INTERNATIONAL WASTEWATER SYSTEMS INC.
(FORMERLY AMANA COPPER LTD.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of International Wastewater Systems Inc. (the "Company" or "IWS") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2015. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2015 and 2014, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the year ended December 31, 2015 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at April 29, 2016 unless otherwise indicated.

The consolidated financial statements for the year ended December 31, 2015, have been prepared 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").

On October 27, 2015, the Company completed the acquisition (the "Acquisition") of IWHES pursuant to a share exchange agreement dated September 4, 2015 (the "Agreement"). The Acquisition constituted a reverse takeover ("RTO"). The resulting statement of financial position is presented as a continuance of IWHES and comparative figures presented in the consolidated financial statements after the RTO are those of IWHES.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of IWS's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at **www.sedar.com**.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to in herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause IWS's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

The Company was incorporated under the Business Corporations Act (British Columbia) on February 4, 2011. The Company's shares are listed on the Canadian Securities Exchange (the "CSE") under the trading symbol "IWS". The Company provides wastewater heat exchange products and services. The registered office of the Company is located at 1443 Spitfire Place, Port Coquitlam, British Columbia, V3C 6L4.

International Wastewater Heat Exchange Systems Inc. ("IWHES") was incorporated under the Business Corporations Act (British Columbia) on May 30, 2011. On October 27, 2015, the Company completed the acquisition (the "Acquisition") of IWHES pursuant to a share exchange agreement dated September 4, 2015 (the "Agreement"). The Acquisition constituted a reverse takeover ("RTO").

Highlights

- On October 27, 2015, the Company completed the Acquisition of IWHES.

- During the year ended December 31, 2015, the Company acquired the remaining unowned 49% of IWWS.

- During the year ended December 31, 2015, the Company acquired a 40% interest in Sharc Caledonia Limited ("Caledonia") for £4,000 ($7,817). As the Company exerts significant influence over Caledonia but does not control it, the investment is accounted for as an equity investment.

- The Company received 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. The annual AHR Expo® Innovation Awards competition honors the most inventive and original products, systems and technologies showcased at each years show in the categories of: building automation; cooling; green building; heating; indoor air quality; plumbing; refrigeration; software; tools & instruments; and ventilation. IWS was chosen by a panel of third-party judges from

ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) who evaluated all award entries based on innovative design, creativity, application value and market impact.

- The Company launched its inaugural European project, a SHARC installation at Borders College, located in the south east of Scotland and with 5,500 students. The SHARC heat recovery system at Borders College intercepts waste water from a sewer close to the local treatment works operated by Scottish Water. The system uses a heat pump to amplify the natural warmth of waste water and the heat produced is being sold to Borders College under a 20-year purchase agreement, producing savings in energy, costs and carbon emissions.

- In March 2016, the Company announced its inaugural project in Australasia, a SHARC wastewater heat recovery system to be installed at a facility operated by the Australian Wool Testing Authority in Melbourne.

Overall Performance

The consolidated statements of financial position as of December 31, 2015, indicate a cash position of $367,812 (December 31, 2014 - $255,913) and total current assets of $1,543,110 (December 31, 2014 - $659,188). Current liabilities at December 31, 2015, total $972,480 (December 31, 2014 - $2,257,762).

Working capital, which is current assets less current liabilities, is $570,630 (December 31, 2014 - deficiency of $1,598,574).

During the year ended December 31, 2015, the Company reported a net loss of $3,267,212 ($0.04 basic and diluted loss per share) on revenue of $1,838,729 and a negative gross margin of $66,553. This compared to a net loss of $1,397,581 ($0.06 basic and diluted loss per share) for the year ended December 31, 2014 on revenue of $296,973 and gross margin of $152,292.

Reverse Take-Over

On October 27, 2015, the Company completed the Acquisition of IWHES. To complete the Acquisition, the following occurred:

- The Company completed a private placement prior to the Acquisition whereby the Company issued 15,000,000 common shares at a share price of $0.14. The proceeds of the private placement were included in the cash assumed on the Acquisition. In conjunction with the private placement the Company issued 1,200,000 warrants that were re-issued at the date of the Acquisition under the same terms as the originally issued warrants.

