

Condensed Interim Consolidated Financial Statements of

FORWARD WATER TECHNOLOGIES CORP.

For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

Notice of No Auditors' Review of Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed consolidated interim financial statements of Forward Water Technologies Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Condensed Interim Consolidated Statements of Financial Position

As at December 31, 2025 and March 31, 2025

(Unaudited)

	December 31, 2025	March 31, 2025
Assets		
Current assets:		
Cash	\$ 656,342	\$ 673,249
Short-term investment certificate	11,203	11,203
Amounts receivable (note 5)	19,323	38,181
Prepaid expenses	16,762	48,782
	703,630	771,415
Property and equipment (note 6)	1,350,770	1,577,896
Intangible assets (note 4, 7)	985,715	1,114,286
Goodwill (note 4)	280,968	280,968
	\$ 3,321,083	\$ 3,744,565
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payables and accrued liabilities (note 8)	\$ 272,284	\$ 274,907
Deferred revenue	79,631	-
Current portion of bank loan payable (note 11)	7,489	6,672
Deferred capital contributions (note 9)	5,188	8,356
Debenture payable (note 13)	50,000	50,000
Current portion of license liability (note 16)	114,967	110,442
	529,559	450,377
Bank loan payable (note 11)	23,072	31,901
Loan payable (note 10)	250,726	242,109
Convertible debentures (note 13(c))	789,891	-
License liability (note 16)	130,492	266,046
	1,723,740	990,433
Shareholders' Equity:		
Share capital (note 12)	3,725,812	3,712,635
Warrants (note 12)	678,168	629,426
Equity portion of convertible debentures (note 13(c))	95,635	-
Contributed surplus	328,127	281,209
Accumulated deficit	(3,230,399)	(1,869,138)
	1,597,343	2,754,132
	\$ 3,321,083	\$ 3,744,565

Nature of operations and going concern (note 1)

Basis of presentation (note 2)

Reverse takeover transaction (note 4)

Commitments (note 15)

Subsequent events (note 18)

See accompanying notes to condensed interim consolidated financial statements.

On behalf of the Board:

/s/ "Phil Benson" Director

/s/ "Don Bent" Director

FORWARD WATER TECHNOLOGIES CORP.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended December 31, 2025 and 2024

(Unaudited)

	For the three months ended December 31,		For the nine months ended December 31,	
	2025	2024	2025	2024
Revenue	\$ 54,356	\$ 56,881	\$ 59,048	\$ 56,881
Expenses:				
General and administrative (note 14)	229,002	579,893	745,824	771,509
Selling and marketing	10,323	21,166	10,335	21,166
Research and development (note 14)	211,150	130,842	609,494	130,842
Listing expenses	-	-	-	22,775
Foreign exchange loss (income)	(15,196)	30,287	(19,888)	30,287
	435,279	762,188	1,345,765	976,579
Net loss before the undernoted	(380,923)	(705,307)	(1,286,717)	(919,698)
Other expense (income):				
Amortization of deferred capital contributions (note 9)	(1,056)	(1,056)	(3,168)	(1,056)
Finance income	(203)	(295)	(220)	(31,189)
Finance costs	51,712	18,501	77,932	9,108
	50,453	17,150	74,544	(23,137)
Net loss and comprehensive loss	\$ (431,376)	\$ (722,457)	\$ (1,361,261)	\$ (896,561)
Loss and comprehensive loss per share				
Basic and diluted	(0.009)	(0.015)	(0.027)	(0.018)
Weighted average number of shares outstanding				
Basic and diluted	49,924,939	49,174,592	49,833,836	49,174,592

See accompanying notes to condensed interim consolidated financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

	# of shares	Share Capital	Contributed surplus	Warrants	Equity portion of convertible debentures	Accumulated deficit	Total
Balance, March 31, 2024	19,542,448	\$ 1,488,456	\$ 187,747	\$ -	\$ -	\$ (188,161)	\$ 1,488,042
Fair value of deemed issuance of equity interests in reverse takeover transaction (note 4)	14,538,685	1,147,102	8,213	196,562	-	-	1,351,877
Shares and warrants issued on conversion of subscription receipts (notes 4, 12)	15,093,459	1,191,589	-	508,411	-	-	1,700,000
Issuance costs	-	(120,984)	-	(51,621)	-	-	(172,605)
Issuance of finder warrants in connection with subscription receipts (note 12)	586,829	(56,077)	80,003	(23,926)	-	-	-
Net loss and other comprehensive loss	-	-	-	-	-	(896,561)	(896,561)
Balance, December 31, 2024	49,761,421	\$ 3,650,086	\$ 275,963	\$ 629,426	\$ -	\$ (1,084,722)	\$ 3,470,753
Balance, March 31, 2025	49,761,421	3,712,635	281,209	629,426	-	(1,869,138)	2,754,132
Shares issued for debt settlement (note 10)	249,194	13,177	-	-	-	-	13,177
Issuance of convertible debentures (note 13(c))	-	-	46,918	48,742	95,635	-	191,295
Net loss and other comprehensive loss	-	-	-	-	-	(1,361,261)	(1,361,261)
Balance, December 31, 2025	50,010,615	\$ 3,725,812	\$ 328,127	\$ 678,168	\$ 95,635	\$ (3,230,399)	\$ 1,597,343

