



www.water-ways-technologies.com



+972 7222 01412



+972 7222 01414



77 King Street West, Suite 3000, PO Box 95
TD Centre, Toronto, ON, CANADA M5K 1G8

Water Ways Technologies Inc.

**Management's Discussion and Analysis
For the Three and Nine Month Period Ended September 30, 2019**

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

1. INTRODUCTION

The following discussion and analysis is management's assessment of the results of operation and financial condition of Water Ways Technologies Inc., and its subsidiaries (individually and collectively (as the context requires "**Water Ways Technologies**", "**WWT**", or the "**Company**"). constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine month period ended September 30, 2019.

The following information should be read in conjunction with the Company's the audited consolidated financial statements for the year ended December 31, 2018, together with the notes thereto, as well as the unaudited consolidated financial statements for the period ended September 30, 2019 and the notes to those financial statements.

The date of this management's discussion and analysis ("**MD&A**") is November 28, 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 unless otherwise indicated. References to "CAD\$" or "CDN\$" dollars refer to Canadian dollars. References to "NIS" refer to New Israeli Shekels. All the amounts in the report refer in thousand.

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.

Water Ways Technologies Inc.

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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**" or "**IAT**"), 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 on June 3, 2019, under the laws of the Province of Ontario (See "*Significant Developments During The Period*")

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.

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 and Israel.

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

2. DESCRIPTION OF BUSINESS (CONT'D)

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.

Cannabis Industry

Canada

The Company through its newly formed subsidiary, 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 of turnkey irrigation solutions to cannabis and hemp cultivators in several European and Latin American countries . The company has signed a significant MOU with a Colombian LP to design manufacture and deliver a complete Medical Cannabis cultivation facility.

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. The company has received a second order to deliver a new system to a new Israeli medical cannabis LP.

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

2. DESCRIPTION OF BUSINESS (CONT'D)

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 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 CAD\$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 CAD\$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. 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% were held by former

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 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 \$345.

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2. DESCRIPTION OF BUSINESS (CONT'D)

3. On June 17, 2019, the Company announced that it closed the previously announced acquisition of certain assets of Hearnut Grove Inc ("**Hearnut**"), 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.

4. 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 (the "**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 ended 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 have an exercise price of CAD\$0.25.

5. 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.

6. On July 25, 2019, the Company announced that it has signed two new irrigation projects in the Federal Democratic Republic of Ethiopia. The first project consists of the installation of advanced irrigation technology assembled at a 30 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, The company is currently delayed until the customer will be able to open a letter of credit to secure the project.

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. The project was finalized during the third quarter and revenue recognized was \$135.

7. On August 22, 2019, the Company announced that it has received a purchase order, from one of South America's leading flower growers (the "**Client**"), 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

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2. DESCRIPTION OF BUSINESS (CONT'D)

over a year in field tests and once fully accepted WWT received the full order for over 30 systems. During the third quarter, the Company recognized a revenue of \$42.

8. On September 18, 2019, the Company announced that it has signed a Letter of Intent (the “**LOI**”) with its agents (the “**Agents**”) to establish a new distribution subsidiary for the huge and growing Chinese irrigation market.

According to the terms of the non-binding LOI, WWT along with the Agents will form a new Chinese subsidiary (“**Subco**”) in which WWT will indirectly hold 51% of the equity interest and the Agents will together hold a 49% equity interest. Pursuant to the terms of the LOI, the Agents will assign to the Subco: exiting clients, existing orders and knowhow and their existing skilled technical team. Following the Company announcement WWT thorough its subsidiary Irri Al-Tal, established a new company (“H.D.P Irrigation Ltd.” or “H.D.P”) in Israel which hold in interest 73%, in the intent of forming a Subco in the Chinese market.

9. On October 17, 2019, the Company announced that it signed a Memorandum of Understanding (the “**MOU**”) with a Colombian company, Emerald Bud Corp. (“**Emerald**”), to assist in the development, supply, installation, and technical support in connection with a project of approximately 43,580 square meters (approximately 10.6 Acres) of greenhouse area, for the production of medical Cannabis in the municipality of San Gil, department of Santander, Colombia (the “**Project**”). The MOU is subject to certain conditions including: Emerald obtaining the licenses and permits required for the development of the Project; Emerald obtaining the required financing to complete the Project; and Emerald and the Company entering into a definitive agreement confirming the economic terms of the Project (collectively, the “**Conditions**”). Water Ways expects the definitive agreement to be signed by the parties by the end of Q2 of 2020 resulting in a material effect on its 2020 and 2021 results.