- A shareholder of IWHES cancelled their existing 7,500,000 common shares of IWHES and settled a $2,500,000 shareholder loan in exchange for 27,500,000 common shares of IWHES effective immediately prior to the closing of the Acquisition.

- The Company exchanged common shares for the shares of IWHES at a ratio of 250,000 common shares of the Company for each IWHES share. The Company issued 45,000,000 common shares for the 180 outstanding shares of IWHES at the time of the Acquisition.

- Outstanding stock options of the Company were re-issued at the date of the Acquisition under the same terms of the originally granted options for holders that continued to be on the board of directors. For holders that did not continue with the Company, the expiry date was amended to six months from the Acquisition date. There were 375,000 stock options at the Acquisition date.

- The Company entered into a referral agreement with Canaccord Genuity Ltd. whereby the Company paid a referral fee of 1,250,000 common shares of which 500,000 common shares were issued in July 2015 prior to the closing of the RTO and the remaining 750,000 were issued on closing of the Acquisition. The fair value of the 750,000 common shares was determined to be $175,000 using the share price of the private placement multiplied by the total number of referral fee shares.

As a result of the Acquisition, IWHES controlled the Company and is considered to have acquired the Company. The Company did not meet the definition of a business and the Acquisition was accounted for as the purchase of the Company's net assets by IWHES. The net purchase price was determined as an equity settled share-based payment, under IFRS 2, Share-based payment, at the fair value of the equity instruments of the Company retained by the shareholders of the Company, based on the market value of the Company's common shares on the date of closing of the RTO.

The Acquisition costs related to the RTO plus the aggregate of the fair value of the consideration paid less the net assets acquired has been recognized as a listing expense in the statements of loss and comprehensive loss. The consolidated financial statements reflect the assets, liabilities and operations of IWHES since its incorporation and of the Company from October 27, 2015.

Acquisition of IWWS (UK) Ltd. ("IWWS")

During the year ended December 31, 2014 the Company entered into an investment agreement with IWWS and three unrelated individuals. Under the agreement, the Company made an initial investment into IWWS of 50,000 British Pounds in exchange for 51 common shares of IWWS, representing a 51% interest in IWWS.

In July 2015, in consideration for an additional 9% interest in IWWS the Company paid 20,000 British pounds ($50,040) to a minority shareholder. The non-controlling interest increased by $7,058 to reflect the Company's change in interest as at the date of the transaction. The difference between the amount paid and the amount by which the non-controlling interest was adjusted was recognized as a loss on purchase of interest in IWWS directly in deficit.

Concurrent with the Acquisition the Company entered into an agreement with the remaining minority shareholders to acquire the remaining 40% interest in IWWS. The Company issued to the minority shareholders a total of 2,000,000 common shares and 500,000 options to purchase common shares of the Company at an exercise price of $0.42 and expiring five years from closing. The fair value of the options is $219,050 using the Black-Scholes pricing model with the following assumptions: expected volatility 126.07% which is based on historical volatility; risk free interest rate 0.76%; expected dividend yield 0% and expected life of 5 years.

In addition, the Company will allocate 1,000,000 performances shares to be issued to each of the two former minority shareholders subject to IWWS meeting the following revenue milestones:

- 250,000 performance shares to each vendor if the revenues of IWWS are greater than £3,5000,000 in the year ended December 31, 2016;
- 350,000 Performance shares to each vendor if the revenues of IWWS are greater than £6,000,000 in the year ended December 31, 2017; and
- 400,000 Performance shares to each vendor if the revenues of IWWS are greater than £10,000,000 in the year ended December 31, 2018.

As at December 31, 2015, due to the uncertainty regarding whether the revenue milestones will be met, the Company has estimated the fair value of the performance shares to be $nil.

As at December 31, 2015 the Company holds 100% of IWWS (December 31, 2014 - 51%).