See accompanying notes to condensed interim consolidated financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Condensed Interim Consolidated Statement of Cash Flows
For the nine months ended December 31, 2025 and 2024
(Unaudited)

	For the nine months ended December 31,	
	2025	2024
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (1,361,261)	\$ (896,561)
Items not involving cash:		
Depreciation and amortization	381,825	-
Amortization of deferred capital contributions (note 9)	(3,168)	(1,056)
Share-based compensation	-	5,246
Foreign exchange loss	(13,854)	22,672
Finance costs (notes 10,11,16)	38,736	12,989
Changes in non-cash operating working capital:		
Amounts receivable	18,858	27,352
Prepaid expenses	32,020	(51,321)
Accounts payable and accrued liabilities	(123,014)	(789,061)
Deferred revenue	79,631	-
Net cash used in operating activities	(950,228)	(1,669,740)
Financing activities:		
Proceeds from convertible debentures (note 13(c))	969,500	-
Repayment of bank loan payable (note 10)	(7,605)	(11,925)
Proceeds from issuance of subscription receipts (note 12)	-	1,700,000
Issuance costs (note 12)	-	(172,605)
Interest paid	(2,446)	-
Net cash provided by financing activities	959,449	1,515,470
Investing activities:		
Purchase of property and equipment (note 6)	(26,127)	(193,236)
Cash obtained from reverse takeover transaction (note 4)	-	3,299
Net cash used in investing activities	(26,127)	(189,937)
Change in cash	(16,907)	(344,207)
Cash, beginning of period	673,249	1,505,223
Cash, end of period	\$ 656,342	\$ 1,161,016

See accompanying notes to condensed interim consolidated financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

1. Nature of operations and going concern:

Forward Water Technologies Corp. (the "Company" or "FWTC") was incorporated under the *Business Corporations Act* (Ontario) ("OBCA") on December 1, 2016. FWTC is dedicated to saving the earth's water supply by using its patented Forward Osmosis technology. FWTC's shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "FWTC". FWTC's corporate office is 1086 Modeland Road, Sarnia, Ontario, Canada.

Fraser Mackenzie Accelerator Corp. ("FMAC") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the OBCA on February 9, 2022. The Company was classified as a Capital Pool Company ("CPC") as defined in Policy 2.4 of the Exchange. The principal business of the Company was to identify and evaluate assets or businesses with a view to potentially acquire them or an interest therein by completing a purchase transaction, by exercising of an option or by any concomitant transaction. The purpose of such an acquisition is to satisfy the related conditions of a qualifying transaction under the Exchange rules.

On September 30, 2024, FMAC completed a qualifying transaction (the "Transaction") with FWTC. Pursuant to the Transaction, a wholly owned subsidiary of FWTC amalgamated with FMAC and all of the issued and outstanding common shares of FMAC ("FMAC Shares") were exchanged for post-Consolidation common shares of FWTC ("FWTC Shares") at an exchange ratio of 0.95 of an FWTC Share for each FMAC Share (the "Exchange Ratio"). In addition, each outstanding option and warrant to purchase an FMAC Share was adjusted to entitle the holders thereof to purchase FWTC Shares based on the Exchange Ratio. The issuer resulting from the Transaction carries on the business of FWTC. FMAC shares ceased being listed on the Exchange following the completion of the Transaction. See Note 4 for further information.

The Transaction constituted a reverse acquisition in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") (collectively "IFRS Accounting Standards") as the shareholders of FMAC took control of FWTC. As FMAC was deemed to be the acquirer for accounting purposes, the resulting statements of financial position are presented as a continuance of FMAC's operations at their historical carrying values, and the comparative figures presented are those of FMAC.

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

For the nine months ended December 31, 2025, the Company had a loss and comprehensive loss of \$1,361,261 (2024 - \$896,561) and an accumulated deficit of \$3,230,399.

Due to the facts mentioned above, there is material uncertainty that may cast doubt on the Company's ability to continue as a going concern.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

1. Nature of operations and going concern (continued):

The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon continued debt or equity financing, and on its ability to achieve and maintain profitable operations in the future. However, there can be no assurance that the steps management is taking will be successful.

These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these unaudited condensed interim consolidated financial statements, then adjustments would be necessary to the carrying amount of assets, the reported revenue and expenses, and balance sheet classifications used. These adjustments could have a material impact on the unaudited condensed interim consolidated financial statements.

2. Basis of preparation:

(a) Statement of compliance:

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, ("IAS 34"), *Interim Financial Reporting* using accounting policies consistent with IFRS Accounting Standards. Certain information and disclosures normally included in the annual financial statement prepared in accordance with IFRS have been condensed or omitted. Accordingly, these interim financial statements should be read in conjunction with the Company's audited financial statements for the fifteen-month period ended March 31, 2025.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors of the Company on February 27, 2026.

(b) Basis of measurement:

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments presented at fair value.

