



Water Ways

technologies

WATER WAYS TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS **FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021**

(UNAUDITED)

WATER WAYS TECHNOLOGIES INC.

**WATER WAYS TECHNOLOGIES INC.
(FORMERLY KNOWN AS SAGITTARIUS CAPITAL CORPORATION)**

TABLE OF CONTENTS

	<u>Page</u>
Notice to Shareholders	2
Unaudited Condensed Interim Statements of Financial Position	3
Unaudited Condensed Interim Statements of Comprehensive Income	4
Unaudited Condensed Interim Statements of Changes in shareholders' equity	5
Unaudited Condensed Interim Statements of Cash Flows	6-7
Notes to Unaudited Condensed Interim Financial Statements	8-17

WATER WAYS TECHNOLOGIES INC.

NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of WATER WAYS TECHNOLOGIES INC. for the three months ended March 31, 2021 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 2). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

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

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

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

	Note	March 31, 2021	December 31, 2020
		Unaudited	Audited
CURRENT ASSETS:			
Cash and cash equivalents		695	319
Restricted Cash		83	205
Trade accounts receivable, net		3,946	3,376
Other accounts receivable		684	544
Inventory		2,601	1,040
Total current assets		8,009	5,484
NON-CURRENT ASSETS:			
Deferred tax asset		25	63
Other accounts receivable		123	127
Intangible assets, net		1,096	1,101
Goodwill		916	916
Property, plant and equipment, net		222	243
Total non-current assets		2,382	2,450
TOTAL ASSETS		10,391	7,934
CURRENT LIABILITIES:			
Short term loans and current portion of long-term loans		1,162	1,430
Lease liabilities		19	18
Trade accounts payable		4,676	3,682
Deferred revenues		278	-
Other accounts payable		735	342
Total current liabilities		6,870	5,472
NON-CURRENT LIABILITIES:			
Long-term loans		528	265
Contingent liability		365	365
Share issuance liability		1,050	1,050
Lease liabilities		40	45
Tax liability		188	188
Derivative - warrants		-	52
Total non-current liabilities		2,171	1,965
SHAREHOLDERS' EQUITY:			
Share capital	4	*	*
Additional paid in capital		3,666	2,946
Reserves		7	48
Retained earnings (deficit)		(2,293)	(2,451)
Water Ways Technologies Inc shareholders' equity		1,380	543
Non-controlling interest		(30)	(46)
Total shareholders' equity		1,350	497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,391	7,934

* Represent an amount lower than 1 thousand.

The accompanying notes are an integral part of the financial statements

May 27, 2021

Date of approval

Ohad Haber

CEO & Executive Director

Guy Nathanson

CFO

WATER WAYS TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands of US Dollars, except for the number of shares)

	<u>Note</u>	For the three months period ended March 31	
		2021	2020
		Unaudited	Unaudited
Revenues:	6		
Services		2,540	838
Products		1,763	1,546
Total revenues		4,303	2,384
Cost of revenues:			
Services		1,946	667
Products		1,385	1,269
Total cost of revenues		3,331	1,936
Gross profit		972	448
Sales and marketing expenses**		198	133
General and administrative expenses**		384	310
Operating profit		390	5
Finance expenses		190	53
Finance Income		10	85
Profit before taxes on income		210	37
Tax on income (recovery)		36	(*)
Profit for the period		174	37
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Foreign currency translation differences		(41)	(63)
Total other comprehensive loss		(41)	(63)
Net comprehensive income (loss)		133	(26)
Profit for the period attributed to:			
Non-controlling interests		16	-
Water Ways Technologies Inc Shareholders'		158	-
Profit (loss) for the period		174	(26)
Total Comprehensive income (loss) for the period attributed to:			
Non-controlling interests		16	-
Water Ways Technologies Inc Shareholders'		117	-
Net comprehensive income (loss)		133	(26)
Basic profit per share attributable to shareholders :		0.002	0.0004
Weighted average number of common shares outstanding:		93,807,428	89,589,222
Diluted profit per share attributable to shareholders :		0.002	0.0003
Weighted average number of common shares outstanding:		105,627,284	106,883,689

