comparative amounts in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board. References to "$", "USD" or "US$" refer to United States dollars ("**USD**" **or "**US$**"**) unless otherwise indicated. References to "CAD$" or "CDN$" dollars refer to Canadian dollars.

Certain capitalized terms used in this MD&A which are not defined have the meanings ascribed thereto under "*Glossary of Terms*" in the Company's Annual Information Form dated April 30, 2019 (the "**AIF**") and available at www.sedar.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation ("**forward-looking information**"). Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Water Ways Technologies to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under "*Risks and Uncertainties*" in this MD&A and "*Forward-Looking Information*" and "*Risk Factors*" in the AIF.

Although Water Ways Technologies has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is given as of the date of this MD&A and Water Ways Technologies disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

2. DESCRIPTION OF BUSINESS

Corporate Structure

Water Ways Technologies (formerly known as Sagittarius Capital Corporation ("**Sagittarius**")) was incorporated under the Business Corporations Act (Ontario) on April 20, 2007, and was classified as a Capital Pool Corporation as defined in TSX Venture ("**TSX-V**" or "**Exchange**")) Exchange Policy 2.4 (the "**Exchange Policy**") until completion of the Securities Exchange. The Company's registered address is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8 and its principal place of business is P.O.B. 7 Kibbutz Ramat-David 3658700, Israel ..

Irri-Al-Tal Ltd. ("Irri-Al-Tal"), a wholly owned subsidiary of Water Ways Technologies, was incorporated on October 11, 2003, under the laws of the State of Israel. Irri-Al-Tal's registration number is 513467944, with its registered and head office address at P.O.B. 7 Kibbutz Ramat-David 3658700, Israel.

Heartnut Grove WWT Inc. ("**HGWWT**") "), a wholly owned subsidiary of Water Ways Technologies, was incorporated in 2019, under the laws of the Province of Ontario (See "*Significant Developments During The Period*")

Significant developments during the period

1. On March 6, 2019, Sagittarius completed the Securities Exchange with Irri-Al-Tal, which constituted Sagittarius' qualifying transaction ("**Qualifying Transaction**") pursuant to the policies of the Exchange. In connection with the Qualifying Transaction, Sagittarius also completed an offering ("**Offering**") of units ("**Units**") for gross proceeds of CAD $2,818,125 by issuing 11,272,500 Units. Each Unit was comprised of one common share in the capital of Sagittarius ("**Common Share**") and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable into one Common Share (a "**Warrant Share**") at $0.40 per Warrant Share until March 6, 2021. If the closing price of the Common Shares on the Exchange is equal to or greater than $0.75 for any 20 consecutive trading days, the Company may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice.

   Immediately prior to the closing of the Securities Exchange, Irri-Al-Tal completed a non-brokered private placement ("**Concurrent Private Placement**") of IAT Units raising gross proceeds of CAD $291,445.38. Each IAT Unit was issued at a price of CAD $0.50 and was comprised of one IAT Share and one-half of one IAT ordinary share purchase warrant ("**Concurrent Warrant**"). Each whole Concurrent Warrant entitled the holder thereof to acquire one IAT ordinary share at a price of CAD $0.80 per IAt ordinary share until March 5, 2021. The securities issued in connection with the Concurrent Private Placement were exchanged into Common Shares and Warrants of Sagittarius, respectively, on the one IAT ordinary share and one Concurrent Warrant for two Common Shares and two Warrants basis in accordance with the terms of the Securities Exchange Agreement.

   After completion of the Offering and the Securities Exchange, Water Ways Technologies had 89,414,384 Common Shares issued and outstanding, of which 84.3% werw held by former

2. DESCRIPTION OF BUSINESS (CONT'D)

Irri-Al-Tal shareholders (of which 1.3% of the total is attributed to the participants of the Concurrent Private Placement), 3.1% were held by shareholders of Sagittarius who were shareholders prior to completion of the Offering and the Securities Exchange, and 12.6% were held by purchasers of the Units under the Offering. Additionally, immediately after completion of the Securities Exchange, Water Ways Technologies has 11,219,141 common share purchase warrants issued and outstanding, of which 5,636,250 are the Warrants underlying the Units issued to the participants in Offering, and 5,582,891 are the Concurrent Warrants held by former Irri-Al-Tal warrant holders. In addition, Water Ways Technologies has 1,701,800 broker warrants outstanding, of which 901,800 represents the Broker Warrants issued in connection with the Offering and the balance was issued in the Securities Exchange in consideration for the Brokered Options.