(c) Functional and presentation currency:

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

2. Basis of preparation (continued):

(d) Use of estimates and judgments:

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

Significant judgments and estimates made by management were the same as those applied in the most recent audited financial statements for the fifteen-month period ended March 31, 2025.

(e) Principles of consolidation:

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiary: Forward Water Technologies Inc. ("FWTI") and Forward Water Merger Corp (formerly Fraser Mackenzie Accelerator Corp).

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or have rights to, variable returns from the Company's involvement with the entity and have the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit or loss of subsidiaries acquired during the year are recognized from the date of acquisition or effective date of disposal as applicable. All intercompany transactions and balances have been eliminated.

3. Material accounting policies:

These unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

4. Reverse takeover transaction:

On September 30, 2024, FWTC completed a reverse takeover transaction with FMAC (the "Transaction"), pursuant to which FWTC acquired all of the issued and outstanding securities of FMAC in exchange for securities of FWTC by way of an amalgamation between FMAC and 1000925180 Ontario Limited (a wholly owned subsidiary of FWTC incorporated for the sole purpose to facilitate the Transaction). Upon completion of the amalgamation, the amalgamated corporation became a wholly owned subsidiary of FWTC.

Prior to the amalgamation, FWTC completed a consolidation on the basis of one post-consolidation FWTC Share for every ten pre-consolidation FWTC Shares (the "Consolidation"). Pursuant to the Transaction, all issued and outstanding FMAC Shares were exchanged for post-Consolidation FWTC Shares at an exchange ratio of 0.95 of an FWTC Share for each FMAC Share (the "Exchange Ratio").

A total of 19,542,448 post-Consolidation FWTC Shares were issued based on the 20,571,000 FMAC Shares that were issued and outstanding. Each outstanding option and warrant to purchase an FMAC Share was exchanged for comparable FWTC options or FWTC warrants based on the Exchange Ratio with each such FWTC option or FWTC warrant entitling the holder to purchase FWTC Shares at the applicable exercise prices, with the appropriate adjustments for the Exchange Ratio.

Immediately following the closing of the Transaction, there were 31,336,558 FWTC Shares outstanding (excluding shares issued in connection with the concurrent financing or conversion of debt of FWTC), of which 19,542,448 were held by the former shareholders of FMAC (representing approximately 62.36% of the outstanding FWTC Shares) and 11,794,110 were held by the shareholders of FWTC. As the former shareholders of FMAC control FWTC following the Transaction, the Transaction was accounted for as a reverse acquisition where FMAC is deemed to be the acquirer for accounting purposes. As a result, the consolidated financial statements for the fifteen months ended March 31, 2025, represent the continuance of FMAC and reflect the identifiable assets acquired and liabilities assumed of FWTC at fair value on September 30, 2024. The results of operations of FWTC beginning on October 1, 2024, were included in the consolidated statements of loss.

FWTC is deemed to be the acquiree for accounting purposes and it had substantive processes capable of generating outputs on the date of acquisition. Therefore, the Transaction constitutes a business combination for accounting purposes and is accounted for using the acquisition method under IFRS 3.

If the Transaction had occurred on January 1, 2024, management estimates that the consolidated revenue and net loss would have been \$227,633 and \$3,209,809 respectively for the fifteen-month period ended March 31, 2025.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

4. Reverse takeover transaction (continued):

The fair value of the equity consideration paid as part of the Transaction as well as the fair value of identifiable assets acquired, and liabilities assumed are presented below.

Purchase consideration		
Fair value of deemed issuance of shares	\$	1,147,102
Fair value of deemed issuance of warrants		196,562
Fair value of deemed issuance of options		8,213
Fair value of consideration	\$	1,351,877
Assets acquired (liabilities assumed)		
Cash	\$	3,299
Short-term investment certificate		11,203
Amounts receivable		116,589
Prepaid expenses		18,724
Property and equipment		1,456,825
Intangible assets (developed technology)		1,200,000
Goodwill		280,968
Accounts payable and accrued liabilities		(1,001,836)
Bank indebtedness and bank loan payable		(51,828)
Deferred capital contributions		(9,412)
Debenture payable		(100,000)
License liability		(335,454)
Loan payable		(237,201)
Fair value of net assets acquired	\$	1,351,877

The fair value of the deemed issuance of shares was determined based on 14,538,685 FWTC shares outstanding which included 11,794,110 shares held by former shareholders of FWTC and 2,744,575 shares issued concurrently with the Transaction to settle certain FWTC debts. The fair value per FWTC share was estimated to be \$0.0789 based on the Black-Scholes Model used to measure the concurrent financing of subscription receipts that was completed concurrently with the completion of the Transaction.