* Represent an amount lower than 1 thousand

**Reclassified from Selling, general and administrative expenses

The accompanying notes are an integral part of the financial statements

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

For the three months period ended March 31, 2021:

	Number of Shares	Share capital	Additional paid-in capital	Retained deficit	Capital reserve for share- based payment	Currency translation adjustment	Total	Non- controlling interests	Total Shareholders' equity
	(US\$ in thousands)								
Balance at January 1, 2021	90,484,263	*	2,946	(2,451)	46	2	543	(46)	497
Net income				158			158	16	174
Other comprehensive income (loss):									
Exchange differences on translating foreign operation	-	-	-	-	-	(41)	(41)	-	(41)
Total comprehensive income	-	-	-	158	-	(41)	117	16	133
Stock based compensation	-	-	-	-	*	-	*	-	*
Warrant exercise – Note 4	9,969,495	*	720	-	-	-	720	-	720
Balance at March 31, 2021	100,453,758	*	3,666	(2,293)	46	(39)	1,380	(30)	1,350

For the three months period ended March 31, 2020:

	Number of Shares	Share capital	Additional paid-in capital	Retained deficit	Capital reserve for share- based payment	Currency translation adjustment	Total	Non- controlling interests	Total Shareholders' equity
	(US\$ in thousands)								
Balance at January 1, 2020	89,589,222	*	2,905	(1,331)	32	61	1,667		
Net income					37				37
Other comprehensive income:									
Exchange differences on translating foreign operation	-	-	-	-	-	(63)	(63)		(63)
Total comprehensive income	-	-	-	37	-	(63)	1,641		
Stock based compensation	-	-	-	-	3	-			3
Balance at March 31, 2020	89,589,222	*	2,905	(1,294)	35	(2)	1,644		

*Represent an amount lower than 1 thousand

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

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

	For the three months period ended March 31, 2021	For the three months period ended March 31, 2020
	(US\$ in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the period	174	37
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	21	25
Stock based compensation	(*)	3
Accrued interest	15	19
Change in short term deposits	2	3
(increase) in trade accounts receivable, net	(427)	(518)
(increase) decrease in other accounts receivable	(279)	(283)
(increase) in inventory	(1,561)	(470)
Increase in trade accounts payable	994	1,191
Increase (decrease) in other accounts payable	393	(15)
Change in fair value of derivative- warrants	145	(1)
Increase in deferred revenues	278	27
Decrease in deferred taxes	38	2
Net cash (used in) provided by operating activities	(207)	20
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(2)	(14)
Change in short term deposits	120	-
Repayment of loans to others	(*)	(*)
Net cash provided (used in) by investing activities	118	(15)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank loans	361	(489)
Receipt of bank loans	(382)	560
Lease payments	(4)	(5)
Issuance of shares and warrants, net	472	-
Net cash provided by financing activities	447	66
Effect of foreign exchange rate changes on cash	18	(63)
Increase in cash and cash equivalents	376	8
Cash and cash equivalents at beginning of the period	319	237
Cash and cash equivalents at the end of the period	695	245

*Represent an amount lower than 1 thousand.

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

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

APPENDIX A - AMOUNT PAID DURING THE PERIOD FOR:

	For the three months period ended	
	March 31	
	2021	2020
Tax	-	-
Interest	19	19

The accompanying notes are an integral part of the financial statements

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

NOTE 1 - GENERAL:

