

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

May 30, 2017.

Item 3. News Release

News Releases dated May 29, 2017 and May 30, 2017 were disseminated via Stockwatch and Market News and filed on SEDAR on May 29, 2017 and May 30, 2017.

Item 4. Summary of Material Change

International Wastewater Systems Inc. has closed the first tranche of the Company's non-brokered private placement of debenture units and raised gross proceeds of \$1,320,000.

Item 5. Full Description of Material Change

5.1 Full Description of Material Change

The Company announced the closing of the first tranche of the Company's non-brokered private placement (the "**Placement**") of debenture units (the "**Debenture Units**").

Pursuant to the first tranche of the Placement, the Company issued 1,320 Debenture Units at a price of \$1,000 per Debenture Unit for gross proceeds of \$1,320,000. 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 May 30, 2020. The Debentures bear interest at a rate of 12% per annum from May 30, 2017 and will mature on May 30, 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.

The Company paid finder's fees in the amount of \$92,400 to Leede Jones Gable Inc. (the "**Finder**") in consideration for introducing certain purchasers to the Company. The Company also issued to the Finder 231,000 non-transferable share purchase warrants (the "**Finder's Warrants**"). Each Finder's Warrant entitles the holder to purchase one Share at a price of \$0.40 per Share until May 30, 2019.

All securities issued in connection with the first tranche of the Placement are subject to a statutory hold period expiring on October 1, 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:

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

Item 9. Date of Report

DATED at Vancouver, British Columbia, this 30th day of May, 2017.