As at September 30, 2024, FWTC had 924,000 warrants outstanding exercisable at \$0.75 expiring on October 20, 2026, 1,776,199 warrants outstanding exercisable at \$0.1579 expiring on September 30, 2027, 344,828 warrants outstanding exercisable at \$0.20 expiring on September 30, 2027, and 142,096 agents' compensation options ("Broker Warrant") outstanding exercisable at \$0.1126 expiring on August 19, 2026. Each Broker Warrant is exercisable into a unit of the Company which is comprised of one share and one-half of a share purchase warrant exercisable at a price of \$0.1579 expiring on August 19, 2027. The aggregate fair value of the aforementioned warrants of \$196,562 was determined using the Black-Scholes Model using the following assumptions:

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

4. Reverse takeover transaction (continued):

Share price	\$0.0789	Risk free interest rate	2.94 to 3.44%
Unit price	\$0.1126	Volatility	185.68 to 194.61%
Expected life	2 to 3 years		
Dividend yield	0.00%		

As at September 30, 2024, FWTC had 62,250 options outstanding exercisable at \$1.75 expiring on November 9, 2026, 62,000 options outstanding exercisable at \$0.85 expiring on January 9, 2028 and 40,120 options outstanding exercisable at \$1.05 expiring on January 19, 2028. The aggregate fair value of the aforementioned options of \$8,213 was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	2.11-3.30 years	Volatility	185.68%
Dividend yield	0.00%		

The goodwill recognized in connection with the Transaction is primarily attributable to other intangible assets that do not qualify for separate recognition including assembled workforce. Goodwill is not deductible for income tax purposes. The assets acquired and liabilities assumed recognized in the purchase price allocation generate deferred tax liabilities of \$335,000 related to the intangible assets and loan payable. The deferred tax liabilities have been offset with deferred tax assets which related primarily to non-capital losses carried forward. Deferred tax assets, in excess of deferred tax liabilities, have not been recognized as its uncertain whether FWTC will generate taxable income in the future.

The fair value of amounts receivable amounts to \$116,589, which is approximately the same as the gross amount. None of the amounts receivable have been impaired, and it is expected that the full contractual amounts can be collected. Included in amounts receivable are trade receivables, HST receivables and SR&ED receivables.

Transaction costs in the amount of \$579,090 were incurred in connection with the reverse acquisition and were expensed as incurred. Included in the transaction costs is a \$250,000 loan provided by FMAC (the "FMAC Loan") to FWTC in various tranches prior to completion of the Transaction. The FMAC Loan was non-interest bearing and only repayable if the Transaction was not completed. Upon completion of the transaction, the FMAC loan was no longer repayable and was expensed as transaction costs on the consolidated statement of loss and comprehensive loss.

5. Amounts receivable:

	December 31, 2025		March 31, 2025	
Amounts receivable	\$	-	\$	13,290
HST receivable		19,323		24,891
	\$	19,323	\$	38,181

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

6. Property and equipment:

	Equipment	Construction in progress	Mobile Equipment	Total
Cost				
December 31, 2023	\$ -	\$ -	\$ -	\$ -
Reverse takeover transaction (note 4)	9,411	1,447,414		1,456,825
Additions	-	194,292	11,189	205,481
Reallocation to mobile equipment		(1,641,706)	1,641,706	-
March 31, 2025	9,411	-	1,652,895	1,662,306
Accumulated depreciation				
December 31, 2023	-	-	-	-
Depreciation	2,112	-	82,298	84,410
March 31, 2025	2,112	-	82,298	84,410
Net book value				
March 31, 2025	\$ 7,299	\$ -	\$ 1,570,597	\$ 1,577,896
December 31, 2025	\$ 4,131	\$ 11,776	\$ 1,334,862	\$ 1,350,770

As at December 31, 2025, there were no indicators of impairment.

7. Intangible assets:

During the fifteen-month period ended March 31, 2025, the Company acquired developed technology intangible assets as part of the reverse takeover transaction (note 4) with a fair value of \$1,200,000. The intangible assets have an estimated useful life of 7 years.

During the period ended December 31, 2025, the Company recognized amortization of \$128,571 for the intangible assets. As at December 31, 2025, the intangible assets have a net book value of \$985,715 (March 31, 2025 - \$1,114,286).

8. Accounts payables and accrued liabilities:

	December 31, 2025	March 31, 2025
Trade payables	\$ 78,347	\$ 70,907
Accrued liabilities	193,937	204,000
	\$ 272,284	\$ 274,907

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

9. Deferred capital contributions:

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

The balance of deferred capital contributions consists of the following:

Cost	
December 31, 2023	\$ -
Reverse takeover transaction (note 4)	9,412
Amortization into income	(1,056)
March 31, 2025	8,356
Amortization into income	(3,168)
December 31, 2025	\$ 5,188

10. Related party transactions:**a) Loans payable:**

FWTI issued a \$300,000 loan payable to the original shareholder of FWTI payable upon FWTI obtaining one million (\$1,000,000) in gross revenue, with repayments calculated as 5% of gross margin and payable within 30-days of receipt of related revenue. The loan matured on April 27, 2023 and was amended with a maturity date of April 30, 2024. The loan payable was subsequently amended with a maturity date of April 30, 2029. As of September 30, 2024, the fair value of the loan payable was determined to be \$237,201 using discount rate of 12.45%, as part of the liabilities assumed in the reverse takeover transaction (note 4). In addition, the loan has interest thereon at 6% per annum, payable semi-annually on October 31 and April 30 in each year until April 30, 2029.