- A. Water Ways Technologies Inc. ("**Water Ways**", "**WWT**" or the "**Company**" formerly known as Sagittarius Capital Corporation) was incorporated under the Business Corporations Act (Ontario) on April 20, 2007 and was classified as a Capital Pool Corporation as defined by TSX Venture Exchange ("**TSX-V**" or "**Exchange**") Policy 2.4. Water Ways Technologies Inc. is the parent company of Irri-Al-Tal Ltd. ("**Irri-Al-Tal**" or "**IAT**"), Heartnut Grove WWT Inc. ("**HGWWT**"), Zoryan Trade S.A. ("**Zoryan**") and Maravey Corporation S.A. ("**Maravey**"), and indirectly through Irri-Al-Tal of H.D.P Irrigation Ltd. ("**H.D.P**") and IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd. ("**IRRI-AL TAL (Shanghai)**" or "**IAT Shanghai**"). The Company's registered address and principal place of business is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.
- B. Water Ways is an agriculture technology company that specializes in providing water irrigation solutions to agricultural producers. The Company competes in the global irrigation water systems market with a focus on developing solutions with commercial applications in the micro and precision irrigation segments of the overall market.
- C. 1. Irri-Al-Tal was incorporated on October 11, 2003 under the laws of the State of Israel.
2. On March 6, 2019, Water Ways completed its Qualifying Transaction by completing a reverse takeover.
3. On June 17, 2019, the Company announced that it had closed its previously announced acquisition of certain assets of Heartnut Grove Inc. ("**Heartnut**") and established HGWWT.
4. On October 27, 2019, Water Ways, thorough Irri-Al-Tal, established a new Israeli company, H.D.P, of which Irri Al-Tal holds a 73% interest.
5. On February 26, 2020, H.D.P established a new wholly owned subsidiary in the Republic of China, IRRI-AL TAL (Shanghai) Agriculture Technology Company Ltd.
6. On September 2, 2020, Water Ways acquired 52% interest in two companies, incorporated and existing in the Oriental Republic of Uruguay, Zoryan and Maravey.
- D. The 2019 Novel Coronavirus infection ("**Coronavirus**", "**Covid-19**" or the "**Event**") pandemic poses a major public health threat. It has hindered the movement of people and goods worldwide, and many governments are instituting restrictions on both individuals and businesses. The resulting impact on financial reporting will be significant. Significant development and spread of the coronavirus did not take place until January 2020, with the World Health Organization (WHO) announcing the coronavirus as a global health emergency on January 30, 2020, which prompted national governments around the world to begin putting actions in place to slow the spread of Covid-19. Furthermore, significant measures taken by the Chinese government and by private sector organizations did not take place until early 2020. On March 11, 2020, the WHO declared Covid-19 a global pandemic and suggested worldwide containment and mitigation measures. In response to the pandemic, the Company has adjusted its business practices with a

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

NOTE 1 – GENERAL (CONT.):

focus on the health and well-being of our employees and their families, customers, partners, service providers, and communities. Certain of the Company's offices have been subject to government-mandated lockdowns for some periods of time. However, the Company's teams have been able to perform their functions remotely without meaningful reductions in the Company's ability to service its customers.

The Company has not experienced any cancellations of existing orders or agreements but has experienced many delays in orders from vendors. As a result, customer orders were delayed as well. The Company recommenced its operations in the Republic of China. The Company's Canadian business through the subsidiary HGWWT was not affected significantly by the Corona virus.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

These consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The financials were prepared based on the same accounting policy as of the annual financials. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ending December 31, 2020. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in these condensed consolidated interim financial statements as signed on April 30, 2021.

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

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

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

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

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

Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from contracts with customers. The Company adopted IFRS 15 using the 'modified' retrospective method with the cumulative effect of initially applying IFRS 15 at the date of initial application, accordingly, under this transition method, an entity may elect to apply IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application. The Company sells its products and services directly through its sales force and independent sales agents.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies its performance obligations under the contract.

Revenue is measured as the amount of consideration that the Company is expected to receive in exchange for transferring goods or providing services to the customer. The amount of consideration is usually a fixed price at the contract inception. Taxes assessed by various government entities, such as sales taxes, use and value-added taxes, collected at the time of sale are excluded from revenue.

Revenue from sales of irrigation equipment and water systems to agricultural producers is recognized when the customer has taken control of the goods, which occurs at a point in time based on the shipping terms.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.):

Revenue from providing project services is derived from long-term fixed-price contracts with customers pursuant to which the Company provides design, installation and maintenance of turnkey irrigation systems for application in various agricultural and aquaculture operations. Revenues on these long-term fixed-price contracts are recognized using the percentage-of-completion method. In using the percentage of completion method, revenues are generally recorded on the basis of the percentage of cost incurred to date on a contract relative to the estimated total expected contract cost. Management uses past-experience, project plans and an assessment of the risks and uncertainties specific to the project in order to estimate total expected contract cost. The percentage of completion is established by the costs incurred to date as a percentage of the estimated total costs of each contract (cost-to-cost method). Contract costs include all direct material and labor costs, as control is transferred over time since the Company's performance does not create an asset with an alternative use to the Company.