2. On April 19, 2019 the Company announced that it signed, in January, its first irrigation project in Central Asia, which is a drip irrigation project for a cotton field in Uzbekistan. The project was finalized during the second quarter and revenue recognized was $0.345.

3. On May 29, 2019 the Company announced that it has engaged the services of Lakeshore Securities Inc. ("**Lakeshore**") to provide services as a market maker.

4. On June 17, 2019, the Company announced that it closed the previously announced acquisition of certain assets of Heartnut Grove Inc ("**Heartnut**"), a Canadian distributor of irrigation and agriculture components, based in Mount Brydges, Ontario.
   Water Ways Technologies established HGWWT to acquire certain assets of Hearnut including its customer base, inventory, certain equipment and goodwill.

5. On June 19, 2019 the Company, announced that it granted 3,973,527 stock options of the Company ("Participant Options") to directors, employees and consultants pursuant to the terms of the Company's stock option plan. Of this amount 1,000,000 were granted to directors and vest in eight equal amounts at the end of every quarter, commencing with the quarter eneded March 31, 2019. 2,750,000 of the Participant Options were granted to employees, and vest in equal installments over three years, with one third vested on June 19, 2019, a third on June 19, 2020 and the remaining amount on June 19, 2021 The remaining 223,527 of the Participant Options, were awarded to a consultant and vested immediately. All Participant Options shall have an exercise price of CAD$0.25.

6. On July 8, 2019, the Company announced the launching of CANNAWAYS an Internet of Things ("**IOT**") controlled irrigation and fertilization system for Cannabis cultivators and growers. The IOT system is one of the first in the world that was designed for the specific needs of Cannabis growers and cultivators worldwide.
   CANNAWAYS purpose is to increase the yield and consistency for cannabis growers and cultivators while maintaining high quality, as well as reducing energy, water, and fertilization costs.

7. On July 25, 2019, the Company announced that it has signed two new irrigation projects in Ethiopia. The first project consists of the installation of advanced irrigation technology assembled at a 3,000 hectare sugar cane field and the supply of various components, such as valves and fittings for sprinkler systems. The value of this project is approximately $421 and

2. DESCRIPTION OF BUSINESS (CONT'D)

WWT expects it to be delivered and installed in the next several months. The second project consists of the upgrade of an existing 25-hectare herb greenhouse, valued at approximately $134 which will focus on redesigning and remaking the farm’s head control system, including pumps, filters, controllers, fertigation units, valves, pipes, fittings and accessories. Both projects in Ethiopia are guaranteed by Letters of Credit and payments to the Company in respect of both projects are anticipated in Q4 of 2019.

8. On August 22, 2019, the Company announced that it has received a purchase order, from one of South America's leading flower growers, to deliver more than 30 high tech water treatment solutions.
   The purchase order is valued at approximately $1,000 First systems are expected to be delivered in Q4 of 2019 and the balance over a course of a few months. The water treatment systems are comprised of high tech filtration systems based on self-cleaning filters and physical separation technologies to eliminate the existence of unique worms (Plant Parasite Nematodes) in irrigation water that originates from rivers. The WWT water treatment systems replace the need for chlorine, which was previously used by the flower grower, to exterminate the worms, allowing the flower grower to use a clean and chemical free process reducing the cost and potential pollution to the soil. The system was tested by the client for over a year in field tests and once fully accepted WWT received the full order for over 30 systems.

Overview of Operations

Water Ways Technologies is an agriculture technology company that specializes in providing water irrigation solutions to agricultural producers. Water Ways Technologies 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.

There are several methods of irrigation and they vary in how water is supplied to the plants with the goal being uniform application of water to all plants such that each plant gets precisely the amount of water it needs. Surface irrigation is the oldest form of irrigation and has been in use for thousands of years. In surface (furrow, flood or level basin) irrigation systems, water moves across the surface of agricultural lands, in order to infiltrate into the soil and hydrate plants. It is often called flood irrigation when the irrigation results in flooding or near flooding of the cultivated land. Historically, this has been the most common method of irrigating agricultural land and is still used in many parts of the world.

