



WATER WAYS TECHNOLOGIES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER
30, 2021
(UNAUDITED)

WATER WAYS TECHNOLOGIES INC.

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WATER WAYS TECHNOLOGIES INC.

NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of WATER WAYS TECHNOLOGIES INC. for the nine months ended September 30, 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)


	<u>Note</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
		<u>Unaudited</u>	<u>Audited</u>
CURRENT ASSETS:			
Cash and cash equivalents		3,405	319
Restricted Cash		66	205
Trade accounts receivable, net		4,741	3,376
Other accounts receivable		666	544
Inventory		1,823	1,040
Total current assets		10,701	5,484
NON-CURRENT ASSETS:			
Deferred tax asset		23	63
Other accounts receivable		121	127
Intangible assets, net		1,004	1,101
Goodwill		916	916
Property, plant and equipment, net		265	243
Total non-current assets		2,329	2,450
TOTAL ASSETS		13,030	7,934
CURRENT LIABILITIES:			
Short term loans and current portion of long-term loans		879	1,430
Lease liabilities		18	18
Trade accounts payable		3,966	3,682
Deferred revenues		472	-
Other accounts payable		1,285	342
Total current liabilities		6,620	5,472
NON-CURRENT LIABILITIES:			
Long-term loans		496	265
Contingent liability		365	365
Share issuance liability		1,050	1,050
Lease liabilities		17	45
Tax liability		194	188
Derivative - warrants	4	2,396	52
Total non-current liabilities		4,518	1,965
SHAREHOLDERS' EQUITY:	4		
Share capital		*	*
Additional paid in capital		6,121	2,946
Reserves		261	48
Retained earnings (deficit)		(4,489)	(2,451)
Water Ways Technologies Inc shareholders' equity		1,893	543
Non-controlling interest		(1)	(46)
Total shareholders' equity		1,892	497
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,030	7,934

* Represent an amount lower than 1 thousand.

The accompanying notes are an integral part of the financial statements

November 29 2021

Date of approval


Ohad Haber
CEO & Executive Director


Dor Sneh
CFO

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

	Note	For the three months period ended September 30		For the nine months period ended September 30	
		2021	2020	2021	2020
		Unaudited	Unaudited	Unaudited	Unaudited
Revenues:	6				
Services		1,275	238	6,405	1,651
Products		1,613	1,688	6,194	5,386
Total revenues		2,888	1,926	12,599	7,037
Cost of revenues:					
Services		1,016	171	5,076	1,321
Products		1,429	1,503	5,172	4,591
Total cost of revenues		2,445	1,674	10,248	5,912
Gross profit		443	252	2,351	1,125
Sales and marketing expenses*		252	168	629	468
General and administrative expenses*	7	1,105	394	2,083	1,091
Operating loss		(914)	(310)	(361)	(434)
Finance expenses	8	1,251	39	1,643	130
Finance income		(25)	(1)	(60)	(78)
Loss before taxes on income		(2,140)	(348)	(1,944)	(486)
Tax on income (recovery)		(14)	(53)	49	(91)
Loss for the period		(2,126)	(295)	(1,993)	(395)
Other comprehensive income (expense):					
Item that will not be reclassified to profit or loss:					
Foreign currency translation differences		90	-	27	(63)
Total other comprehensive income (loss)		90	-	27	(63)
Net comprehensive loss		(2,036)	(295)	(1,966)	(458)
Loss for the period attributed to:					
Non-controlling interests		(26)	(4)	45	**
Water Ways Technologies Inc Shareholders'		(2,100)	(291)	(2,038)	(4395)
Loss for the period		(2,126)	(295)	(1,993)	(395)
Total Comprehensive income (loss) for the period attributed to:					
Non-controlling interests		(26)	(4)	45	**
Water Ways Technologies Inc Shareholders'		(2,010)	(291)	(2,011)	(458)
Net comprehensive loss		(2,036)	(295)	(1,966)	(458)
Basic loss per share attributable to shareholders :		(0.0158)	(0.003)	(0.018)	(0.004)
Weighted average number of common shares outstanding:		134,827,879	89,589,222	110,146,725	89,589,222
Diluted loss per share attributable to shareholders :		(0.0158)	(0.003)	(0.018)	(0.004)
Weighted average number of common shares outstanding:		134,827,879	89,589,222	110,146,725	89,589,222

*Reclassified from Selling, general and administrative expenses to Sales and marketing expenses

