

ANNUAL INFORMATION FORM

For the fiscal year ended June 30, 2016

September 26, 2016

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1. GENERAL

In this Annual Information Form and unless the context otherwise requires, the words "Corporation" and "H_2O Innovation" refer collectively to H_2O Innovation Inc. and its subsidiaries.

Products and services offered by the Corporation are thoroughly described on its website at www.h2oinnovation.com. Copies of each press release issued by the Corporation are also available on the website. Information on the website is not incorporated by reference in this Annual Information Form.

Data relating to market and industry forecasts presented in this Annual Information Form are derived from various publicly available sources. While management of the Corporation believes these sources to be independent and reliable, the accuracy and completeness of that information are not guaranteed and were not independently verified by the Corporation.

Unless otherwise indicated, money figures are expressed in Canadian dollars. The "US$" symbol refers to American dollars. The "€" symbol refers to Euros.

2. CAUTIONARY STATEMENTS WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Information Form may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Annual Information Form, such statements use such words as "anticipate", "if", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should" or "will" and other similar terminology as well as those usually used in the future and the conditional, notably regarding certain assumptions as to the success of a venture. These statements reflect current expectations of the Corporation regarding future events and operating performance and speak only as of the date of this Annual Information Form. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the forward-looking statements contained in this Annual Information Form, or any referenced document therein, are based upon what management of the Corporation believes are reasonable assumptions, actual results may not be consistent with these forward-looking statements. Accordingly, these statements should not be unduly relied upon by shareholders. These forward-looking statements are made as of the date of this Annual Information Form and subject to applicable law; the Corporation does not intend to update said forward-looking statements.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Annual Information Form. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about: (i) competitive environment; (ii) operating risks; (iii) fixed price contracts entered into by the Corporation and their renewal; (iv) the Corporation's management and employees; (v) acquisition and expansion; (vi) development of new products; (vii) IP infringement; (viii) potential product liabilities and other lawsuits to which the Corporation may be subject; (ix) implementation of its commercial strategic plan by the Corporation; (x) the Corporation's capacity to secure performance guarantees; (xi) market liquidity of the Corporation's common shares; (xii) capital investment by the Corporation's customers; (xiii) current global financial conditions; (xiv) additional financing and dilution; (xv) shortage of raw materials; (xvi) liquidity; (xvii) interest rate; (xviii) insurance coverage; (xix) cybersecurity; (xx) technology and regulatory changes; (xxi) credit; (xxii) foreign currency; and (xxiii) transfer pricing.

3. CORPORATE STRUCTURE

3.1 Name and incorporation

The Corporation was incorporated under the name "Hebron Fjord Resources Inc." by Articles of Amalgamation under the *Canada Business Corporations Act* on August 23, 1995, and results from the amalgamation of Chastel Resources Inc. and 3152383 Canada Inc. On December 1, 2000 and on December 4, 2008, the Corporation changed its corporate name to "H_2O Innovation (2000) Inc." and to "H_2O Innovation Inc." respectively.

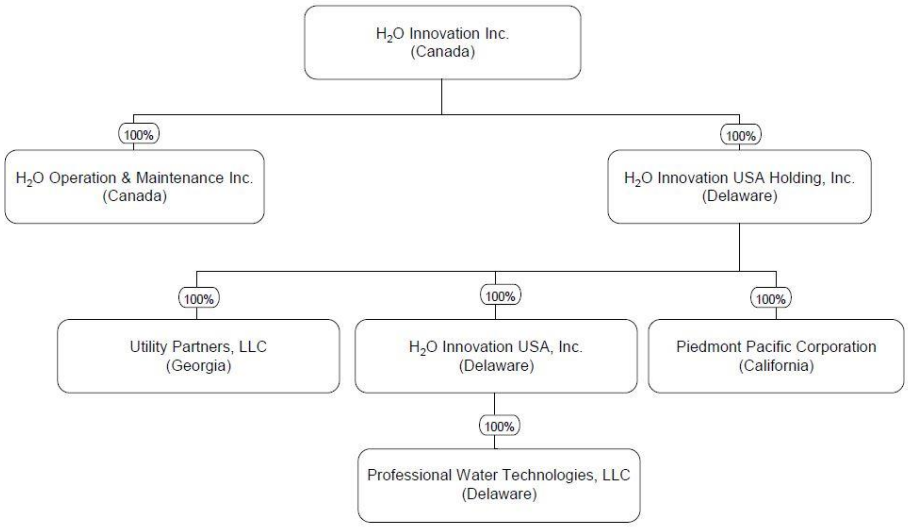
On March 1, 2006, the Corporation completed a consolidation of its common shares on the basis of ten (10) common shares then issued and outstanding for one (1) new common share. Terms and conditions of warrants and stock options then issued and outstanding were adjusted accordingly as of the consolidation date. A second consolidation of the Corporation's common shares occurred on December 1, 2014 on the basis of five (5) common shares then issued and outstanding for one (1) new common share. Terms and conditions of stock options then issued and outstanding were also adjusted accordingly as of the consolidation date.