Water Ways Technologies' main revenue streams are derived from the following business units:

i) Project Services Business Unit; and

ii) Products - Component and Equipment Sales Unit.

Water Ways Technologies has developed DataWays, a precise irrigation system that enables agricultural operators to make data-driven decisions on how and when to irrigate their crops. The system collects real-time data from sensors installed in the field, allowing the client to analyze the data and control the system from their mobile device.

2. DESCRIPTION OF BUSINESS (CONT'D)

Water Ways Technologies has implemented many turn-key agricultural and aqua-cultural projects with innovative irrigation and water systems in China, Mexico, Peru, Ethiopia, Georgia, Uzbekistan, Israel and Laos.

As part of Water Ways aggressive mission to expand its business plan into the global legal cannabis sector, the company has launched its IOT controlled irrigation and fertilization system for cannabis cultivators and growers known as CANNAWAYS. Developed in Israel by the company's R&D team, the system is one of the first in the world designed for the specific needs of cannabis growers and cultivators. Cannabis cultivation site-tested and market ready, CANNAWAYS allows for higher yields and consistency for cannabis grows while reducing energy, water and fertilization costs.

China

The Company has reached an understanding with one of its agents to establish an entity in the People's Republic of China ("**China**") to sell and market Israeli irrigation equipment and components to the Chinese market and pursue turnkey irrigation projects. The agent has over 20 years of extensive experience and knowledge of the Chinese market. The Company intends to acquire certain assets of the agent, including his network of subagents, and it is expected that the agent will become the CEO of the new entity. Sales in the past 3 years, for this agent in China, ranged between $3 to $6.5 million.

Mexico

The Company is currently negotiating with a number of irrigation and agricultural equipment distributors with a view of forming a Mexican-based subsidiary to focus on sales and marketing of irrigation products and equipment as well as turnkey irrigation projects to the Mexican market. The Company is also looking to acquire the operations of those distributors and merge them into one entity becoming a substantial player in the Mexican irrigation market.

Cannabis Industry

Canada

The Company has determined that the most optimal way to penetrate the Canadian cannabis market is through establishing ongoing distribution relationship with buyers of irrigation and cultivation equipment throughout the country.

Europe and Latin America

the Company continues to negotiate the delivery ofturnkey irrigation solutions to cannabis and hemp cultivators in several European and Latin American countries

Israel – Medical Cannabis

The Company gained experience thorough its delivery of the irrigation, fertigation and IOT (Internet of things) control system to a greenhouse cultivation project located at Kibbutz Gan Shmuel, approximately 50km north of Tel Aviv. As a result of its experience, the Company is currently in the process of submitting bids for similar projects to a number of future licensed producers in the Israeli market.

2. DESCRIPTION OF BUSINESS (CONT'D)

Financial Review

The following financial data prepared in accordance with IFRS in thousands of US$ is presented for the period ended June 30, 2019 and 2018.

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues:				
Services	1,637	3,185	1,868	4,098
Products	1,481	1,489	2,740	2,630
Total revenues	3,118	4,674	4,608	6,728
Cost of revenues:				
Services	1,446	2,624	1,639	3,229
Products	1,218	1,302	2,330	2,297
Total cost of revenues	2,664	3,926	3,969	5,526
Gross profit	454	748	639	1,202
Listing expenses	-	-	1,726	-
Selling, general and administrative expenses	501	322	749	556
Operating profit (loss)	(47)	426	(1,836)	646
Finance expenses	54	3	85	19
Finance Income	(89)	(44)	(89)	(46)
Share in (profit) loss of associated company	11	2	9	18
Profit (loss) before taxes on income	(23)	465	(1,841)	655
Tax on income	(44)	110	(68)	155
Loss for the period	21	355	(1,773)	500
Foreign currency translation differences	35	-	35	-
Other comprehensive income	35	-	35	-
Net comprehensive income (loss)	56	355	(1,738)	500

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

2. DESCRIPTION OF BUSINESS (CONT'D)

Summary of quarterly results (in thousands of US$):

	For the three months ended June 30,							
	30.06.19	31.03.19	31.12.18	30.09.18	30.06.18	31.03.18	31.12.17	30.09.17
Total revenues	3,118	1,490	2,370	2,991	4,674	2,054	3,162	3,527
Gross profit	454	185	254	384	748	455	433	682
Total comprehensive income (loss)	56	(1,532)	(167)	84	355	145	239	256
basic profit (loss) per share attributable to shareholders (*)	0.001	(0.019)	(0.002)	0.001	0.005	0.003	0.004	0.004