10. On October 17, 2019, the Company announced that it received the second commercial order for its new CANNAWAYS system. The CAD\$352 order was received from an Israeli Licensed Producer who is currently building a 27,000 Square meters (approximately 290,000 Sqft) Medical Cannabis Cultivation facility near Haifa in Israel. The system is an Internet of Things (“IOT”) controlled irrigation and fertilization system for Cannabis cultivators and growers. Water Ways believes the system is one of the first in the world that was designed for the specific needs of Cannabis growers and cultivators worldwide.

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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 September 30, 2019 and 2018.

	For the three months ended September 30,		For the nine months ended September 30,	
	2019	2018	2019	2018
	Unaudited	Unaudited	Unaudited	Unaudited
Revenues:				
Services	1,367	1,622	3,235	5,720
Products	1,724	1,369	4,464	3,999
Total revenues	<u>3,091</u>	<u>2,991</u>	<u>7,699</u>	<u>9,719</u>
Cost of revenues:				
Services	1,193	1,402	2,833	4,630
Products	1,527	1,205	3,856	3,502
Total cost of revenues	<u>2,720</u>	<u>2,607</u>	<u>6,689</u>	<u>8,132</u>
Gross profit	371	384	1,010	1,587
Listing expenses	-	-	1,727	-
Selling, general and administrative expenses	634	261	1,382	817
Operating profit (loss)	<u>(263)</u>	<u>123</u>	<u>(2,099)</u>	<u>770</u>
Finance expenses	25	45	110	2
Finance Income	(26)	(17)	(115)	(1)
Share in profit (loss) of associated company	-	13	(10)	(5)
Profit (loss) before taxes on income	(262)	108	(2,104)	764
Tax on income (recovery)	(43)	24	(111)	180
Profit (loss) for the period	<u>(219)</u>	<u>84</u>	<u>(1,993)</u>	<u>584</u>
Foreign currency translation differences	(13)	-	22	-
Other comprehensive income (loss)	(13)	-	22	-
Net comprehensive income (loss)	<u>(232)</u>	<u>84</u>	<u>(1,971)</u>	<u>584</u>
Basic profit per share attributable to shareholders (*):	\$-0.002	\$0.005	\$-0.023	\$0.009
Weighted average number of common shares outstanding:	89,410,651	72,807,705	86,646,588	67,153,060

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Diluted profit per share attributable to shareholders (*):	\$-0.002	\$0.005	\$-0.023	\$0.008
Weighted average number of common shares outstanding:	89,410,651	80,372,369	86,646,588	74,816,227
* represents number of common shares after given effect of the shares split				
** Represent amount less than 0.0001				

The accompanying notes are an integral part of the condensed interim consolidated financial statements

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

	For three months period ended								
	30.09.19	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	3091	3,118	1,490	2,370	2,991	4,674	2,054	3,162	3,527
Gross profit	371	454	185	254	384	748	455	433	682
Total comprehensive income (loss)	(233)	(206)	(1,532)	(167)	84	355	145	239	256
basic profit (loss) per share attributable to shareholders (*)	(0.003)	-0.002	(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

Revenues by areas of operation

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

	For the nine months ended September 30	
	2019	2018
Africa	311	2,740
South and Central America	3,387	5,393
Asia	2,725	89
Europe	167	382
Others	1,108	1,115
	<u>7,699</u>	<u>9,719</u>

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2. DESCRIPTION OF BUSINESS (CONT'D)

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

	For the nine months ended September 30	
	2019	2018
Customer A	19%	20%
Customer B	13%	18%
Customer C	11%	11%

9 months period ended September 30, 2019, compared to 9 months period ended September 30, 2018

Revenues

For the period ended 30 September, 2019, total revenues amounted to \$7,699 compared to \$9,719 for the period ended September 30, 2018. The revenues from service projects for the period ended 30 September, 2019, amounted to \$3,235 compared to \$5,720 for the period ended September 30, 2018. The decline was mainly due to the shift of revenue recognition of a number of projects from Q3 to the next quarters.

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

The revenues from sales of products for the period ended 30 September, 2019, amounted to \$4,464 compared to \$3,999 for the period ended September 30, 2018. The increase in product revenue was mainly due to an increase in revenue to the distributor in Peru and increase of sales to other countries.

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

Revenues

For the 3 month period ended 30 September, 2019, total revenues amounted to \$3,091 compared to \$2,991 for the 3 months period ended September 30, 2018. The revenues from service projects for the period ended 30 September, 2019, amounted to \$1,367 compared to \$1,622 for the period ended September 30, 2018.