During the period ended December 31, 2025, the Company issued 249,194 shares to settle interest payable of \$18,000. The fair value of the shares issued was \$13,177 and the Company recognized a gain of \$4,823.

During the period ended December 31, 2025, \$8,619 (2024 - \$2,446) of accretion expense related to the loan payable was recognized and included in finance costs in the consolidated statements of loss and comprehensive loss.

As at December 31, 2025, the carrying value of the loan payable is \$250,726 (March 31, 2025 - \$242,109) and the amount of accrued interest outstanding on the loan payable is \$4,537 (March 31, 2025 - \$2,412) included in accounts payable and accrued liabilities.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

10. Related party transactions (continued):

(b) Key management personnel:

Key management personnel are individuals responsible for planning, directing and controlling the activities of the Company and include all directors and officers.

	For the three months ended December 31,		For the nine months ended December 31,	
	2025	2024	2025	2024
Salaries and benefits	\$ 47,250	\$ 47,250	\$ 141,750	\$ 47,250
Share-based compensation	-	5,246	-	5,246
	\$ 47,250	\$ 52,496	\$ 141,750	\$ 52,496

During the three and nine months ended December 31, 2025, the Company incurred consulting fees of \$23,415 (2024 - \$43,298) and \$86,540 (2024 - \$nil), to WD Numeric Corporate Services, for the services of Mike Willetts to act as Chief Financial Officer of the Company.

11. Bank loan payable:

During the fifteen-month period ended March 31, 2025, the Company entered into a bank loan for \$40,000. The bank loan is unsecured and bears interest at the bank's prime rate plus 2.54% per annum and is repayable monthly in blended principal and interest payments of \$845, maturing July 2029.

As at December 31, 2025, the amounts owed under the bank loan is \$30,561 (March 31, 2025, \$38,573), of which \$7,489 (March 31, 2025 - \$6,672) is presented as the current portion of the bank loan payable on the statement of financial position and \$23,072 (March 31, 2025 - \$31,901) is presented as the non-current portion of the bank loan payable.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

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

Authorized: The Company is authorized to issue an unlimited number of common shares with no par value.

	Note	# Shares	Amount
Balance, December 31, 2023		19,542,448	\$ 1,488,456
Fair value of deemed issuance of equity interests in reverse takeover transaction (note 4)	4 & 12(a)(ii)(iii)(iv)(v)	14,538,685	1,147,102
Shares and warrants issued on conversion of subscription receipts	12(a)(i)	15,093,459	1,191,589
Share issuance costs	12(a)(i)	-	(177,061)
Shares issued for debt settlement	10(a) and 13(c)	586,829	62,549
Balance, March 31, 2025		49,761,421	3,712,635
Shares issued for debt settlement	10(a)	249,194	13,177
Balance, December 31, 2025		50,010,615	\$ 3,725,812

- i. In conjunction with the reverse takeover transaction (note 4), FMAC issued 15,887,850 subscription receipts for gross proceeds of \$1,700,000 ("Subscription Receipts") at a price of \$0.107 per Subscription Receipt (the "Issue Price"). Immediately prior to the closing of the Transaction and for no additional consideration, each Subscription Receipt automatically converted into one unit (the "FMAC Units") with each FMAC Unit consisting of one FMAC Share (which was exchanged for 0.95 of a FWTC Share on closing of the Transaction) and one-half of one FMAC Share purchase warrant, (each whole such warrant a "Concurrent Financing Warrant") which resulted in the issuance of 15,093,459 shares and 7,546,729 warrants of FWTC. Following completion of the Transaction, each Concurrent Financing Warrant entitled the holder to purchase FWTC Shares based on the Exchange Ratio at a purchase price of \$0.1579 per share.

The allocation of the FMAC Units between share capital and warrants was done based on the relative fair value of each of the components after applying the Exchange Ratio (note 4). The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	3.0 years	Volatility	185.68%
Dividend yield	0.00%		

The relative fair value of the shares was determined to be \$1,191,589 and the relative fair value of the warrant was determined to be \$508,411. As part of the issuance of the Subscription Receipts, FMAC incurred issuance costs of \$252,608 which were allocated as \$177,061 to shares and \$75,547 to warrants based on the relative fair values. The issuance costs are comprised of the following:

At the closing of the Transaction, FMAC paid to certain finders (each, a "Finder") aggregate fees comprised of: (a) a cash fee of \$93,326 and (b) 828,593 compensation warrants (the "Finder Warrants"). Each Finder Warrant entitles the holder to subscribe for one unit (a "Finder Unit") at a price \$0.1126 per Finder Unit (the "Exercise Price"). Each Finder Unit will be comprised of one FWTC Share and one-half of one FWTC Share purchase warrant (each whole warrant being referred to herein as a "Warrant"), with each Warrant entitling the holder thereof to purchase one additional FWTC Share (a "Warrant Share") at a price of \$0.1579 per Warrant Share until September 30, 2027.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

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

The fair value of the Finder Warrants of \$80,003 was determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.0789	Risk free interest rate	2.94%
Expected life	2.0 years	Volatility	205.09%
Dividend yield	0.00%		

In connection of the private placement, FMAC incurred issuance costs of \$79,279 for professional fees and transfer agent fees.