* represents number of common shares after given effect of the shares split

Listing expenses

The Company allocated the costs that were directly attributable to issuing new shares to equity (net of any income tax benefit), and the costs that were related to the Exchange listing ("Listing") or are otherwise not incremental and directly attributable to issuing new Common Shares were recorded as an expense in the statement of comprehensive income. Costs that were related to both the issuance of Common Share and the listing were allocated between those shares based on the proportionate number of shares.

Revenues by areas of operation

The following information presents total revenues by areas of operation for the periods ended June 30, 2019 and 2018 (in thousands of US$):

	For the six months ended June 30	
	2019	2018
Africa	161	1,483
South and Central America	2,193	3,976
Asia	1,623	10
Europe	112	357
Others	519	902
	4,608	6,728

Major customers, defined as those customers responsible for over 10% of the Company's revenues, were as follows:

	For the six months ended June 30	
	2019	2018
Customer A	21%	32%
Customer B	18%	15%
Customer C	11%	11%

2. DESCRIPTION OF BUSINESS (CONT'D)

6 months period ended June 30, 2019, compared to 6 months period ended June 30, 2018

Revenues

For the period ended 30 June, 2019, total revenues amounted to $4,608 compared to $6,728 for the period ended June 30, 2018. The revenues from service projects for the period ended 30 June, 2019, amounted to $1,868 compared to $4,098 for the period ended June 30, 2018. The change was mainly due to the shift of revenue recognition of a number of projects from Q2 to the next quarters.

A substnantial number of irrigation projects in China, Columbia , Israel and other countries are currently in the process of finalization.

The revenues from sales of products for the period ended 30 June, 2019, amounted to $2,740 compared to $2,630 for the period ended June 30, 2018. The increase in product revenue was mainly due to an increase in revenue to the distributor in Peru.

3 months period ended June 30, 2019, compared to 3 months period ended June 30, 2018

Revenues

For the 3 month period ended 30 June, 2019, total revenues amounted to $3,118 compared to $4,674 for the 3 months period ended June 30, 2018. The revenues from service projects for the period ended 30 June, 2019, amounted to $1,637 compared to $3,185 for the period ended June 30, 2018.

The revenues from sales of products for the period ended 30 June, 2019, amounted to $1,481 compared to $1,489 for the period ended June 30, 2018 and remained flat.

6 months period ended June 30, 2019, compared to 6 months period ended June 30, 2018

Cost of revenue

For the period ended June 30, 2019, cost of revenues amounted to $3,969 as compared to $5,526 for the period ended June 30, 2018. The decrease is due to the associated decrease in projects over the period.

Cost of revenues in service projects decreased to $1,639 for the period ended June 30, 2019 from $3,229 for the period ended June 30, 2018. The decrease was due to the associated decreased revenues of service projects over the period.

Cost of revenues in the product sales segment increased to $2,330 for the period ended June 30, 2019 from $2,297 for the period ended June 30, 2018. The increase was due to the associated increased revenue of products over the period.

2. DESCRIPTION OF BUSINESS (CONT'D)

3 months period ended June 30, 2019, compared to 3 months period ended June 30, 2018

Cost of revenue

For the 3 months period ended June 30, 2019, cost of revenues amounted to $2,664 as compared to $3,926 for the 3 months period ended June 30, 2018. The decrease was due to the associated decrease in projects over the period.

Cost of revenues in service projects decreased to $1,446 for the 3 months period ended June 30, 2019 from $2,624 for the 3 months period ended June 30, 2018. The decrease was due to the associated decreaced revenues of service projects over the period.

Cost of revenues in the product sales segment increased to $1,218 for the 3 months period ended June 30, 2019 from $1,302 for the 3 months period ended June 30, 2018. The increase was due to the associated increased revenue of products over the period.

6 months period ended June 30, 2019, compared to 6 months period ended June 30, 2018

Gross Profit

For the period ended June 30, 2019, gross profit amounted to $639 compared to $1,202 for the period ended June 30, 2018.