**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 CHANGES IN SHAREHOLDERS' EQUITY
(US Dollar in thousands)

For the nine months period ended September 30, 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	-	-	-	(2,038)	-	-	(2,038)	45	(1,993)
Other comprehensive income (loss):									
Exchange differences on translating foreign operation	-	-	-	-	-	27	27	-	27
Total comprehensive income	-	-	-	(2,038)	-	27	(2,011)	45	(1,966)
Stock based compensation	3,040,000	*	-	-	186	-	186	-	186
Private placement – Note 4	37,039,516	*	2,455	-	-	-	2,455	-	2,455
Warrant exercise – Note 4	9,969,495	*	720	-	-	-	720	-	720
Balance at September 30, 2021	140,533,274	*	6,121	(4,489)	232	29	1,893	(1)	1,892

For the nine months period ended September 30, 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	-	1,667
Net loss				(395)	-	-	(395)	-	(395)
Other comprehensive income (loss):									
Net comprehensive income							-	-	-
Exchange differences on translating foreign operation	-	-	-	-	-	(63)	(63)	-	(63)
Total comprehensive income	-	-	-	(395)	-	(63)	(458)	-	(458)
Stock based compensation	-	-	-	-	19	-	19	-	19
Balance at September 30, 2020	89,589,222	*	2,905	(1,726)	51	(2)	1,228	-	1,228

*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 nine months period ended September 30, 2021	For the nine months period ended September 30, 2020
	(US\$ in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the period	(1,993)	(395)
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation and amortization	192	30
Stock based compensation	510	19
Accrued interest	32	58
Change in short term deposits	1	(1)
Increase in trade accounts receivable, net	(1,365)	(59)
(Increase) decrease in other accounts receivable	(116)	279
(Increase) in inventory	(783)	(282)
Increase in trade accounts payable	284	301
Increase in other accounts payable	942	41
Change in fair value of derivative- warrants	145	-
Change in fair value of derivative- PP warrants	1,291	-
Increase in deferred revenues	472	159
Decrease (increase) in deferred taxes	46	(85)
Net cash used in operating activities	(342)	65
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(121)	(29)
Change in short term deposits	138	-
Net cash provided (used in) by investing activities	17	(29)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of bank loans	(807)	(1,350)
Receipt of bank loans	454	1,209
Lease payments	(27)	(14)
Issuance of shares and warrants, net	472	-
Private placement proceeds, net	3,234	-
Net cash provided by financing activities	3,326	(155)
Effect of foreign exchange rate changes on cash	85	(63)
Increase in cash and cash equivalents	3,086	(182)
Cash and cash equivalents at beginning of the period	319	237
Cash and cash equivalents at the end of the period	3,405	55

*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 nine months period ended September 30	
	2021	2020
Tax	-	-
Interest	32	58

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 2905, Toronto, Ontario, M5K 1H1.
- 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).
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. While attitudes are now more positive as a result of vaccination developments, experience of a "fourth wave" varies significantly around the world and may change rapidly as we have seen in the past. The Company continues to take all appropriate precautions both in its operations and in its planning.

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%

NOTE 3 - SUBSTANTIAL EVENTS DURING THE REPORTED PERIOD

1. On March 11, 2021, prior to the expiry of its repriced Warrants (see note 4C2b) the Company 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 (equivalent to CAD\$602). 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 (equivalent to CAD\$598).
2. On June 30, 2021, the Company announced a private placement of up to 33,333,333 units at a price of CAD\$0.12 per unit, for gross proceeds of up to \$3,200 (equivalent to CAD\$4,000) (see note 4B).
3. On July 27, 2021, the Company announced that it has, in connection with its previously announced private placement, closed an additional \$975 (equivalent to CAD\$1,200) (see note 4B).
4. On August 8, 2021, the Company oversubscribed private placement escrow closings, fulfilled all escrow conditions for both tranches, resulting in the release from escrow to the Company, of an aggregate amount of \$3,614 (equivalent to CAD\$4,445) (see note 4B).
5. On August 29, 2021, The Company granted 1,560,000 stock options ("**Participant Options**") to directors and employees pursuant to the terms of the Company's stock option plan. Of this amount, 700,000 Participant Options were granted to directors and shall vest immediately. The remaining 860,000 Participant Options were granted to employees and shall also vest immediately. All Participant Options shall have an exercise price of CAD\$0.195 and shall expire 5 years after their grant. In Addition, on August 6, 2021, the Company granted 3,040,000 Restricted

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

NOTE 3 - SUBSTANTIAL EVENTS DURING THE REPORTED PERIOD (CONT.):

Share Units ("**Participant RSU**") to directors and employees pursuant to the terms of the Company's RSU plan. Of this amount, 1,950,000 Participant RSUs were granted to directors. The remaining 1,090,000 Participant RSUs were granted to employees.