- ii. On September 30, 2024, 14,538,685 shares were deemed to be issued which included 11,794,110 shares held by former shareholders of FWTC and 2,744,575 shares issued to settle certain FWTC debts in connection with the reverse takeover transaction (note 4). The debts settled in connection with the reverse takeover transaction are described below in note 12(a)(v)(vi)(vii). The fair value of the shares was determined based on the most reliable and observable fair value measure being the market price per share of \$0.0789 from the concurrent financing.
- iii. Concurrent with reverse takeover transaction (note 4), an aggregate of \$100,000 principal amount of debentures was converted into 689,654 units at a conversion price of \$0.145 per unit. Each unit is comprised of one FWTC Share and one-half of one FWTC Share purchase warrant with each whole warrant entitling the holder to purchase one FWTC Share at an exercise price of \$0.20 at any time prior to September 30, 2027. The shares and warrants issued as a result of this debt conversion are included as part of the purchase consideration for the reverse takeover transaction (note 4).
- iv. Concurrent with the reverse takeover transaction (note 4), an aggregate of \$200,000 of the principal amount of bridge financing debentures were converted into 1,776,199 units at a conversion price of \$0.1126 per unit. Each unit is comprised of one FWTC Share and one FWTC Share purchase warrant entitling the holder to purchase one FWTC Share at an exercise price of \$0.1579 at any time prior to September 30, 2027. The shares and warrants issued as a result of this debt conversion are included as part of the purchase consideration for the reverse takeover transaction (note 4).
- v. Concurrent with the reverse takeover transaction (note 4), the Company settled certain outstanding interest accrued on secured debentures issued to one of FWTI's original shareholders. The \$300,000 principal amount of debt (note 10), in respect of which interest and penalties in an amount of approximately \$31,384 was converted into 278,721 FWTC Shares at a conversion price of \$0.1126 per FWTC Share. The shares issued as a result of this debt settlement are included as part of the purchase consideration for the reverse takeover transaction (note 4).

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

12. Capital (continued):**(b) Warrants**

	Number of warrants	Weighted average exercise price
Warrants outstanding at December 31, 2023	1,365,245	\$ 0.1053
Warrants issued in private placement (note 12(a)(i))	7,546,729	0.1579
Finder warrants issued in private placement (note 12(a)(i))	828,593	0.1126
Deemed issuance of warrants to FWTC warrant holder (note 4)	924,000	0.7500
Warrants issued for conversion of convertible debentures (note 4)	344,828	0.2000
Finder warrants issued in bridge financing (note 12(a))	142,096	0.1126
Warrants issued for conversion of bridge financing debentures (note 12(a)(ii))	1,776,199	0.1579
Warrants outstanding at March 31, 2025	12,927,690	\$ 0.1579
Warrants issued with convertible debentures (note 13(c))	5,125,000	0.1000
Broker warrants issued with convertible debentures (note 13(c))	792,856	0.1000
Warrants outstanding at December 31, 2025	18,845,546	\$ 0.1634

See note 12(a) for warrants and finder warrants issued in connection with the concurrent financing and conversion of debt of FWTC in connection with the reverse takeover transaction (note 4).

See note 13(c) for warrants and broker warrants issued in connection with the issuance of convertible debentures during the period ended December 31, 2025.

As at December 31, 2025, the following warrants were outstanding and exercisable:

	Grant Date	Expiry Date	Number of warrants Outstanding	Exercise Price	Remaining Life (in years)
Broker warrants	February 22, 2023	February 22, 2028	1,365,245	\$ 0.1053	2.15
Warrants	October 20, 2023	October 20, 2026	924,000	0.7500	0.80
Warrants	September 30, 2024	September 30, 2027	7,546,729	0.1579	1.75
Broker warrants	September 30, 2024	September 30, 2026	828,593	0.1126	0.75
Warrants	September 30, 2024	September 30, 2027	344,828	0.2000	1.75
Broker warrants*	August 19, 2024	August 19, 2026	142,096	0.1126	0.63
Warrants	September 30, 2024	September 30, 2027	1,776,199	0.1579	1.75
Warrants	October 29, 2025	October 29, 2028	5,125,000	0.1000	2.83
Broker warrants	October 29, 2025	October 29, 2028	792,856	0.1000	2.83
			18,845,546	\$ 0.1634	2.02

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

12. Capital (continued):**(c) Stock options**

The Company has a rolling stock option plan (the “Plan”) that authorizes the Board of Directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the Plan. Under the Plan, the exercise price of each option may not be less than the market price of the shares of the Company at the date of grant. The maximum term for options granted under the Plan is ten (10) years. The following table summarizes the movements of the stock options for the periods ended March 31, 2025 and December 31, 2025:

	Number of options	Weighted average exercise price
Options outstanding at December 31, 2023	1,954,245	\$ 0.09
Deemed option issuance to FWTC (note 4)	62,250	1.75
Deemed option issuance to FWTC (note 4)	62,000	0.85
Deemed option issuance to FWTC (note 4)	40,120	1.05
Expired	(52,250)	(1.75)
Options outstanding at March 31, 2025 and December 31, 2025	2,066,365	\$ 0.14

The following table provides additional information about the outstanding stock options as at December 31, 2025.