Gross profit in service projects decreased to $229 for the period ended June 30, 2019 from $869 for the period ended June 30, 2018. The decrease was due to the associated decrease in revenue of service projects over the period.

Gross profit in the product sales segment increased to $410 for the period ended June 30, 2019 from $333 for the period ended June 30, 2018.
The increase was due to the associated increased revenue of products over the period.

3 months period ended June 30, 2019, compared to 3 months period ended June 30, 2018

Gross Profit

For the 3 months period ended June 30, 2019, gross profit amounted to $454 compared to $748 for the 3 months period ended June 30, 2018.

Gross profit in service projects decreased to $191 for the 3 months period ended June 30, 2019 from $561 for the 3 months period ended June 30, 2018. The decrease was due to the associated decrease in revenue of service projects over the period.

Gross profit in the product sales segment increased to $263 for the 3 months period ended June 30, 2019 from $187 for the 3 months period ended June 30, 2018. The increase was due to the associated increased revenue of products over the period.

2. DESCRIPTION OF BUSINESS (CONT'D)

6 months period ended June 30, 2019, compared to 6 months period ended June 30, 2018

Selling, general and administrative expenses

For the period ended June 30, 2019, selling, general and administrative expenses amounted to $749 as compared to $556 for the period ended June 30, 2018. The increase in selling, general and administrative expenses in 2019 was as a result of increase in wages during 2019. The Company hired additional staff to support the selling efforts worldwide an the entry into the Cannabis irrigation business. The Company had incurred additional expenses in connection of the financings and the "going public" process.

3 months period ended June 30, 2019, compared to 3 months period ended June 30, 2018

Selling, general and administrative expenses

For the 3 months period ended June 30, 2019, selling, general and administrative expenses amounted to $501 compared to $322 for the 3 months period ended June 30, 2018. The increase in selling, general and administrative expenses in 2019 was as a result of increase in wages during 2019.

Listing expenses

The Company allocated the incremental costs that were directly attributable to issuing new shares to equity (net of any income tax benefit) and the costs that were related to the stock market listing or are otherwise not incremental and directly attributable to issuing new shares, were recorded as an expense in the statement of comprehensive income. Costs that were related to both share issuance and listing were allocated between those shares based on the number of shares.

6 months period ended June 30, 2019, compared to 6 months period ended June 30, 2018

Finance income and expenses

For the period ended June 30, 2019, finance expenses amounted to $85 as compared to $19 for the period ended June 30, 2018.

For the period ended June 30, 2019, finance income amounted to $89 compared to $46 for the period ended June 30, 2018.

The increace in finance expenses and income was as result of exchange rate differences between the date of payments by the customers to the date of payment to the suppliers and increase in intrest for loans.

3 months period ended June 30, 2019, compared to 3 months period ended June 30, 2018

Finance income and expenses

For the 3 months period ended June 30, 2019, finance expenses amounted to $54 as compared to 3 for the 3 months period ended June 30, 2018.

For the 3 months period ended June 30, 2019, finance income amounted to $89 as compared to $44for the 3 months period ended June 30, 2018.

2. DESCRIPTION OF BUSINESS (CONT'D)

The increase in finance expenses and income was as result of exchange rate differences between the date of payments by the customers to the date of payment to the suppliers and increase in intrest for loans.

Acquisition of certain assets of Heartnut Grove Inc. by Heartnut Grove WWT Inc. :

Water Ways Technologies established HGWWT to acquire certain assets of Hearnut including its customer base, inventory, certain equipment and goodwill for total consideration (the "**Purchase Price**") of $381,730 (CAD$500,000) payable as follows:
$363,095 (CAD$475,000) was paid in cash and
$19,087 (CAD$25,000) was payable by issuance of 178,571 Common Shares, at a deemed value of CAD$0.14 per Common Share.
The purchase consideration was allocated between the acquired tangible assets and intangible assets, based on their fair values. Fair values were estimated with the assistance of an independent third party.

The table below summarizes the fair value of assets acquired at the purchase date:

	June 15, 2019
	(in $thousands)
Inventory	50
Fixed Assets	50
Customer List	153
Goodwill *	129
Total net assets acquired	382

* Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired. The goodwill is attributed to the expected benefits arising from the synergies of the combination of the activities of the Company and acquired company.