Selected Annual Financial Information

	Year Ended December 31, 2015	Year Ended December 31, 2014	Year Ended December 31, 2013
Net loss	(3,267,212)	(1,397,581)	(194,799)
Basic and Diluted Loss Per Share	(0.04)	(0.06)	(0.26)
	As at December 31, 2015	**As at December 31, 2014**	**As at December 31, 2013**
Total assets	1,694,095	735,147	44,751
Long-term liabilities	99,581	-	-

Summary of Quarterly Results

A summary of selected information for each of the three most recent quarters is as follows:

Three Months Ended	Total Revenue ($)	Income (loss) Total ($)	Income (loss) Per Share ($)	Total Assets ($)
December 31, 2015	258,290	(2,951,753)	(0.04)	1,694,095
September 30, 2015	1,403,360	258,677	0.01	2,147,834
June 30, 2015	172,388	(314,949)	(0.01)	885,360

Information has not been reported for quarters prior to the company becoming a reporting issuer where the Company did not prepare financial statements.

Discussion of Operations

Three months ended December 31, 2015 compared with three months ended December 31, 2014

IWS's net loss totaled $2,951,753 for the three months ended December 31, 2015, with basic and diluted loss per share of $0.04. This compares with a net loss of $260,067 with basic and diluted loss per share of $0.01 for the three months ended December 31, 2014. The increase of $2,691,686 in net loss was principally because:

- For the three months ended December 31, 2015, revenue increased by $258,669, cost of sales increased $915,164 and negative gross margin increased by $656,495. The increase in sales is due to the increased number of contracts completed as well as the inclusion of 100% of the revenue of IWWS subsequent to the acquiring the remaining 49%. This resulted in an increased level of cost of sales. The cost of sales increased more than the sales due to uncompleted contracts which led to an increased negative gross margin. The Company expects revenue to continue to increase in fiscal 2016.
- For the three months ended December 31, 2015, accounting and legal expenses increased by $117,700. The increase is attributable to costs related to the Acquisition of IWHES and the acquisition of the remaining interest in IWWS.
- For the three months ended December 31, 2015, the Company incurred $1,157,642 in listing expense. The listing expense is a non-cash expense related to the consideration in the RTO less the net assets acquired.
- For the three months ended December 31, 2015, office and miscellaneous expenses increased by $165,826. The increase is attributable to the inclusion of 100% of the expenses of IWWS subsequent to the acquiring the remaining 49% as well as increased expenses due to the increased activity.
- For the three months ended December 31, 2015, wages and benefits increased by $105,466. The increase is attributable to the inclusion of 100% of the expenses of IWWS subsequent to the acquiring the remaining 49% as well as increased wages and benefits in IWWS due to the increased activity.
- For the three months ended December 31, 2015, the Company incurred $180,143 in share-based payments. The share-based payments was the result of the issuance of 5,700,000 stock options to certain directors, officers, employees and consultants with each option exercisable into one common share of the Company at an exercise price of $0.50 per share for a period of five years.

Year ended December 31, 2015 compared with year ended December 31, 2014

IWS's net loss totaled $3,267,212 for the year ended December 31, 2015, with basic and diluted loss per share of $0.04. This compares with a net loss of $1,397,581 with basic and diluted loss per share of $0.06 for the year ended December 31, 2014. The increase of $1,869,631 in net loss was principally because:

- For the year ended December 31, 2015, revenue increased by $1,541,756, cost of sales increased $1,760,601 and gross margin decreased $218,845 to a negative gross margin. The increase in sales is due to the increased number of contracts completed as well as the inclusion of 100% of the revenue of IWWS subsequent to the acquiring the remaining 49%. This resulted in an increased level of cost of sales. The cost of sales increased more than the sales due to uncompleted contracts which led to an increased negative gross margin. The Company expects revenue to continue to increase in fiscal 2016.

- For the year ended December 31, 2015, accounting and legal expenses increased by $107,612. The increase is attributable to costs related to the Acquisition of IWHES and the acquisition of the remaining interest in IWWS.
- For the year ended December 31, 2015, the Company incurred $1,157,642 in listing expense. The listing expense is a non-cash expense related to the consideration in the RTO less the net assets acquired.
- For the year ended December 31, 2015, office and miscellaneous expenses increased by $164,545. The increase is attributable to the inclusion of 100% of the expenses of IWWS subsequent to the acquiring the remaining 49% as well as increased expenses due to the increased activity.
- For the year ended December 31, 2015, wages and benefits increased by $155,352. The increase is attributable to the inclusion of 100% of the expenses of IWWS subsequent to the acquiring the remaining 49% as well as increased wages and benefits in IWWS due to the increased activity.
- For the year ended December 31, 2015, the Company incurred $180,143 in share-based payments. The share-based payments was the result of the issuance of 5,700,000 stock options to certain directors, officers, employees and consultants with each option exercisable into one common share of the Company at an exercise price of $0.50 per share for a period of five years.