The revenues from sales of products for the period ended 30 September, 2019, amounted to \$1,724 compared to \$1,369 for the period ended September 30, 2018.

Water Ways Technologies Inc.

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For the Period Ended September 30, 2019

2. DESCRIPTION OF BUSINESS (CONT'D)

9 months period ended September 30, 2019, compared to 9 months period ended September 30, 2018

Cost of revenue

For the period ended September 30, 2019, cost of revenues amounted to \$6,689 compared to \$8,132 for the period ended September 30, 2018. The decrease is due to the associated decrease in projects over the period.

Cost of revenues in service projects decreased to \$2,833 for the period ended September 30, 2019 from \$4,630 for the period ended September 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 \$3,856 for the period ended September 30, 2019 from \$3,502 for the period ended September 30, 2018. The increase was due to the associated increased revenue of products over the period.

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

Cost of revenue

For the 3 months period ended September 30, 2019, cost of revenues amounted to \$2,720 compared to \$2,607 for the 3 months period ended September 30, 2018, and remained flat.

Cost of revenues in service projects decreased to \$1,193 for the 3 months period ended September 30, 2019 from \$1,402 for the 3 months period ended September 30, 2018. The decrease was due to the associated decreased revenues of service projects over the period.

Cost of revenues in the product sales increased to \$1,527 for the 3 months period ended September 30, 2019 from \$1,205 for the 3 months period ended September 30, 2018. The increase was due to the associated increased revenue of products over the period.

9 months period ended September 30, 2019, compared to 9 months period ended September 30, 2018

Gross Profit

For the period ended September 30, 2019, gross profit amounted to \$1,010 compared to \$1,587 for the period ended September 30, 2018.

Gross profit in service projects decreased to \$402 for the period ended September 30, 2019 from \$1,090 for the period ended September 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 \$608 for the period ended September 30, 2019 from \$497 for the period ended September 30, 2018, mainly due to sales of products in higher profitability margin in the Company's subsidiary, HGWWT.

Water Ways Technologies Inc.

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For the Period Ended September 30, 2019

2. DESCRIPTION OF BUSINESS (CONT'D)

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

Gross Profit

For the 3 months period ended September 30, 2019, gross profit amounted to \$371 compared to \$384 for the 3 months period ended September 30, 2018.

Gross profit in service projects decreased to \$174 for the 3 months period ended September 30, 2019 from \$220 for the 3 months period ended September 30, 2018. The change in the gross profit margin is due to low profit service projects .

Gross profit in the product sales segment increased to \$197 for the 3 months period ended September 30, 2019 from \$164 for the 3 months period ended September 30, 2018. The increase was due to sales of products in higher profitability margin in the Company's subsidiary.

9 months period ended September 30, 2019, compared to 9 months period ended September 30, 2018

Selling, general and administrative expenses

For the period ended September 30, 2019, selling, general and administrative expenses amounted to \$1,382 as compared to \$817 for the period ended September 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 and the entry into the Cannabis irrigation business. The Company had also incurred additional expenses in connection of the financings and the Securities Exchange.

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

Selling, general and administrative expenses

For the 3 months period ended September 30, 2019, selling, general and administrative expenses amounted to \$634 compared to \$261 for the 3 months period ended September 30, 2018. The increase in selling, general and administrative expenses in 2019 was mainly as a result of increase in wages during 2019, legal expenses, fees paid in relate stock exchange announcement, participation in cannabis trade shows.

Listing expenses

The Company allocated the incremental costs that were directly attributable to issuing new Common Shares to equity (net of any income tax benefit) and the costs that were related to the Securities Exchange 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 Common Share issuance and listing were allocated between those Common Shares based on the number of shares.

Water Ways Technologies Inc.

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2. DESCRIPTION OF BUSINESS (CONT'D)

9 months period ended September 30, 2019, compared to 9 months period ended September 30, 2018

Finance income and expenses

For the period ended September 30, 2019, finance expenses amounted to \$110 as compared to \$2 for the period ended September 30, 2018.

For the period ended September 30, 2019, finance income amounted to \$115 compared to \$1 for the period ended September 30, 2018.

The increase in finance expenses was as result of USD and NIS exchange rates differences between the date of payments by the customers to the date of payment to the suppliers and increase in interest for loans. The increase in finance income was as result of decrease in derivative warrants appraisal.

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

Finance income and expenses

For the 3 months period ended September 30, 2019, finance expenses amounted to \$25 compared to \$45 for the 3 months period ended September 30, 2018.

For the 3 months period ended September 30, 2019, finance income amounted to \$26 compared to \$17 for the 3 months period ended September 30, 2018.

