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PRESS RELEASE

May 10, 2017

INTERNATIONAL WASTEWATER ANNOUNCES GRANTS OF £4.95 MILLION FROM THE “LOW CARBON INFRASTRUCTURE TRANSITION PROGRAMME” (MANAGEMENT BY THE SCOTTISH GOVERNMENT)

VANCOUVER, B.C., May 10, 2017 – International Wastewater Systems Inc (CSE: IWS; FSE: IWI; OTC: INTWF) (“IWS” or the “Company”) is pleased to advise that IWS’s wholly owned UK subsidiary, SHARC Energy Systems, has been awarded grant support to facilitate the installation of SHARC wastewater heat recovery systems at five locations across Scotland totaling £9.8 million.

Funding from the Low Carbon Infrastructure Transition Programme (LCITP) – managed through the Scottish Government – has been granted to enable the development of five new projects that will play a pioneering role in transforming heating systems at various commercial and local authority sites.

CEO Lynn Mueller states that “the contracts being awarded today by the Scottish Government provide the Company with first 5 of the 750 sites identified for conversion in Scotland, these are the culmination of over two years of hard work by the Company and its employees. This announcement is the game changer which the Company has been waiting for.”

SHARC’s innovative technology enable the sewers’ wastewater to be used to generate renewable heat. This, in turn, produces significant savings in energy and reductions in carbon emissions, and at the same time reduces the overall costs of supplying energy. These Scottish installations acknowledge IWS’s cornerstone technology by demonstrating how the IWS unique technology can provide energy and costs saving solutions which can be deployed across a wide range of geographies to support both corporate and residential customers, as well as a platform for wide scale low carbon district heating.

Under the plans, SHARC’s ‘heat-from-wastewater’ technology is earmarked to heat Kelvingrove Museum in Glasgow, a leisure centre and public library in Campeltown, a leisure centre in Orkney and a new district heating scheme at the Clyde Gateway regeneration project in Glasgow. The LCITP funding is being matched by commercial finance that will facilitate

the required capital investment to establish local energy centres that will generate their income from sales of heat to the customers involved.

Scottish Water Horizons and SHARC Energy Systems have been collaborating over the last three years to promote the adoption of sewage heat recovery in Scotland, and last year announced their intentions to form a strategic alliance, and both parties see the LCITP announcement as playing a key role in building on their work to use Scotland's water resources to help generate renewable energy.

Already deployed in North America and Europe, the SHARC technology works by using a heat pump to amplify the warmth of waste water in sewers – such as from showers, dishwashers and washing machines. This generates an energy-saving, cost-effective and environmentally friendly system for heating, cooling and hot water production in commercial premises and homes – as opposed to the use of traditional fossil fuels such as gas boilers.

Paul Kerr, recently appointed Head of Scottish Water Horizons, said: “We are delighted that SHARC have been awarded funding to enable the acceleration of this innovative technology at key locations across Scotland.

“Beneath our streets there is an alternative energy source that so far has been ignored. The potential benefits of this technology in further developing ways to reduce energy costs, cut carbon emissions and protect the environment for businesses and public organizations cannot be understated.

“With 32,000 miles of sewers pipes across Scotland and Scottish Water treating more than 900 million litres of waste water every year, the opportunities presented from this technology are clear to see.

“Using the sewer network to transfer heat means that the heat source can be used to supply heat to the customer as close as possible to the customer’s premises. This minimizes the cost and disruption of installing new heat pipes in the street.

“Our alliance with SHARC Energy Systems is helping to deploy this proven technology on a wider scale, providing an innovative lower cost heating solution which will help to contribute to a sustainable circular economy, tackle the threat posed by climate change and provide additional employment within local areas.”

The new projects in the pipeline are:

Bandwidth Project:

Three heat from sewage schemes have been aggregated into one proposal – with a total investment of £3.8m - known as the Bandwidth project. The project is planned to deliver sustainable heat to the Aqualibrium Leisure Centre and Public Library at Campbeltown, the Pickaquoy Leisure Centre at Kirkwall and the Kelvingrove Museum in Glasgow. SHARC Energy are working through the final design details that will enable the schemes to be spade

ready later this year and facilitate construction over the next twelve months, creating cost and carbon benefits to the Local Authorities involved.

Clyde Gateway project

Clyde Gateway and its partners, including SHARC Energy Systems, have developed a plan to support a low carbon heating and cooling network for Magenta at Clyde Gateway, which will see 1.2 million square feet of commercial space across 27 acres within the satellite business district of Shawfield with a total investment of £6.0m.

Russ Burton, COO of International Wastewater Systems, said: “The announcement by the LCITP today is a significant step for the business and a resounding endorsement of the passion and dedication by the SHARC team in developing solutions that meet customer requirements and build on the company’s values.

“We have been working tirelessly over the last three years to support the Scottish Government’s ambitions for decarbonizing heating systems. With the support of Scottish Water Horizons and the Local Authorities involved in these schemes, we are delighted to be a part of this low carbon revolution and are looking forward to being able to make further announcements about our long-term role in the Scottish economy over the next few months.”

Work to bring the projects to construction ready status is well advanced and on target to meet the LCITP’s qualifying completion date of September 2018 to qualify for the grant.

The go-ahead for the projects follows the launch of the UK’s first SHARC energy recovery system at Scottish Borders College at its campus in Galashiels. The process – which has seen the heat produced being sold to Scottish Borders College under a 20-year purchase agreement – now provides the majority of the heat and hot water needed by the campus and has helped to save 150 tonnes of carbon emissions per year.

The collaboration between Scottish Water Horizons and SHARC Energy Systems has identified a £20m pipeline of potential installations across Scotland that when deployed would generate 170 GWHs (Giga Watt Hours – 1 GWH would power one million homes for one hour) per year of heating and cooling to displace the fossil fuel currently used.

The Company would also like to announce the granting of 4,000,000 two year stock options priced at \$0.265 to management.

About International Wastewater Systems Inc. (CSE: IWS; FSE: IWI; OTC: INTWF)

International Wastewater Systems Inc. is a world leader in thermal heat recovery. Through the development of its SHARC line of equipment for large applications, and its PIRANHA line of equipment for smaller applications, the Company can engineer energy saving solutions for most multi-residential complexes, as well as reduce energy costs as well as the carbon footprint for a variety of industries. Sewage that runs through municipal pipe networks is 98% composed of water and has a temperature of about 21 to 22 degrees Centigrade. A US Department of Energy study found that 400 billion kilowatt-hours of energy, or \$40 billion

worth of power, is lost through the draining of sewage each year in the US alone. The objective of IWS is to obtain a 5-10% share of this potential within the next five years.

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 organizations including the public and private sectors.

For more information, please visit our website: www.sewageheatrecovery.com

ON BEHALF OF THE BOARD OF DIRECTORS

"Lynn Mueller"

Lynn Mueller

Chairman and Chief Executive Officer

FOR MORE INFORMATION, PLEASE CONTACT:

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Further information about the Company is available on our website at www.sewageheatrecovery.com or under our profile on SEDAR at www.sedar.com and on the CSE website at www.thecse.com.

This news release includes forward-looking statements that are subject to risks and uncertainties. All statements within it, other than statements of historical fact, are to be considered forward looking. 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 or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. There can be no assurances that such statements will prove accurate and, therefore, readers are advised to rely on their own evaluation of such uncertainties. We do not assume any obligation to update any forward-looking statements, other than as required pursuant to applicable securities laws.

The CSE has not reviewed, nor approved or disapproved the contents of this press release