Liquidity and Financial Position

As at December 31, 2015, the Company's cash balance was $367,812 (December 31, 2014 - $255,913) and the Company had a working capital of $570,630 (December 31, 2014 – working capital deficiency of $1,598,574). See also Subsequent Events below.

As of December 31, 2015 the Company had 80,870,000 common shares issued and outstanding, 1,200,000 warrants outstanding that would raise $168,000 if exercised in full and 6,575,000 options outstanding that would raise $3,116,250 ($3,078,750 excluding options expired/exercised subsequently) if exercised in full. The Company does not know when or if the warrants or options will be exercised.

Cash used in operating activities was $1,950,475 for the year. Operating activities were affected by the net loss of $3,267,212 offset by non-cash items of $1,455,665 largely because of non-cash listing expense on Acquisition of $1,157,642. There was also a negative change in non-cash working capital balances of $138,926 largely because of an increase in receivables and inventory partially offset by an increase in Accounts payable and accrued liabilities and deferred revenue.

Off-Balance-Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors.

During the year ended December 31, 2015 (year ended December 31, 2014), the Company incurred the following charges with key management personnel:

(i) Consulting fees of $nil ($60,000) to a company controlled by the chairman and CEO (Lynn Mueller) of the Company.

(ii) Consulting fees of $20,000, $65,857 and $nil, respectively ($nil, $nil and $60,000, respectively) to companies controlled by directors and a former director (Yaron Conforti, Russ Burton and Daryle Anderson) of the Company.

(iii) Consulting fees of $nil ($259,677) to a company controlled by a former director (Paul Aucoin) of the Company.

(iv) Wages and benefits of $156,926, $15,000 and $83,757, respectively ($159,640, $nil and $nil, respectively) to the president, director and a former director (Lynn Mueller, Daryle Anderson and Russ Burton) of the Company.

(v) Accounting fees of $30,000 ($24,000) to a company controlled by a former director (Daryle Anderson) of the Company.

(vi) Share-based payments of $427,980 ($nil) was recognized in connection with 6,200,000 options granted to directors and officers of the Company as follows:

	Year ended December 31, 2015 ($)	Year ended December 31, 2014 ($)
Lynn Mueller	110,613	-
Daryle Anderson	6,321	-
Yaron Conforti	66,712	-
Paul Lee	6,321	-
Mark McCooey	6,321	-
Russ Burton	115,846	-
Ian Craft	115,846	-
Total	**427,980**	**-**

Other transactions with related parties included:

Rent of $2,931 ($nil) and cost of sales of $175,569 ($nil) due to a company controlled by a director (Ian Craft) of the Company.

Included in accounts payable is $54,979 (December 31, 2014 - $12,149) due to related parties as follows:

	December 31, 2015 ($)	December 31, 2014 ($)
Lynn Mueller	629	-
Company controlled by Daryle Anderson	-	12,149
Yaron Conforti	4,890	-
Company controlled by Ian Craft	49,460	-
Total	**54,979**	**12,149**

During the year ended December 31, 2015, the Company entered into an installation agreement with Caledonia whereby the Company sold a SHARC unit with associated installation services to Caledonia. In relation to the sale, the Company recognized $1,258,520 of revenue during the year. The associated costs of the project were $1,465,498 which are included in cost of sales. As the project resulted in a loss the total revenue and cost of sale of the project have been recognized. At December 31, 2015, included in receivables is $288,963 (December 31, 2014 - $nil) due from Caledonia.

Loans receivable

During the year ended December 31, 2015 the Company advanced $80,000 (year ended December 31, 2014 - $nil) to the CEO of the Company. The advance bears interest at a rate of 3% per annum and is due on demand. Subsequent to December 31, 2015, $40,000 was repaid. In addition there is an advance of $24,702 (December 31, 2014 - $24,702) to the CEO which is non-interest bearing and is due on demand.