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 \$382 (CAD\$500) payable as follows:

\$363 (CAD\$475) was paid in cash and

\$19 (CAD\$25) 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
	<hr/>
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

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2. **DESCRIPTION OF BUSINESS (CONT'D)**

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:

	Nine months ended September 30, 2019
	(in \$ thousands)
Total revenues	9,299
Net loss attribute to the Company	1,952

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 September 30, 2019, Water Ways Technologies had working capital of \$1,887 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 September 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 \$3,500 (three million five hundred thousands). In addition, Water Ways Technologies aims to manage potential credit risk in relation to customer receivables through 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

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For the Period Ended September 30, 2019

3. **LIQUIDITY AND CAPITAL RESOURCES (CONT'D)**

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.

Nine months period ended September 30, 2019, compared to September 30, 2018

During the period ended September 30, 2019, the Company's overall position of cash and cash equivalents increased by \$324.

The Company's net cash used in operating activities during the nine months period ended September 30, 2019 was \$1,539 compared to net negative cash provided in operating activities of \$236 for the nine months period ended September 30, 2018. The net cash used in operating activities for the period was attributed mainly to recognition of issuance expenses and amounted to \$1,727.

Cash used in investing activities during the nine months period ended September 30, 2019, was \$468 compared to \$83 for the nine months period ended September 30, 2018. The cash used in investing activities for the period was primarily as a result of the acquisition of certain assets of Heartnut Grove Inc. and establishment of Heartnut Grove WWT Inc.

Cash provided by financing activities for the nine months period ended September 30, 2019, was \$2,353 as compared to \$874 for the nine months period ended September 30, 2018. The cash provided by financing activities for the period relates to the issuance of shares and warrants (see note 3 to the financial statements for the nine months period ended September 30, 2019) and receipt of loans in the amount of \$1,512. In addition, the repayment of loans amounted to \$1,026.

Water Ways Technologies Inc.

Management Discussion and Analysis
For the Period Ended September 30, 2019

3. LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

Composition of loans (in thousands of US\$):

	9 months period ended September 30, 2019	Year ended December 31, 2018
Long term loans	1,286	757
Less – current portion and short-term loans	(1,131)	(550)
Total long-term portion of loans	155	207

Long-term loans from banks are due as follows:

	9 months period ended September 30, 2019	Year ended December 31, 2018
First year (current portion)	1,131	550
Second year	103	102
Third year	51	99
Fourth year and thereafter	2	6
Total long-term loans	1,286	757

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.

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

3. LIQUIDITY AND CAPITAL RESOURCES (CONT'D)

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 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.
9. On August 15, 2019, Irri-Al-Tal secured two loans: a) loan in the amount of \$286, which bears an interest rate equal to Prime plus 6.01% interest per annum. the loan is being repaid in 12 monthly installments ending on September 20,2020. The remaining balance is \$238.
b) loan in the amount of \$200, which bears an interest rate equal to Prime plus 6.01% interest per annum. The loan is being repaid in one installment on January 6, 2020. The remaining balance is \$200.

4. OFF BALANCE SHEET ARRANGEMENTS

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

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

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 nine months ended September 30, 2019	For the nine months ended September 30, 2018
		(US\$ in thousands)	
Branson Corporate Services Ltd. *	Bookkeeping Services Fees	15	8
Fogler, Rubinoff LLP **	Legal Fees	90	-
FMI Capital Advisory Inc. *	Consulting Fees	42	-
Director	Consulting Fees	45	22

Payable related party :

Related Party	Nature	September 30, 2019	September 30, 2018
		(US\$ in thousands)	
Branson Corporate Services *	Bookkeeping Services Fees	-	27
Fogler Rubinoff LLP **	Legal Fees	-	61
FMI Capital Advisory Inc. *	Accrued Consulting Fees	-	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 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 September 30, 2019 and 2018.

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

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 32% 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 September 30, 2019, Water Ways Technologies had working capital of \$1,887 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

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

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

- a) 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.
- b) 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.
- c) 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 \$151 as of September 30, 2019.

Water Ways Technologies Inc.

