

**Form 51-102F3**  
**MATERIAL CHANGE REPORT**

**Item 1. Name and Address of Company**

International Wastewater Systems Inc.  
1443 Spitfire Place  
Port Coquitlam, B.C. V3C 6L4

**Item 2. Date of Material Change**

August 25, 2016.

**Item 3. News Release**

News Release dated August 25, 2016 was disseminated via Marketwired on August 25, 2016.

**Item 4. Summary of Material Change**

International Wastewater Systems Inc. (the “**Company**” or “**IWS**”) announced a joint venture with RENEW Energy Partners LLC for the financing and installation of IWS’s world-leading thermal heat recovery equipment in the United States.

**Item 5. Full Description of Material Change**

**5.1 Full Description of Material Change**

The Company announced a joint venture (“**Joint Venture**”) with RENEW Energy Partners LLC (“**RENEW**”) for the financing and installation of IWS’s world-leading thermal heat recovery equipment in the United States. The Joint Venture will initially build projects in California for which RENEW is committing funding of US\$60 million over five years, for the purpose of funding capital expenditures for one thousand (1,000) PIRANHA thermal heat recovery systems (“**PIRANHA**”) to be built, installed and operated exclusively by IWS.

**Background**

RENEW is engaged in developing and funding energy and water efficiency retrofits and on-site clean energy projects through the use of innovative structures such as an Energy Services Agreement (ESA) or Power Purchase Agreement (PPA). Combining RENEW’s project finance expertise with IWS’s capabilities in the manufacturing, installation and servicing of thermal heat recovery equipment, enables the Joint Venture to offer a full suite of services for energy and water conservation projects and on-site clean energy projects. The Joint Venture aims

to expand the implementation of energy efficiency and on-site clean energy projects throughout the United States.

The Joint Venture will fund and deploy IWS's PIRANHA system, a self-contained heat pump that extracts thermal energy from wastewater for hot water production. The PIRANHA has been optimized for residential buildings with 50-200 units as well as stand-alone commercial applications, and was the recipient of the 2016 AHR Expo® Innovation Award for Green Building Innovation. The AHR Expo® is the world's largest HVACR (Heating, Ventilating, Air Conditioning and Refrigeration) convention (see news release: <http://goo.gl/ACsOZp>).

### **Joint Venture – Scope and Schedule**

The Joint Venture will finance, build, install and operate 1,000 PIRANHA systems, initially in the state of California and later extending to the rest of the U.S. RENEW will provide funding of US\$60 million to fund the deployment of the PIRANHA systems over a period of five years (“**US\$60 MILLION PROGRAM**”).

The purpose of the US\$60 MILLION PROGRAM is to provide capital to fund turnkey installation and on-going operations and maintenance of PIRANHA systems for qualified residential and commercial buildings under a standardized Thermal Energy Purchase Agreement (“**TEPA**”) developed by RENEW. Under the terms of the TEPA, customers will enter into long-term supply agreements for low-cost, efficient energy, with no capital investment.

The proposed schedule for the deployment of 1,000 PIRANHA systems in California in the next 5 years is estimated as follows:

- Approx. 50 PIRANHA Systems in the first 12 months of the US\$60 MILLION PROGRAM;
- Approx. 120 PIRANHA Systems in the second 12 months of the US\$60 MILLION PROGRAM;
- Approx. 240 PIRANHA Systems in the third 12 months of the US\$60 MILLION PROGRAM;
- Approx. 300 PIRANHA Systems per year thereafter.

IWS and RENEW will establish a special purpose vehicle (“**SPV**”) to own the individual PIRANHA projects financed by the US\$60 MILLION PROGRAM. The SPV will sign a master agreement with IWS for the exclusive design, build and commissioning of PIRANHA systems and for the operation and maintenance services throughout the life of the systems.

The SPV will be the investing and operating entity for the Joint Venture. RENEW and IWS will jointly participate in the project returns from energy sales through cash flow distributions from the SPV, with the related terms of distribution to be included in a definitive agreement between IWS and RENEW.

**5.2 Disclosure for Restructuring Transactions**

Not applicable.

**Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7. Omitted Information**

None.

**Item 8. Executive Officers**

The following senior officer of the Company is knowledgeable about the material change and this Material Change Report and may be contacted:

Yaron Conforti, Chief Financial Officer and Director  
Telephone: (416) 716-8181.

**Item 9. Date of Report**

DATED at Vancouver, British Columbia, this 30<sup>th</sup> day of August, 2016.