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</u> <u>Outstanding</u>	<u>Exercise Price in</u> <u>CAD\$</u>	<u>Expiry Date</u>
Ordinary shares	137,493,274	-	
Options for directors	800,000	0.25	6/3/2024
Options for employees	2,973,527	0.06	25/6/2024
Options for directors and employees	1,000,000	0.06	14/5/2025
PP Warrant	27,016,666	0.18	30/6/2024
PP Warrant	10,022,850	0.18	3/8/2024
Finder Warrant	2,161,333	0.12	30/6/2024
Finder Warrant	1,227,468	0.12	3/8/2024
Participant Options	1,560,000	0.195	29/8/2026
Participant RSU	3,040,000	-	
Total securities	187,295,118		

A. Qualifying Transaction

On 2019, 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; and
- (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\$0.5 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

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.)

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. 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. Private Placement

1. On June 30, 2021, the Company announced the escrow closing of the first tranche (the "**First Tranche**") of a private placement (the "**Offering**") of up to 33,333,333 units (the "**PP Units**") at a price of CAD\$0.12 per PP Unit, for gross proceeds of up to \$3,200 (equivalent to CAD\$4,000) (the "**Gross Proceeds**"). The First Tranche escrow closing resulted in the issuance of 27,016,666 PP Units. Each PP Unit is composed of one common share of the Company and one common share purchase warrant (the "**PP Warrant**").
2. On July 27, 2021, the Company announced the escrow closing of the second tranche (the "**Second Tranche**") of the Offering at a price of CAD\$0.12 per PP Unit. The Second Tranche escrow closing resulted in the issuance of 10,022,850 PP Units. Each PP Unit is composed of one common share of the Company and one PP Warrant.

On August 8, 2021, the Company announced that it had received oversubscriptions for the Offering, fulfilled all escrow conditions for both tranches, resulting in the release from escrow to the Company, of an aggregate amount of \$3,500 (equivalent to CAD\$4,445) (the "**Aggregate Gross Proceeds**"). Pursuant to the Offering, the Company issued an aggregate of 37,039,516 PP Units at a price of CAD\$0.12 per Unit. Each PP Unit is composed of one common share of the Company and one PP Warrant. Each whole PP Warrant entitles the holder thereof to acquire one additional common share of the Company (each a "**Warrant Share**"), upon payment to the Company of CAD\$0.18 per Warrant Share until June 30, 2024 (in respect of 27,016,666 PP Warrants) and August 3, 2024 (in respect of 10,022,850 PP Warrants), however, that if, following July 1, 2022, the volume weighted average price is CAD\$0.24, the Company may, upon providing written notice to the holders of the PP Warrants,

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

NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

B. Private Placement (cont.)

accelerate the expiry date of the PP Warrants to the date that is 30 days following the date of such written notice.

3. In connection with the Offering the Company issued: (i) an aggregate cash payment of \$248 (equivalent to CAD\$310), an amount equal to 7% of the Aggregate Gross Proceeds; and (ii) issued 3,388,801 finder warrants (the "**Finder Warrants**"), an amount equal to 9% of the PP Units sold pursuant to the Offering. Each Finder Warrant will be exercisable into one Unit upon payment by the holder thereof of CAD\$0.12 per Unit, until June 30, 2024, in respect of 2,161,333 Finder Warrants, and August 3, 2024, in respect of 1,227,468 Finder Warrants.

C. 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 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 CAD\$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.

Subject to the Exchange approval on June 12 2020, the Company repriced 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 CAD\$0.25 which were adjusted to the new exercise price of CAD\$0.06. The 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 September 30, 2021, and changes during the relevant period ended on that date is presented below:

	For the nine months period ended September 30, 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	1,560,000	CAD\$0.195	1,200,000	CAD\$0.06
Exercised	-	-	-	-
Forfeited and cancelled	400,000	-	-	-
Outstanding at end of the period	6,333,527	CAD\$0.12	5,173,527	CAD\$0.06
Exercisable options	6,333,527	CAD\$0.12	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.):

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

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

The options to employees outstanding as of September 30, 2021, are comprised, as follows:

<u>Exercise price</u>	<u>Outstanding as of September 30, 2021</u>	<u>Weighted average remaining contractual term (years)</u>	<u>Exercisable as of September 30, 2021</u>	<u>Weighted average remaining contractual term (years)</u>
CAD\$0.25	800,000	2.39	800,000	2.39
CAD\$0.06	2,750,000	2.7	2,750,000	2.7
CAD\$0.06	1,000,000	3.6	1,000,000	3.6
CAD\$0.06	223,527	2.7	223,527	2.7
CAD\$0.195	1,560,000	3.6	1,560,000	3.6
	<u>6,333,527</u>		<u>6,333,527</u>	

2. Derivative liability - Warrants:

- a) 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 CAD\$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 CAD\$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 CAD\$0.06 (the "**New Exercise Price**"). On June 1, 2020, the Company received conditional approval of the Exchange to the Amendment
- b) On March 11, 2021, the Company announced that prior to the expiry of its repriced Warrants 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 (equivalent to CAD\$602). 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 (equivalent to CAD\$598).
- c) On June 30, 2021, the Company's Offering resulted in the issuance of 27,016,666 PP Warrant and 2,161,333 Finder Warrant (see note 4B).
- d) On July 27, 2021, the Company's Offering resulted in the issuance of 10,022,850 PP Warrant and 1,227,468 Finder Warrant (see note 4B).