Management Discussion and Analysis
For the Period Ended September 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	3,976,502	0.25	16/04/2020
Warrants exercisable	318,120	0.25	16/04/2020
Warrants exercisable	163,760	0.175	29/05/2020
Warrants exercisable	1,023,498	0.25	29/05/2020
Warrants exercisable	81,880	0.25	29/05/2020
Warrants exercisable	901,800	0.25	06/03/2021
Warrants exercisable	6,219,141	0.4	06/03/2021
Options	3,973,527	0.25	*
	<u>106,705,118</u>		

Options and shares granted to employees and service providers:

A summary of the status of the Company's option plan granted to employees as of September 30, 2019

and changes during the relevant period ended on that date is presented below:

	Period ended September 30, 2018		Year ended December 31, 2018	
	Number of options	Weighted average Exercise price	Number of options	Weighted average Exercise price
Outstanding at beginning of year	-	-	-	-
Granted	3,973,527	CAD\$0.25	-	-
Exercised	-	-	-	-
Forfeited and cancelled	-	-	-	-
Outstanding at end of the period	3,973,527	CAD\$0.25	-	-
	<u>1,390,193</u>	<u>CAD\$0.25</u>		
Exercisable options			-	-

Water Ways Technologies Inc.

Management Discussion and Analysis
For the Period Ended September 30, 2019

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

The options to employees outstanding as of September 30, 2019 are comprised, as follows:

<u>Exercise price</u>	<u>Outstanding as of September 30, 2019</u>	<u>Weighted average remaining contractual term (years)</u>	<u>Exercisable as of September 30, 2019</u>	<u>Weighted average remaining contractual term (years)</u>
\$0.25	1,000,000	4.4	250,000	4.4
\$0.25	2,750,000	4.7	916,666	4.7
\$0.25	223,527	4.7	223,527	4.7
	<u>3,973,527</u>		<u>1,390,193</u>	

- * On June 19, 2019, the Company approved a share option plan (the “Plan”). Under the plan, the Company granted 3,973,527 options with a CAD\$0.25 exercise price per share to its directors, officers, employees and consultants of which the Company granted:

1,000,000 options with a CAD\$0.25 exercise price per share to its directors in eight equal amounts at the end of every quarter, commencing with the quarter ended March 31, 2019. The options will expire 5 years from issuance. The Company has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 1.39%, expected volatility: 35%, expected term: 5 years, expected dividend yield: 0%, p.a.

2,750,000 options with a CAD\$0.25 exercise price per share to its employees in 3 equal portions, commencing June 19, 2019. The options will expire 5 years from issuance. The Company has applied a Black-Scholes option-pricing model to determine the fair value of options. Under the following inputs: Risk free rate: 1.39%, expected volatility: 35%, expected term: 5 years, expected dividend yield: 0%, p.a.

223,527 options with a CAD\$0.25 exercise price per share to a consultant commencing June 19, 2019. The options will expire 5 years from issuance. The Company has applied a Black-Scholes option-pricing model to determine the fair value of options. The fair value was based on the received financial instruments and not according to the fair value of the services rendered. Under the following inputs: Risk free rate: 1.39%, expected volatility: 35%, expected term: 5 years, expected dividend yield: 0%, p.a.

Water Ways Technologies Inc.

Management Discussion and Analysis
For the Period Ended September 30, 2019

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

Derivative liability - Warrants:

Each warrant entitles the holder to purchase one common share of the Company. The following table reflects the continuity of warrants for the periods presented:

Warrant activity	Exercisable at September 30, 2018	Weighted average exercise price in CAD
Balance – Beginning of Period	-	-
Issued in the RTO Private Placement (note 4B)	5,000,000	0.31
Issued to brokers for RTO Private Placement (note 4B)	1,200,000	0.31
Balance – End of Period	6,200,000	0.31

Warrant activity	Exercisable at September 30, 2019	Weighted average exercise price in CAD
Balance – Beginning of Period	6,200,000	0.31
Issued in the RTO Private Placement (note 4B)	6,219,141	0.31
Issued to brokers for RTO Private Placement (note 4B)	901,800	0.31
Balance – End of Period	13,320,941	0.31

The following table summarizes information about warrants outstanding as at September 30, 2019 and September 30, 2018:

Date of issuance	Date of expiry	Weighted average exercise price	Exercisable at September 30, 2019
April 16, 2018	March 06, 2021	CAD\$0.31	4,930,862
May 29, 2018	March 06, 2021	CAD\$0.31	1,269,138
March 06, 2019	March 06, 2021	CAD\$0.31	7,120,941
			13,320,941

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

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 convertible loan 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.

	<u>Warrants</u>
Warrants as of January1 ,2019	(69)
Receipts of Warrants	(39)
Change in fair value	104
Convertible loan as of Sep 30, 2019	(4)

	<u>Warrants</u>
Warrants as of January1 ,2018	-
Receipts of Warrants	(48)
Change in fair value	6
Convertible loan as of Sep 30, 2018	(42)

Water Ways Technologies Inc.

Management Discussion and Analysis

For the Period Ended September 30, 2019

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.