On October 14, 2015, the Corporation obtained a restated certificate of incorporation to which are attached the rights, privileges, restrictions and conditions of each class of shares that the Corporation is authorized to issue.

The Corporation's head office is located at 330 Saint-Vallier Street East, Suite 340, Quebec City, Province of Quebec, G1K 9C5, Canada.

3.2 Organizational Chart

The following organizational chart shows the principal subsidiaries of the Corporation and their respective jurisdiction of incorporation as of September 26, 2016.



4. GENERAL DEVELOPMENT OF THE BUSINESS

4.1 The Corporation

As a complete solution provider, H_2O Innovation designs, manufactures and commissions customized integrated water treatment systems and provides a complete line of specialty products such as chemicals, consumables, ultrafiltration skids, couplings and cartridge filters for multiple markets. The Corporation also designs, manufactures and implements advanced monitoring infrastructure solutions such as the SPMC™ software, the Clearlogx® automation and control technology and SCADA systems.

Whether it is for the production of drinking water and industrial process water, reclamation and reuse of water, desalination of seawater and/or the treatment of wastewater, the solutions provided by H_2O Innovation intend to combine the best available expertise with the most advanced membrane technology and products. The Corporation's reliable, state-of-the-art, eco-friendly solutions are customer-focused and intended to streamline end-user's costs, optimize the water treatment, and maximize the efficiency, the performance and the longevity of a water treatment system.

H_2O Innovation's vision is to be the best at providing safe and reliable water treatment solutions and technologies and its mission is to provide safe and integrated water treatment solutions and outstanding customer care in order to secure long-term relationships.

4.2 Three-year history

Over the past three years, the following events significantly influenced the general development of the Corporation's business:

Fiscal yearFiscal year ended June 30, 2016:

- Opening of an office at Bilbao in Spain, expanding the Corporation's global presence and easing the expansion of the Corporation's line of specialty products and services available to the European and the Middle Eastern markets, which business line includes Piedmont® corrosion free flexible couplings and PWT™ specialty chemicals. The office is located at 6, Barroeta Aldamar, 48001 Bilbao, Spain.

- Winner of the Water Technology Company of the Year Award at the 2016 Global Water Awards, which took place in Abu Dhabi, UAE. The Corporation was nominated among Suez, Danaher and G.E. Water & Process Technologies, three (3) big players in the water industry.

- Expansion of H_2O Innovation's activities in Mexico through a licence and partnership agreement with H_2O Innovación de Mexico, S.A. de C.V. ("H_2O Innovación Mexico"). Through a royalty paid to the Corporation, H_2O Innovación Mexico will benefit from the latest innovations, products and technologies offered by the Corporation.

- Acquisition on October 21, 2015 of all of the assets pertaining to the patented Clearlogx® automation and control technology and to the sale and distribution of chemicals, such as coagulants and flocculants, for the maintenance and operations of industrial and commercial water treatment systems. Such acquisition has been completed for a total consideration of US$1.5 M. The Clearlogx® technology helps maintain and optimize chemical performance, while improving the overall efficiency of water treatment processes. This technology is especially critical for ultrafiltration (UF) water treatment plants to minimize membrane fouling's, extend membranes' lifecycle, and thus, reduce overall plant operating expenses.

- Appointment of Marc Blanchet as Chief Financial Officer and Guillaume Clairet as Chief Operating Officer of the Corporation on September 21, 2015.

Fiscal yearFiscal year ended June 30, 2015:

- Start-up of a new entity doing business in the leasing and the operating and maintenance of water treatment systems in Canada under the name "H_2O Operation & Maintenance Inc.".

- Development and commercialization of Innovative initiatives such as the FiberFlex™ skid and the SPMC™ (System Performance Monitoring System) software.

- Securing the largest contracts in Piedmont's history to provide 33,500 couplings for two (2) desalination plants located in Qatar through an important engineering, procurement and construction company in Spain.

- Completion of the commissioning of one of the largest drinking water projects designed by H_2O Innovation, which was designed for the City of Delaware in Ohio. This first system incorporating FiberFlex™ skids is comprised of three (3) ultrafiltration trains and five (5) nanofiltration trains treating water from different raw water supply sources.

- Completion of a share consolidation of the Corporation's common shares on the basis of five (5) common shares then issued and outstanding for one (1) new common share.