Grant Date	Expiry Date	Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Remaining Life (in years)
September 26, 2022	September 26, 2032	475,000	475,000	\$ 0.05	6.74
September 30, 2024	February 22, 2033	1,479,245	1,479,245	0.10	7.15
January 9, 2023	January 9, 2028	62,000	62,000	0.85	2.02
January 19, 2023	January 19, 2028	40,120	40,120	1.05	2.05
November 9, 2021	November 9, 2026	10,000	10,000	1.75	0.86
		2,066,365	2,066,365	\$ 0.14	6.77

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

13. Debentures:

Convertible debentures

- (a) On March 29, 2024, FWTC entered into agreements with two corporations, related by way of common directors, to issue convertible debentures in an aggregate principal amount of \$100,000. The debentures were re-issued on May 24, 2024 as secured convertible debentures that bear interest at 20% per annum with such interest to commence on September 19, 2024 and maturing on the earlier of December 31, 2024 and the closing of the reverse takeover transaction (note 4). These convertible debentures converted into units of FWTC concurrently with the completion of the reverse takeover transaction (see note 4, 12(a)(iii)).
- (b) In connection with the reverse takeover transaction (note 4), on August 19, 2024, FWTC completed a bridge financing of \$200,000 principal amount of convertible debentures (the "Bridge Financing Debentures"). The Bridge Financing Debentures bore interest at a rate of 10% per annum and the principal amount was automatically converted into units concurrent with the reverse takeover transaction (see note 4, 12(a)(iv)). In connection with the financing, a finder fee was paid \$16,000 finders fee and was issued 142,096 agents compensation options that entitle the finder to acquire one FWTC Share and one half of one FWTC Share purchase warrant at a price of \$0.1126 at any time on or before August 19, 2026. Each underlying FWTC Share purchase warrant will entitle the holder to purchase one FWTC Share at post-Consolidation exercise price of \$0.1579 at any time on or before August 19, 2027. The shares and warrants issued as a result of this debt conversion are included as part of the purchase consideration for the reverse takeover transaction (note 4).
- (c) On October 29, 2025, FWTC issued convertible debentures units in an aggregate principal amount of \$1,025,000. Each unit consist of \$1,000 of convertible debentures and 5,000 common share purchase warrants. Each warrant entitles the holder to purchase a common share of the Company until October 29, 2028. The exercise price of the warrants is \$0.07 per common share if exercised on or before October 29, 2026 and \$0.10 thereafter until expiry. The convertible debentures mature on October 29, 2028 and bear interest at 14% per annum, payable annually on the last business day of each year. The holders have the option to convert the principal owing into common shares of the Company at a conversion price of \$0.07 per share on or before October 29, 2026 and \$0.10 per share thereafter until maturity or repayment.

The Company used the residual value method to allocate the proceeds between the liability and the equity components. Under this method, the fair value of the debenture liability of \$864,596 was computed as the present value of future principal and interest payments discounted at a rate of 22% per annum. The residual value of the \$160,404 was proportionally allocated between the warrants issued and the option to convert the debentures income common shares at their exercise prices and expected lives. Transaction costs totaling \$102,418 were then allocated proportionally to each component with the debenture liability being allocated \$86,390, \$5,411 allocated to the warrants and \$10,617 allocated to the conversion feature. Included in the transaction costs were finders' fees of \$55,000 and 792,856 broker warrants with a fair value of \$46,918. These broker warrants have the same terms as the above noted warrants.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

13. Debentures (continued):

The fair values of the warrants, conversion feature and broker warrants were determined using the Black-Scholes Model using the following assumptions:

Share price	\$0.065	Risk free interest rate	2.43%
Expected life	1-3 years	Volatility	195.96%
Dividend yield	0.00%		

At December 31, 2025, the carrying value of the liability portion is \$789,891 and interest accrued of \$25,113 is included in accounts payables and accrued liabilities. The Company recognized \$11,686 of accretion expense (2024 - \$nil) related the liability component of the convertible debentures.

Non-convertible debentures

An additional \$100,000 of non-convertible debentures were issued on May 29, 2024 with a maturity date of December 31, 2024 with an interest rate of 20% per annum. \$50,000 in principal and \$3,096 of accrued interest were converted into 471,544 shares (note 12) of the Company with a fair value of \$0.1126 per share. The remaining \$50,000 balance was renegotiated and has a maturity date of December 31, 2026 with an interest rate of 8% per annum.