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NOTE 4 – SHAREHOLDERS' EQUITY (CONT.):

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

Warrant activity	Exercisable on September 30, 2021	Weighted average exercise Price
Balance – Beginning of Period	12,053,977	CAD\$0.06
Issued during the period (Finder Warrant)	3,388,801	CAD\$0.12
Issued during the period	37,039,516	CAD\$0.12
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	40,428,317	

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.

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.

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NOTE 5 – SEGMENT REPORTING (CONT.):

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.

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 September 30, 2021:

	HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
	Products			Project Services			
Revenues	358	1,256	1,021	16	237	-	2,888
Cost of revenues	(330)	(1,100)	(810)	(15)	(190)	-	(2,445)
Segment gross profit	28	156	211	1	47	-	443
Non-allocated expenses							1,357
Finance expenses, net							1,226
Loss before provision for income taxes							(2,140)

For the nine months period ended September 30, 2021:

	HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
	Products			Project Services			
Revenues	2,999	3,195	4,903	376	1,117	9	12,599
Cost of revenues	(2,343)	(2,829)	(4,048)	(285)	(739)	(4)	(10,248)
Segment gross profit	656	366	855	91	378	5	2,351
Non-allocated expenses							2,712
Finance expenses, net							1,583
Loss before provision for income taxes							(1,944)

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NOTE 5 – SEGMENT REPORTING (CONT.):

For the three months period ended September 30, 2020:

	HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
	Products		Project Services				
Revenues	232	1,456	178	-	60	(0)	1,926
Cost of revenues	(192)	(1,310)	(124)	-	(43)	(5)	(1,674)
Segment gross profit	39	146	55	-	17	(5)	252
Non-allocated expenses							562
Finance expenses, net							38
Loss before provision for income taxes							(348)

For the nine months period ended September 30, 2020:

	HGWWT	IAT	IAT	HGWWT	IAT Shanghai	Water Ways	Company Total
	Products		Project Services				
Revenues	2,410	2,976	1,486	-	144	21	7,037
Cost of revenues	(1,952)	(2,638)	(1,216)	-	(91)	(15)	(5,912)
Segment gross profit	457	338	271	-	53	6	1,125
Non-allocated expenses							1,559
Finance expenses, net							52
Loss before provision for income taxes							(486)

Non-current assets as of September 30, 2021:

	HGWWT	IAT	IAT Shanghai	Water Ways	Company Total
Deferred tax asset	-	23	-	-	23
Other accounts receivable	-	121	-	-	121
Intangible assets	98	192	714	-	1,004
Goodwill	129	-	787	-	916
Property, plant and equipment, net (including ROU asset)	64	195	6	-	265

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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	-	915
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 nine months period ended September 30, 2021 and 2020:

	For the nine months period ended September 30	
	2021	2020
Asia	4,950	606
Canada	3,384	2,521
South and Central America	2,810	1,958
Israel	797	711
Africa	453	1,028
Europe	189	188
Others	16	25
Total revenues	12,599	7,037

2. Principal Customers:

Major customers of the Company's revenues:

	For the nine months period ended September 30	
	2021	2020
Customer A	23%	15%
Customer B	12%	9%
Customer C	8%	7%

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NOTE 7 – GENERAL AND ADMINISTRATIVE EXPENSES:

	For the nine months period ended September 30	
	2021	2020*
Salary and related expenses	644	493
Stock based compensation	533	19
Other	311	316
Professional services	277	105
Depreciation	171	62
Office expenses	147	96
Total	2,083	1,091

*Reclassified from Selling, general and administrative expenses to Sales and marketing expenses

NOTE 8 – FINANCIAL EXPENSE

	For the nine months period ended September 30	
	2021	2020
Revaluation of derivatives at fair value	1,421	-
Bank fees and interest	124	113
Private Placement listing expenses	86	-
Currency translation differences	12	17
Total	1,643	130

NOTE 9 - SUBSEQUENT EVENTS

- 1) On November 4, 2021, the Company received instructions to exercise a total of 500,000 PP Warrants resulting in the issuance of an equal number of common shares proceeds to the Company of \$72 (equivalent to CAD\$90).