The Company utilizes various forms of financial guarantees from first-tier international banks to provide payment assurance for the receivables from its customers, the Company's management believes that its credit risk is limited to projects which have not yet been completed, but for which the Company has recognized revenue. The Company provides a one-year manufacturer (back to back with the manufacturer – a third party) warranty for all the components that are part of a system. Such warranty does not provide the customer with additional services; therefore, the service cost is not recognized as a financial obligation to the Company and is not accounted as a separate performance obligation but rather as a provision.

NOTE 3 - SUBSTANTIAL EVENTS DURING THE REPORTED PERIOD

On March 11, 2021, the Company announced that prior to the expiry of its repriced Warrants (see note 4) it received instructions to exercise a total of 10,036,458 Warrants (equaling 89% of all outstanding Warrants) resulting in the issuance of an equal number of common shares and aggregate proceeds to the Company of \$475,437 (equivalent to CAD\$602,187). During the three months period ended March 31, 2021, the Company received instructions to exercise 9,969,495 Warrants resulting in the issuance of an equal number of common shares and aggregate proceeds to the Company of \$472,130 (equivalent to CAD\$598,170).

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

NOTE 4 – SHAREHOLDERS' EQUITY:

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

Water Ways Technologies - Balance at the date hereof:

<u>Security</u>	<u>Number Outstanding</u>	<u>Exercise Price in CAD\$</u>	<u>Expiry Date</u>
Ordinary shares	100,453,758		
Options	1,000,000	0.06	6/3/2024
Options	1,200,000	0.06	14/5/2025
Options	2,973,527	0.06	25/6/2024
	105,627,285		

A. Qualifying Transaction

Water Ways completed an Offering of 11,272,500 Units for gross proceeds of CAD\$2,818. Each Unit was comprised of one Common Share and one-half of one Warrant. Each Warrant was exercisable into one additional Common Share ("**Warrant Share**") at CAD\$0.40 (subsequently repriced, as above) per Warrant Share until March 6, 2021. In connection with the Offering, Sagittarius paid the following:

- (i) a cash commission of CAD\$ 225;
- (ii) a corporate finance fee of CAD\$40; and (iii) 901,800 non - transferable broker warrants (each, a "**Broker Warrant**"). Each Broker Warrant entitles the holder to one Common Share at a price of CAD\$0.50 until March 6, 2021.

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.

Each IAT Unit was issued at a price of CAD\$0.50 and was comprised of one IAT Share and one-half of one ordinary share purchase warrant ("**Concurrent Warrant**"). Each whole Concurrent Warrant entitled the holder thereof to acquire one ordinary share at a price of CAD\$0.80 per 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 1:2 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% were held by former Irri-Al-Tal shareholders (of which 1.3% of the total is attributed to the participants in the Concurrent Private Placement), 3.1% held by shareholders of Sagittarius who were shareholders prior to completion of the Offering and the Securities Exchange, and 12.6% held by purchasers of the Units under the Offering. In addition, immediately after completion of the Securities Exchange, Water Ways Technologies had 11,219,141 common share purchase warrants issued and outstanding, of which 5,636,250 were the Warrants underlying the Units issued to the participants in the Offering, and 5,582,891 were the warrants held by former Irri-Al-Tal warrant holders.

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

NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

A. Qualifying Transaction (cont.)

In addition, Water Ways Technologies had 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 Broker Warrants.