14. Additional information about the nature of expenses:

	For the three months ended December 31,		For the nine months ended December 31,	
	2025	2024	2025	2024
General and administrative				
Office, administration and other	\$ 44,324	\$ 14,615	\$ 143,747	\$ 25,072
Consulting, contracts and professional fees	95,343	369,219	313,697	550,378
Salaries and benefits	89,335	190,813	288,380	190,813
Stock based compensation	-	5,246	-	5,246
	\$ 229,002	\$ 579,893	\$ 745,824	\$ 771,509
	For the three months ended December 31,		For the nine months ended December 31,	
	2025	2024	2025	2024
Research and development				
Rent expense	\$ 17,803	\$ 17,284	\$ 52,965	\$ 17,284
Depreciation and amortization	127,275	1,056	381,826	1,056
Consulting fees	16,492	84,001	107,499	84,001
Shipping	1,345	-	10,045	-
Supplies	48,235	28,501	57,159	28,501
	\$ 211,150	\$ 130,842	\$ 609,494	\$ 130,842

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

15. Commitments:

The Company incurs monthly lease payments of \$5,934 for its premises which expires on June 20, 2026.

Additional commitments are disclosed in note 16.

16. License liability:

		License liability
Balance at December 31, 2023	\$	-
Reverse takeover transaction (note 4)		335,454
Accretion		22,607
Foreign exchange adjustment		18,427
Balance at March 31, 2025	\$	376,488
Repayment		(141,360)
Accretion		24,186
Foreign exchange adjustment		(13,855)
Balance at December 31, 2025	\$	245,459

On April 20, 2023, FWTC entered into a patent license agreement with Fujifilm Corporation with initial fee of USD 500,000. The agreement grants a right to use the patents without conferring control over them, meaning no changes, alterations, or derivative rights can be claimed without Fujifilm's consent. USD 100,000 of the initial fee was paid on April 20, 2023 upon signing the agreement, and further payment of USD100,000 shall be made every 12 months thereafter until April 20, 2027.

The fair value of the license liability as September 30, 2024, the date of the reverse takeover transaction (note 4), was determined to be USD 245,093 (\$335,454) using a discount rate of 12.45%.

During the period ended December 31, 2025, \$24,186 (2024 – \$22,607) of accretion expense related to the license liability was recognized and included in finance costs in the consolidated statements of loss and comprehensive loss.

As of December 31, 2025, the carrying value of the license liability is USD 179,233 (\$245,459) (March 31, 2025 – USD - \$261,968 (\$376,488)).

17. Financial risks and concentration of risk:**(a) Currency risk:**

The Company could be exposed to financial risks in the future as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company may purchase property and equipment and services denominated in U.S. dollars and carry currency risk related to cash and license denominated in U.S. dollars. The Company does not currently enter into forward contracts to mitigate this risk.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

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

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

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

At December 31, 2025	Carrying amount	Total contractual cash flows	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years
Accounts payables and accrued liabilities	\$ 272,283	\$ 272,283	\$ 272,283	\$ -	\$ -
Bank loan payable	30,561	30,561	10,139	10,139	10,283
Debenture payable	50,000	50,000	-	50,000	-
Convertible debenture payable	579,732	1,025,000	-	-	1,025,000
Loan payable	250,726	300,000	-	-	300,000
License liability	245,459	272,134	90,711	90,711	90,712
	\$ 1,428,761	\$ 1,949,978	\$ 373,133	\$ 150,850	\$ 1,425,995

At March 31, 2025	Carrying amount	Total contractual cash flows	Repayable within 1 year or on demand	Repayable more than 1 year but less than 2 years	Repayable more than 2 years but less than 5 years
Accounts payables and accrued liabilities	\$ 274,907	\$ 274,907	\$ 274,907	\$ -	\$ -
Bank loan payable	38,573	38,573	10,139	10,139	18,295
Debenture payable	50,000	50,000	50,000	-	-
Loan payable	242,109	300,000	-	-	300,000
License liability	376,488	431,730	143,910	143,910	143,910
	\$ 982,077	\$ 1,095,210	\$ 478,956	\$ 154,049	\$ 462,205

The Company may need to conduct asset sales, issue equity or incur additional debt to repay financial obligations as they become due until operations generate sufficient positive cash flows to pay financial liabilities. The Company believes it has access to sufficient funds to meet foreseeable obligations by working capital and debt repayment requirements.

(c) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations, resulting in a financial loss. The maximum exposure to credit risk is the Company's cash and amounts receivable balance. Substantially all the Company's cash is deposited with financial institutions in Canada that are of high-credit quality to minimize credit risk exposure. The Company is exposed to credit risk with respect to amounts receivable. The Company performs ongoing credit evaluations of its customers and maintains provisions for potential credit losses. As at December 31, 2025, no amounts receivable was considered past due.

FORWARD WATER TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended December 31, 2025 and 2024
(Unaudited)

17. Financial risks and concentration of risk (continued):**(c) Interest rate risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. At December 31, 2025, and March 31, 2025, the Company is exposed to cash flow interest rate risk as its bank loan bears interest at the bank's variable prime rate plus 2.54% per annum.

(d) Capital risk management

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

	December 31, 2025	March 31, 2025
Shareholders' equity	\$ 1,676,974	\$ 2,754,132
Bank loan payable	30,561	38,573
Loan payable	250,726	242,109
Convertible debentures	789,891	-
Debenture payable	50,000	50,000
	<u>\$ 2,798,152</u>	<u>\$ 3,084,814</u>

17. Subsequent events:

There are no subsequent events after the period ended December 31, 2025.