Share Capital

As of the date of this MD&A, the Company had 80,995,000 (December 31, 2015 - 80,870,000) issued and outstanding common shares.

Warrants outstanding for the Company at the date of this MD&A were as follows:

Warrants	Expiry Date	Exercise Price
1,120,000	June 30, 2017	$0.14
80,000	July 16, 2017	$0.14

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Expiry Date	Exercise Price
500,000	October 27, 2020	$0.42
5,700,000	December 1, 2020	$0.50
125,000	May 15, 2022	$0.15

As at the date of this MD&A 35,250,000 (December 31, 2015 - 42,300,000) shares were held in escrow (December 31, 2014 – nil).

Subsequent Event

On March 2016, the Company entered into an agreement with an arm's length private lender to loan the Company an aggregate of $400,000 (the "Loan").

The Loan is secured against the assets of the Company, bears interest at a rate of 2% per month and carries a commitment fee equal to 4% of the Loan. The Loan matures and becomes payable in 3 months and may be prepaid by the Company at any time prior to the maturity date. In consideration for the Loan, the Company will issue an aggregate of 500,000 share purchase warrants exercisable into 500,000 common shares at a price of $0.28 per common share. The warrants are exercisable for three years and are subject to an acceleration clause in the event that the shares of the Company trade at a price of $0.56 or greater for a period of 20 consecutive days with an average daily trading volume of a minimum 100,000 shares during the same 20-day period.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after January 1, 2016. Pronouncements that are not applicable to the Company have been excluded from this note.

The Company has not applied the following new standards and amendments to standards that have been issued but are not yet effective:

IFRS 15 - Revenue from Contracts with Customers - Establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Management is currently assessing the impact of the new standard.

IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Management is currently assessing the impact of the new standard.

IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will affect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if the Company is also applying IFRS 15. The Company has not yet assessed the impact of adoption.

Amendments to IAS 16 – Property, Plant and Equipment ("IAS 16") and IAS 38 – Intangibles ("IAS 38") were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively. Management is currently assessing the impact of the new standard.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to support the development of its business and maintain the necessary corporate and administration functions to facilitate these activities. The capital of the Company consists of items included in shareholders' equity (deficiency).

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to raise new funds.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

Financial Instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables, loans receivable, accounts payable and accrued liabilities, and loans payable approximates their carrying values due to the short-term to maturity. The Company's cash is measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at December 31, 2015 and December 31, 2014, the Company has exposure to the British pound that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made and balances are held in this currency. The Company has not hedged its exposure to currency fluctuations. The sensitivity of the Company's net loss to changes in the exchange rate between the Canadian dollar and the British pound resulting from a 10% change in the British pound exchange rate relative to the Canadian dollar would change the Company's net loss by approximately $26,000.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. Receivables are primarily from sales or loans. The Company believes these parties to be of sound creditworthiness, and to date, all receivables have been settled in accordance with agreed upon terms and conditions. As at December 31, 2015 and December 31, 2014, the Company is exposed to credit risk arising from receivables and loans receivable.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2015 and December 31, 2014, the Company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through debt financing. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Risks and Uncertainties

Manufacturing Risks

For the successful development of the Company's manufacturing operations, the Company will require maintenance of production equipment, hiring and retaining of managerial personnel and skilled labour and maintaining of desirable levels of production. There can be no assurance that the Company will be able to achieve and sustain these goals. The Company's future success also depends on its ability to successfully achieve expected manufacturing capacity in a cost-effective and efficient manner. If the Company cannot do so, it may be unable to achieve and sustain profitability. The Company's ability to achieve expected production capacity is subject to significant risks and uncertainties, including the following: (a) delays and cost overruns as a result of a number of factors, many of which may be beyond the Company's control, such as its ability to secure successful contracts with equipment vendors, (b) failure to effectively break in new equipment, (c) delays or denial of required approvals by relevant government authorities, (d) unavailability of manufacturing inputs; and (e) failure to execute its expansion plans effectively.

Regulatory Risks

The activities of the Company will be subject to intense regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change in Laws, Regulations and Guidelines

The Company's operations will be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of untreated waste water but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Lack of Operating History

The Company has only recently started to carry on its business. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a materially adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits. No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.