The contribution of Heartnut Grove WWT Inc.results for the period from June 15 to June 30, 2019 to the Company's consolidated revenues and consolidated loss were $40 and $1 thousand profit respectively.

The pro forma financial information presented below is for informational purposes only, is subject to a number of estimates, assumptions and other uncertainties, and is not indicative of the results of operations that would have been achieved if the transaction had taken place on January 1, 2019. The pro forma financial information is as follows:

	Period ended June 30, 2019
	(in $thousands)
Total revenues	6,207
Net loss attribute to the Company	1,470

3. LIQUIDITY AND CAPITAL RESOURCES

The consolidated financial statements to which this MD&A relates have been prepared on a going concern basis whereby Water Ways Technologies is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for the Company's financial statements, then adjustments of a material nature would be necessary in the carrying value of assets.

As of June 30, 2019, Water Ways Technologies had working capital of $2,243 compared with $2,447 for the year ending December 31, 2018. The working capital consisted of current assets of cash and cash equivalents, short term deposits, accounts receivables, other receivables, inventory, current liabilities of accounts payable and accrued liabilities and the short-term portion of long term loans.

Water Ways Technologies expects to generate a sufficient amount of cash and cash equivalents from operations to maintain the Company's current capacity to generate cash flow and be able to achieve modest financial targets through organic growth.In order to assist with meeting short-term financial needs to fund operations, as of June 30, 2019, Water Ways Technologies has access to the following sources of financing: credit lines and with a major Israeli bank totaling NIS 2,800,000 approximately. Water Ways Technologies has access to a supplier credit of 180 days with several key suppliers amounting to over $2,500 (two million five hundred thousands). In addition, Water Ways Technologies aims to manage potential credit risk in relation to customer receivables though use of letters of credit and trade insurance policies in an effort to reduce fluctuations in its liquidity position.

The Company's ability to generate cash and cash equivalents from operations depends largely on the state of global markets for irrigation products and services and, in particular, emerging nations, which are inherently subject to risk. Water Ways Technologies does not have any commitments for capital expenditures or knowledge of trends or expected fluctuations in capital resources that may give rise to additional capital expenditure commitments. While management is not aware of any specific factors or trends which may give rise to significant fluctuations in the Company's liquidity position it requires significant capital expenditures in order to continue operations or compromise its ability to meet its financial obligations, the Company's business is subject to a number of risks and uncertainties. See "*Risk and Uncertainties*" in this MD&A and "*Risk Factors*" in the AIF.

Water Ways Technologies is seeking to pursue a number of expansion initiatives, which include: i) opening new marketing offices in China; ii) pursuing a more aggressive schedule to complete development of the Precise Irrigation System. These initiatives required Water Ways Technologies to secure additional external capital in order to meet objectives of any or all of these initiatives. To this end, in order to secure the capital necessary to pursue these initiatives.

3. LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

Six months period ended June 30, 2019, compared to June 30, 2018

During the period ended June 30, 2019, the Company's overall position of cash and cash equivalents increased by $387.

The Company's net cash used by operating activities during the six months period ended June 30, 2019 was $1,637 compared to net negative cash provided in operating activities of $933 for the six months period ended June 30, 2018. The net cash used by operating activities in the first half of 2019 amounted of $1,464 and was attributed mainly to recognition issuance expenses.

Cash used in investing activities during the six months period ended June 30, 2019, was $427 compared to $78 for the six months period ended June 30, 2018. The cash used in the first half of 2019 was primarily as a result of the acquisition of certain assets of Heartnut Grove and establishment of Heartnut Grove WWT Inc.

Cash provided by financing activities for the six months period ended June 30, 2019, was $2,446 as compared to $903 for the six months period ended June 30, 2018. The cash provided in the first half of 2019 relates to the issuance of shares and warrants (see note 3 to the financial statements for the six moths period ended June 30, 2019) and receipt of loans in the amount of $1,065. In addition, the repayment of loans in the amount of $480.