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

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

On May 14, 2020, the Company announced that:

- a) In accordance with the terms of its stock option plan (the "**SOP**") it had granted 200,000 stock options ("**Options**") to each of its directors as well as its Chief Financial Officer, for an aggregate of 1,200,000 Options. The Options have an exercise price of \$0.06 and vest in two equal installments, with one-half of the Options vesting immediately (the "**Initial Date**") and one-half vesting on the 12-month anniversary of the Initial Date. The Options expire five years from the Initial Date and are subject to such terms and conditions as may be required by the Exchange.
- b) Subject to receiving Exchange approval, it intended to reprice a total of 2,973,527 stock options (the "**May 2019 Options**"), previously issued in accordance with the terms of the SOP. The May 2019 Options previously had an exercise price of \$0.25 which were adjusted to the New Exercise Price. 473,527 of the May 2019 Options have been approved for repricing by the Exchange, on June 12, 2020, and the remaining 2,500,000 have been approved by the Exchange, on June 12, 2020, subject to receipt of the requisite disinterested shareholder approval, obtained at the annual and special meeting of shareholders of the Company held on November 16, 2020.

A summary of the status of the Company's option plan granted to employees as of March 31, 2021 and changes during the relevant period ended on that date is presented below:

	Three months period ended March 31, 2021		Year ended December 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	5,173,527	CAD\$0.06	3,973,527	CAD\$0.06
Granted	-	-	1,200,000	CAD\$0.06
Exercised	-	-	-	-
Forfeited and cancelled	-	-	-	-
Outstanding at end of the period	5,173,527	CAD\$0.06	5,173,527	CAD\$0.06
Exercisable options	3,656,860	CAD\$0.06	3,656,860	CAD\$0.06

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

NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

B. The following details the outstanding ordinary shares, warrants, compensation warrants, and stock options (cont.):

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

The options to employees outstanding as of March 31, 2021 are comprised, as follows:

<u>Exercise price</u>	<u>Outstanding as of March 31, 2020</u>	<u>Weighted average remaining contractual term (years)</u>	<u>Exercisable as of March 31, 2020</u>	<u>Weighted average remaining contractual term (years)</u>
CAD\$0.06	1,000,000	2.9	1,000,000	2.9
CAD\$0.06	2,750,000	3.21	1,833,333	3.21
CAD\$0.06	1,200,000	4.11	600,000	4.11
CAD\$0.06	223,527	3.21	223,527	3.21
	<u>5,173,527</u>		<u>3,656,860</u>	

2. Derivative liability - Warrants:

On May 14, 2020, the Company announced that subject to receiving the approval of the Exchange, it intended to amend (the "**Amendment**") the exercise price of 6,219,141 previously issued common share purchase warrants, exercisable into an equal number of common shares in the capital of the Company ("**Common Shares**") having an exercise price of \$0.40 ("**Series 1 Warrants**") and 5,000,000 previously issued common share purchase warrants, exercisable into an equal number of Common Shares, having an exercise price of \$0.25 (the "**Series 2 Warrants**" and together with the Series 1 Warrants collectively, the "**Warrants**") to an exercise price, in respect of all Warrants, of \$0.06 (the "**New Exercise Price**"). On June 1, 2020, the Company received conditional approval of the Exchange to the Amendment. On March 11, 2021, the Company announced that prior to the expiry of its repriced Warrants (see note it received instructions to exercise a total of 10,036,458 Warrants (equaling 89% of all outstanding Warrants) resulting in the issuance of an equal number of common shares and aggregate proceeds to the Company of \$475,437 (equivalent to CAD\$602,187). During the three months period ended March 31, 2021, the Company received instructions to exercise 9,969,495 Warrants resulting in the issuance of an equal number of common shares and aggregate proceeds to the Company of \$472,130 (equivalent to CAD\$598,170).

The following table reflects the continuity of warrants for the periods presented:

<u>Warrant activity</u>	<u>Exercisable on March 31, 2021</u>	<u>Weighted average exercise price</u>
Balance – Beginning of Period	12,053,977	CAD\$0.06
Issued during the period	-	-
Expired during the period (Broker Warrant)	2,084,482	CAD\$0.06
Exercised during the period	9,969,495	CAD\$0.06
Balance – End of Period	-	-

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

NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

B. The following details the outstanding ordinary shares, warrants, compensation warrants, and stock options (cont.):

2. Derivative liability – Warrants (cont.):

Warrant activity	Exercisable on December 31, 2020	Weighted average exercise price
Balance – Beginning of Period	13,320,941	CAD\$0.31
Issued during the period	-	-
Expired during the period (Broker Warrant)	1,200,000	CAD\$0.175
Exercised during the period	66,964	CAD\$0.06
Balance – End of Period	12,053,977	CAD\$0.33

