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PRESS RELEASE

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IWS Announces Strategic Alliance with Scottish Water Horizons

VANCOUVER, B.C., October 13, 2016 – International Wastewater Systems Inc. (the “Company”) (CSE: IWS) (FRANKFURT: IWI) (OTC: INTWF) is pleased to announce that its wholly owned subsidiary SHARC Energy Systems (UK) Ltd. (**“SHARC Energy”**) will form a strategic alliance with Scottish Water Horizons Ltd. (**“Scottish Water Horizons”**), the commercial subsidiary of **Scottish Water**, a public water utility owned 100% by the Scottish Government.

Scottish Water serves approximately 5 million residential customers and 150,000 business customers in Scotland, and is the sole provider of water and waste water services to an area of over 30,000 square miles, a third of the area of Britain. Scotland has a coastline of over 6,800 miles, with a small and relatively dispersed population which requires a large number of small water and waste water treatment plants. Every day Scottish Water supplies 1.34 billion litres of drinking water and takes away 847 million litres of waste water from customers and treats it before returning it to the environment.

Scottish Water Horizons is mandated to drive Scottish Water’s green agenda, developing renewable energy projects and leveraging commercial value from Scottish Water’s assets to contribute to a greener and better connected Scotland.

Scottish Water Horizons and SHARC Energy are joining forces to help businesses and public organizations reduce heating costs and carbon emissions. The companies have confirmed their intention to establish a strategic alliance to expand and accelerate the deployment of Sewage Heat Recovery systems around Scotland (**“Strategic Alliance”**).

The Strategic Alliance follows the launch of the UK’s first Sewage Heat Recovery system, developed by SHARC Energy at Borders College in Galashiels, Scotland (approximately 5,500 students) which

aims to displace 1.8 GWhs (Giga Watt hours) of natural gas and save 150 tonnes of carbon emissions per year.

The innovative SHARC thermal heat recovery system developed by International Wastewater Systems has been deployed in numerous international locations, intercepts wastewater from sewers and uses heat pump technology to amplify the natural warmth of waste water. This generates an energy-saving, cost-effective and environmentally-friendly system for heating, cooling and hot water production in commercial, residential and industrial buildings.

The Strategic Alliance will support the Scottish Government's ambitious renewable heat and carbon reduction targets for 2020. It is the result of 2 years of informal collaboration between SHARC Energy and Scottish Water Horizons, which has created a £20 million (CAN\$32.4 million) pipeline of potential installations across Scotland that when deployed would generate 170 GWhs per year of heating and cooling to displace the fossil fuel currently used.

Scottish Water Horizons has estimated that up to 750 such systems would need to be installed by 2020 to enable Scotland to achieve its carbon savings targets.

Commenting on the announcement, **Andrew Macdonald, Head of Scottish Water Horizons, said:**

“The potential to deploy this technology is significant. Heat accounts for over half of Scotland's total energy use and we believe that by harnessing the natural resources of our vast waste water network, we can further the development of Scotland's low carbon economy, whilst protecting and enhancing the environment.”

“Scottish Water treats over 900 million litres of waste water every year and we are determined to maximise the opportunities presented. Our alliance with SHARC Energy is an exciting opportunity which will help to accelerate the deployment of this proven technology on a wider scale, providing customers with an innovative and sustainable lower cost heating solution.”

Commenting on the announcement, **Russ Burton (COO) International Wastewater Systems, said:**

“This announcement is a very exciting step for SHARC Energy and IWS and represents the culmination of two and a half years working with Scottish Water Horizons to identify opportunities for the SHARC technology. Having the support from Scottish Water Horizons will give customers the confidence in the SHARC technology, positioning it as a sustainable and viable wastewater heat recovery solution.”

Lynn Mueller (CEO) International Wastewater Systems commented:

“IWS's strategic alliance with Scottish water is a significant milestone for our Company and demonstrates how far we have come in a very short space of time. We are delighted to be partnering with one of the world's leading water utility operations. This achievement truly is indicative of the scale of the opportunity we have uncovered.”

ON BEHALF OF THE BOARD

“Lynn Mueller”

Lynn Mueller

Chairman and Chief Executive Officer

FOR MORE INFORMATION, PLEASE CONTACT:

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About Scottish Water Horizons Ltd.

Scottish Water Horizons Ltd is a commercial subsidiary wholly owned by Scottish Water. The company plays a key role in supporting the development of Scotland’s sustainable and circular economy by making the most of the public utility’s vast array of assets.

From generating renewable energy from waste, wind and solar power to recycling food and aggregates waste, Scottish Water Horizons is improving connections, communications and enabling sustainable development.

The company’s growth strategy is to support Scotland as a developing Hydro Nation and take opportunities to harness Scottish Water’s asset base through both its own development and working in partnership with other organisations including the public and private sectors.

www.scottishwater.co.uk/horizons

About Scottish Water

Scottish Water provides clear fresh drinking water to 2.46 million households and 150,000 business premises across Scotland. Every day, Scottish Water also takes away 921 million litres of waste water, which is treated before being safely returned to the environment. In recent years, Scottish Water has been working to build an increasingly sustainable business.

www.scottishwater.co.uk

About International Wastewater Systems Inc.

International Wastewater Systems Inc. (and its wholly owned subsidiary SHARC Energy Systems (UK) Ltd.) is a world leader in thermal heat recovery. IWS systems recycle thermal energy from wastewater, generating the most energy efficient and economical systems for heating, cooling & hot water for commercial, residential and industrial buildings. IWS is publicly traded in Canada (CSE: IWS), the United States (OTC: INTWF) and Germany (Frankfurt: IWI).

<http://www.sewageheatrecovery.com/>

The CSE does not accept responsibility for the adequacy or accuracy of this release.

Forward-Looking Information

This release includes certain statements that may be deemed "forward-looking statements". All statements in this release, other than statements of historical facts, that address events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include regulatory actions, market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. Except as required by applicable securities laws, the Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.