Reliance on Management and Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional Financing

The Company's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. The Company's business model requires spending money in order to generate revenue. Based on the Company's current financial situation, the Company may have difficulty continuing operations at the current level, or at all, if it does not raise additional financing in the near future.

In order to execute the Company's business plan, the Company will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures could limit the Company's operations and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Company Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's existing cash flow will be adequate to satisfy its existing operating expenses and capital requirements.

Competition

There is potential that the Company will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Intellectual Property Risks

The Company's ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

New Market Risks

Extracting heat from raw sewage flows is a relatively new market and its long-term growth prospects are uncertain. Should the raw sewage heat market fail to expand, it would have a materially adverse effect on our business and financial position.

Product Development Risks

The development of additional products is subject to the risks of failure inherent in the development of new, state of the art products, laboratory devices and products based on new technologies. These risks include: (i) delays in product development or manufacturing; (ii) unplanned expenditures for product development or manufacturing; (iii) failure of new products to have the desired effect or an acceptable accuracy profile; (iv) emergence of superior or equivalent products; (v) failure by any potential collaborative partners to successfully develop products; and (vi) the dependence on third parties for the manufacture, development and sale of the Company's products. Because of these risks, our research and development efforts or those of potential collaborative partners may not result in any commercially viable products. If a significant portion of these development efforts is not successfully completed, or any products are not commercially successful, we are less likely to generate significant revenues, or become profitable. The failure to perform such activities could have a material adverse effect on the Company's business, financial condition and results of its operations.

The areas in which we plan to commercialize, distribute, and/or sell products involves rapidly developing technology. There can be no assurance that we will be able to establish ourselves in such fields, or, if established, that we will be able to maintain our market position, if any. There can be no assurance that the development by others of new or improved products will not make our present and future products, if any, superfluous or obsolete.

Product Liability

The devices and products that we intend to develop may expose us to potential liability from personal injury claims by end-users of the product. We intend to carry product liability insurance to protect us against the risk that in the future a product liability claim or product recall could materially and adversely affect our business. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our intended products. We cannot assure you that if and when we commence distribution of our product that we will be able to obtain or maintain adequate coverage on acceptable terms, or that such insurance will provide adequate coverage against all potential claims. Moreover, even if we maintain adequate insurance, any successful claim could materially and adversely affect our reputation and prospects, and divert management's time and attention. If we are sued for any injury allegedly caused by our future products our liability could exceed our total assets and our ability to pay the liability.

Product Defects

The Company's products are complex and, accordingly, they may contain defects or errors, particularly when first introduced or as new versions are released. We may not discover such defects or errors until after a product has been released and used by end-customers. Defects and errors could materially and adversely affect our reputation, result in significant costs to us or the termination of an agreement, delay planned release dates and impair our ability to sell our products in the future. The costs incurred in correcting any product defects or errors may be substantial and could adversely affect our operating margins. Furthermore, there can be no assurance that our efforts to monitor, develop, modify and implement appropriate test and manufacturing processes for our products will be sufficient to permit us to avoid a rate of failure in our products that results in substantial delays, significant repair or replacement costs or potential damage to our reputation, any of which could have a material adverse effect on our business, results of operations and financial condition.

We may also be subject to claims that our products are defective or that some function or malfunction of our products caused or contributed to damages. While we attempt to minimize this risk by incorporating provisions into our standard agreements that are designed to limit our exposure to potential claims of liability, we are not always able to negotiate such protections. In addition, no assurance can be given that all claims will be barred by the contractual provisions limiting liability or that the provisions will be enforceable. We may be liable for failure regarding the use of our products or services. A significant liability claim against us could have a material adverse effect on our operating results and financial position

Reliance on Key Inputs

The Company's business will be dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Management of Growth

The Company has, and may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its products and services. The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Company Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The market price of Company Shares may be subject to wide price fluctuations

The market price of Company Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Company Shares.

Limited Market for Securities

Upon completion of the Acquisition, Company Shares will be listed on the CSE, however, there can be no assurance that an active and liquid market for the Company Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence 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 condition, 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"), this 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:

i) 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

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of 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 this 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.