The fair value measurement of the warrants in the table above, using the Black-Scholes model, is based on significant unobservable inputs and thus represent a level 3 measurement within the fair value hierarchy. The key inputs that were used in measuring the fair value of the Warrants were: risk free interest rate- 1.65%, expected volatility-35%, expected dividend yield 0% and expected term- 1.5 year. The Company considers expected volatility of the shares of comparable companies and its Common Shares in estimating its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on Canadian government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected life is based on the contractual term.

As of March 31, 2021, all outstanding Warrants has expired.

NOTE 5 – SEGMENT REPORTING:

The Company identifies Mr. Haber who is the Company's CEO and principal shareholder as its Chief Operating Decision Maker ("CODM").

As the Company's CODM, Mr. Haber receives information on a segregated basis (for review on a regularly basis) of each business unit, i.e. projects (services) and products (components) as well as information segregated for geographical areas. The financial statements present within statements of comprehensive income the revenues from each segment on a standalone basis as well as cost of sale of each segment – i.e. there are no transactions between segments. The information as presented in the consolidated financial statements is essentially the same information provided to the CODM and the same information regarding decisions about allocating resources.

The Company accounts for its segment information in accordance with IFRS 8 "Segment Reporting" which establishes annual and interim reporting standards for operating segments of a company based on the Company's internal accounting methods.

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

NOTE 5 – SEGMENT REPORTING (CONT.):

Operating segments are based upon its internal organization structure, the way the Company's operations are managed and the availability of separate financial information. The Company has two operating segments: products segment and project-services segment.

Summarized financial information by segment, based on the Company's internal financial reporting system utilized by the Company's chief operating decision makers, follows:

For the three months period ended March 31, 2021:

	HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
	Products		Project Services				
Revenues	1,204	559	2,145	133	257	5	4,303
Cost of revenues	900	485	1,690	100	152	4	3,331
Segment gross profit	304	74	455	33	105	1	972
Non-allocated expenses*							582
Finance expenses, net*							180
Profit before provision for income taxes							210

*H.D.P., Zoryan and Maravey included

Non-current assets as of March 31, 2021:

	HGWWT	IAT	IAT Shanghai	Water Ways	Company Total
Deferred tax asset	9	16	-	-	25
Other accounts receivable	-	123	-	-	123
Intangible assets	132	199	765	-	1,096
Goodwill	129	-	786	-	916
Property, plant and equipment, net (including ROU asset)	87	130	6	-	223

For the three months period ended March 31, 2020:

	HGWWT	IAT	IAT	HGWWT	Water Ways	Company Total
	Products		Project Services			
Revenues	805	740	839	-	-	2,384
Cost of revenues	635	634	667	-	-	1,936
Segment gross profit	170	106	172	-	-	448
Non-allocated expenses*						443
Finance expenses, net*						32
Profit before provision for income taxes						37

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

NOTE 5 – SEGMENT REPORTING (CONT.):

Non-current assets as of December 31, 2020:

	HGWWT	IAT	IAT Shanghai	Water Ways	Company Total
Deferred tax asset	36	27	-	-	63
Other accounts receivable	-	127	-	-	127
Intangible assets	111	199	791	-	1,101
Goodwill	129	-	786	-	916
Property, plant and equipment, net (including ROU asset)	96	141	6	-	243

NOTE 6 – REVENUES:

1. Geographic Areas Information:

The following present total revenues for the three months period ended March 31, 2021 and 2020:

	For the three months period ended March 31	
	2021	2020
Asia	2,183	432
Canada	1,342	805
South and Central America	410	419
Israel	230	184
Europe	88	68
Africa	50	449
Others	-	27
Total revenues	4,303	2,384

* Represent an amount lower than 1 thousand

2. Principal Customers:

Major customers over 10% of the Company's revenues:

	For the three months period ended March 31	
	2021	2020
Customer A	20%	21%
Customer B	19%	16%
Customer C	11%	13%