Composition of loans (in thousands of US$):

	6 months period ended June 30, 2019	Year ended December 31, 2018
Long term loans	1,316	756
Less – current portion and short-term loans	(1,144)	(550)
Total long-term portion of loans	**172**	**206**

Long-term loans from banks are due as follows:

	6 months period ended June 30, 2019	Year ended December 31, 2018
First year (current portion)	1,144	550
Second year	102	102
Third year	64	99
Fourth year and thereafter	6	5
Total long-term loans	**1,316**	**756**

3. LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

Details of the long-term loans:

1. On December 23, 2014, Irri-Al-Tal secured two loans: a) loan in the amount of $66, which bears the basic interest rate quoted by the Bank of Israel ("**Prime**") plus 2.25% interest per annum. b) loan in the amount of $24, which bears an interest rate equal to Prime plus 3.85% interest per annum. The loans are being repaid in 60 monthly installments ending on December 23, 2019. The remaining balance owing is $10.
2. On May 29, 2016, Irri-Al-Tal secured a loan in the amount of $130, which bears an interest rate equal to Prime plus 3.5% interest per annum. The loan is being repaid in 72 monthly installments ending on May 29, 2022. The remaining balance owing is $87.
3. On August 15, 2016, Irri-Al-Tal secured a loan in the amount of $18, which bears an interest rate equal to Prime plus 2.5% interest per annum. The loan is being repaid in 60 monthly installments ending on July 15, 2021. The remaining balance owing is $8.
4. On November 4, 2016, Irri-Al-Tal secured a loan in the amount of $29, which bears an interest rate equal to Prime plus 2.1% interest per annum. The loan is being repaid in 60 monthly installments ending on November 3, 2021. The remaining balance owing is $15.5.
5. On October 13, 2016, Irri-Al-Tal secured a loan in the amount of $157, which bears an interest rate equal to Prime plus 4.3% interest per annum. The loan is being repaid in 60 monthly installments ending on October 13, 2021. The remaining balance owing is $83.
6. On June 12, 2017, Irri-Al-Tal secured a loan in the amount of $127, which bears an interest rate equal to Prime plus 4.2% interest per annum. The loan is being repaid in 60 monthly installments ending on June 13, 2022. The remaining balance owing is $79.
7. On July 10, 2017, Irri-Al-Tal secured a loan in the amount of $18, which bears an interest rate equal to Prime plus 4.3% interest per annum. The loan is being repaid in 36 monthly installments ending on July 10, 2020. The remaining balance owing is $7.
8. On March 6, 2019, Irri-Al-Tal secured a loan in the amount of $175, which bears an interest rate equal to Prime plus 6.6% interest per annum. The loan is being repaid in one installment on July 8, 2019. The remaining balance owing is $175.5
9. On May 16, 2019, Irri-Al-Tal secured a loan in the amount of $756, which bears an interest rate equal to Prime plus 6.24% interest per annum. The loan is being repaid in one installment on May 16, 2020. The remaining balance owing is $756.

4. OFF BALANCE SHEET ARRANGEMENTS

Water Ways Technologies has not entered into any off-balance sheet arrangements.

5. TRANSACTIONS BETWEEN RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Company has transactions with key management personnel.

Transactions with related parties, if any, are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

Related Party	Nature	For the Six months ended June 30, 2019	For the Six months ended June 30, 2018
		(US$ in thousands)	
Branson Corporate Services Ltd. *	Bookkeeping Services Fees	9	4
Fogler, Rubinoff LLP **	Legal Fees	90	(3)
FMI Capital Advisory Inc. *	Consulting Fees	42	-
Director	Consulting Fees	30	5

Payable related party :

Related Party	Nature	As of June 30, 2019	As of June 30, 2018
		(US$ in thousands)	
Branson Corporate Services *	Bookkeeping Services Fees	-	24
Fogler Rubinoff LLP **	Legal Fees	-	28
FMI Capital Advisory Inc. *	Accrued Consulting fees	12	11
Director	Various Expenses	10	10

* A company in which a director has a non-controlling indirect interest

** A law firm in which a director of the Company is a Partner

On the June 25, 2019 the Company granted incentive options ("**Options**"), issuable pursuant to the Company's stock option plan, to all directors.

Each director received 200,000 options which vest in 8 equal amounts over a two year period. All of the Options have an exercise price of CAD$0.25.

There was no remuneration paid to directors and key management personnel during the periods ended June 30, 2019 and 2018.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES

The Company's financial instruments consist of cash and cash equivalents, short term deposits, accounts receivables, other receivables, inventory, trade payables and other accounts payable. Unless otherwise noted, it is management's opinion that Water Ways Technologies is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Management understands that Water Ways Technologies is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates as its operations are located in Israel, and the Company's functional and presentation currency is the USD. Water Ways Technologies does not use derivative instruments to reduce its exposure to foreign currency risk.

