

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

June 29, 2017.

Item 3. News Release

News Releases dated June 29, 2017 was disseminated via Stockwatch and Market News and filed on SEDAR on June 29, 2017.

Item 4. Summary of Material Change

International Wastewater Systems Inc. has closed the final tranche of the Company's non-brokered private placement of debenture units and raised aggregate gross proceeds of \$2,343,000.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

The Company announced the closing of the final tranche of the Company's non-brokered private placement (the "**Placement**") of debenture units (the "**Debenture Units**"). In total the Company raised aggregate gross proceeds of \$2,343,000 pursuant to the Placement.

The Company issued 1,320 Debenture Units (comprised of \$1,320,000 principal amount Debentures and 3,300,000 Warrants) under the first tranche of the Placement on May 30, 2017. Under the second and final tranche of the Placement, completed June 29, 2017, the Company issued 1,023 Debenture Units (comprised of \$1,023,000 principal amount Debentures and 2,557,500 Warrants). Each Debenture Unit consists of one \$1,000 principal amount senior unsecured convertible debenture (the "**Debenture**") and 2,500 share purchase warrants (each a "**Warrant**"), each exercisable into one common share of the Company (the "**Shares**") at \$0.30 per Share until June 29, 2020. The Debentures bear interest at a rate of 12% per annum from June 29, 2017 and will mature on June 29, 2020 (the "**Maturity Date**"). The Debentures are convertible into Shares at \$0.30 per Share at the option of the holder at any time until the Maturity Date, subject to adjustment in certain events.

In connection with the closing of the final tranche of the Placement, the Company paid aggregate finder's fees of \$64,430 and issued 157,150 finder's warrants (the "**Finder's Warrants**"). Each Finder's Warrant entitles the holder to purchase one Share at a price of \$0.40 per Share for a period of 2 years.

All securities issued in connection with the final tranche of the Placement are subject to a statutory hold period expiring on October 30, 2017, in accordance with applicable securities legislation.

The Company intends to use of the net proceeds of the Placement for expenditures required in connection with five contracts awarded to the Company by the Scottish Government previously announced on May 10, 2017, as well as for the Company's partnership with Prospect Silicon Valley, which focuses on commercialization of the Company's heat exchange technologies in central California, and for general working capital.

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:

Lynn Mueller, Chairman and Chief Executive Officer
Telephone: (604)-475-7710.

Item 9. Date of Report

DATED at Vancouver, British Columbia, this 5th day of July, 2017.