

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

December 23, 2016.

Item 3. News Release

News Release dated December 23, 2016 was disseminated via Stockwatch and Market News and filed on SEDAR on December 23, 2016.

Item 4. Summary of Material Change

International Wastewater Systems Inc. closed the first tranche of private placement of shares and raised gross proceeds of \$682,600.10.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

The Company announced an initial closing of the first tranche of the Company's private placement (the "Placement") previously announced on November 30, 2016. Pursuant to the first tranche of the Placement, which is offered on a non-brokered basis, the Company has completed an initial closing issuing 2,275,333 common shares ("Shares") at a price of \$0.30 per Share for gross proceeds of \$682,600.10. The Company has paid cash commission in the amount of \$38,287.51, being 7.5% of the aggregate proceeds from the sale of Shares to purchasers introduced by the finders. The Company has also issued non-transferrable warrants ("Finder's Warrants") to acquire a total of 127,625 Shares, being 7.5% of the number of Shares sold under the first tranche of the Placement to purchasers introduced by the finders. Each Finder's Warrant entitles the holder to purchase one Share at a price of \$0.30 for two years from the closing date. All securities issued in connection with this initial closing of the Placement are subject to a statutory hold period expiring on April 24, 2017 in accordance with applicable securities legislation.

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 30th day of December, 2016.