Water Ways Technologies is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objectives of the Board of Directors are to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

The type of risk exposure and the way in which such exposure is managed is as follows:

a) Credit risk

Water Ways Technologies has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.The Company's sales are guaranteed either by irrevocable letters of credit or a foreign trade risk insurance policy covering the majority of the Company's sales. For each project that Water Ways Technologies undertakes, the practice is to secure an irrevocable letter of credit confirmed by a reputable bank with respect to the major customer accounts. In the case of each of the two customers which represent approximately 39% of the revenues, Water Ways Technologies secured such letters of credit, to assure payment.

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. As of June 30, 2019, Water Ways Technologies had working capital of $2,243 thousand compared with $2,447 thousand for the year ending December 31, 2018. As a result, management believes that the Company's exposure to liquidity risk is not material.

c) Market Risk

i) Interest rate risk

Water Ways Technologies has cash and short-term investments. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. Water Ways Technologies periodically monitors the investments it makes and is satisfied with the competitive interest rates it has through its banking relationships.

ii) Foreign currency risk

Water Ways Technologies is exposed to foreign exchange risk as its research operations are conducted primarily in Israel, however the

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK EXPOSURES (CONT'D)

majority of income is in US Dollars, the risk exposure is only to related expenses in New Israel Shekels.

d) Fair Values

The carrying values of short term deposits, trade accounts receivable other receivables, inventory, trade accounts payable and other accounts payables approximate their fair values due to their short terms to maturity.

The cash, short term investments and investments are valued using quoted market prices in active markets.

7. COMMITMENTS

Liens

(i) Three of the Company's motor vehicles are pledged as security to local banks and financial institutions who granted the loans for the purchase of the motor vehicles. The total amount of the loans secured by the Company's motor vehicles is $34. The pledges are in place until the loans have been repaid.

(ii) The Company's subsidiary, Irri-Al-Tal, recorded a floating charge over all of Irri-Al-Tal's assets in favor of an Israeli bank.

(iii) The Company's subsidiary, Irri-Al-Tal, recorded a first charge the assets of the Company in the amount of $280 to an Israeli bank until the total repayment of loans which have a balance of $162 as of June 30, 2019.

8. OTHER INFORMATION

The following details the outstanding ordinary shares, warrants, compensation warrants, and stock options:

Water Ways Technologies - Balance at the date hereof:

Security	Number Outstanding	Exercise Price in CAD	Expiry Date
Ordinary shares	89,410,650		
Warrants exercisable	636,240	0.175	16/04/2020
Warrants exercisable	163,760	0.175	29/05/2020
Warrants exercisable	3,991,344	0.25	16/04/2020
Warrants exercisable	1,008,656	0.25	29/05/2020
Warrants exercisable	1,301,800	0.25	06/03/2021
Warrants exercisable	6,219,141	0.4	06/03/2021
Options	3,973,527	0.25	*
	106,705,118		

***** The Company granted a total of 3,973,527 stock options ("Participant Options") to directors, employees and consultants pursuant to the terms of the Company's stock option plan. Of this amount 1,000,000 were granted to directors vesting in eight equal amounts at the end of every quarter over the next two years. 2,750,000 of the Participant Options were granted to employees, and shall vest in equal installments over the next three years, with one third having vested on June 19, 2019, a third to vest on June 19, 2020 and the remaining amount on June 19, 2021. The remaining 223,527 of the Participant Options, were awarded to a consultant and vested on June 19, 2019. All Participant Options shall have an exercise price of CAD$0.25.

Fair value was estimated with the assistance of an independent third party. According to the valuation, the total amount for Share based compensation for the period of the vested option is $50 thousands. As of June 30, 2019 a total of $26 thousands was recognized.

9. RISKS AND UNCERTAINTIES

The Company's business faces numerous financial and market risks, including those described below, as well as general economic and business risks. A summary of the risks facing Water Ways Technologies can be found in under the heading "*Risk Factors*" in the AIF.

Managements Responsibility for Financial Statements

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

1) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

2) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional Information

Additional information relating to the Company, the Company's quarterly and annual consolidated financial statements, annual information form, and other disclosure documents, are available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.