- Beginning trading the Corporation's common shares on the OTCQX marketplace in the United States under the ticker symbol "HEOFF". OTCQX is operated by OTC Markets Group for established U.S. and international companies.

Fiscal yearFiscal year ended June 30, 2014:

- Securing over the year $41.8 million of new bookings of water treatment projects, pushing the Corporation's order backlog to a record high of $38.3 million as of June 30, 2014.

- Securing in February 2014 a major contract for a seawater reverse osmosis system that will be the second largest seawater reverse osmosis system in the United States. Such contract has a value of $10 M and consists in designing, building and supplying major equipment for the Monterey Peninsula Water Supply Project and to provide commissioning services.

- Acquisition on December 5, 2013 of all of the issued and outstanding shares of common stock of Piedmont Pacific Corporation ("Piedmont"), a company located in California and one of the leading manufacturers in the world of flexible pipe couplings and other pipe fittings for highly corrosive environments. Such acquisition has been done for a total consideration of US$3.9 million. Piedmont provides a broad product line that spans a wide range of industrial and municipal applications mostly using membrane-related technologies and has been the first to introduce to the water treatment market couplings made of duplex and super duplex stainless steel.

- Closing on December 5, 2013 of a bought deal private placement and a concurrent additional non-brokered private placement of common shares of the Corporation for total gross proceeds of approximately $8 M. Certain insiders of H_2O Innovation participated in such private placements and subscribed to common shares of the Corporation. Investissement Québec, for its part, has participated in the bought deal private placement and has subscribed to a certain number of common shares representing 18.28% of the issued and outstanding common shares of the Corporation. The net proceeds of such private placements have been used by the Corporation to finance the acquisition of Piedmont and for working capital purposes.

- Closing on September 30, 2013 of a non-brokered private placement of approximately $1.9 M with a group of private investors and of shares for debt for an amount of approximately $157,000. The proceeds of such private placement had been used to reimburse partially the Corporation's long-term debt and to support its working capital. Common shares had also been issued to certain Corporation's creditors to reduce its long-term debt.

4.3 Current fiscal yearfiscal year:

- Acquisition on July 26, 2016 (with an effective date as of July 1, 2016) of all the membership interests of Utility Partners, LLC ("Utility Partners"), a US-based company specializing in the operation and maintenance of water and wastewater treatment plants. Such acquisition has been completed for a total consideration of US$17 M. Utility Partners provides US municipal clients with Innovative and cost-effective solutions for water and wastewater treatment plants.

- Closing on July 26, 2016 of a bought deal private placement and a concurrent additional non-brokered private placement of Common shares of the Corporation for total gross proceeds of approximately $23 million. Certain insiders of H_2O Innovation participated in such private placements and subscribed to common shares of the Corporation. Investissement Québec and Caisse de dépôt et de placement du Québec, for their part, have participated in the bought deal private placement and have subscribed to a certain number of common shares, thus increasing their participation to respectively 18.56% and 13.88% of the issued and outstanding common shares of the Corporation. The net proceeds of these private placements have been used by the Corporation to finance the acquisition of Utility Partners.

4.4 Significant Acquisition

On July 26, 2016 (with an effective date as of July 1, 2016), H_2O Innovation acquired, for an amount of US$17 M, all of the membership interests of Utility Partners, a leading US player in the operation and maintenance of water and wastewater treatment plants for small to mid-size municipalities across the United States. Utility Partners provides US municipal clients with innovative and cost-effective solutions for water and wastewater treatment plants. It currently operates thirty-four (34) utilities in six (6) US states, mainly on the US Gulf coast, Southeast, Northeast (New England) and the West Coast (California/Nevada). Utility Partners has entered into long-term contracts, mainly with municipalities, that contain multi-year renewal options.

In addition, following this acquisition, the majority of H_2O Innovation's revenues will be derived from its specialty products and services business line, which are more predictable and recurring in nature. Through the acquisition of Utility Partners, H_2O Innovation establishes its third complementary business pillar and intends to develop synergies and cross-selling opportunities amongst its different pillars. Furthermore, H_2O Innovation is now well-positioned to offer operation and maintenance services to all of its customers in the water/wastewater treatment systems activity sector.

A Business Acquisition Report with respect to this acquisition has been filed on SEDAR on September 13, 2016.

4.5 Products and services offered by the Corporation

H_2O Innovation's business model relies on three (3) synergetic and related pillars: (i) the sale of water and wastewater treatment systems, (ii) the sale of specialty products and services, which includes the sale of equipment in the maple syrup industry and, (iii) with the acquisition of Utility Partners, the operation and maintenance of water and wastewater treatment systems.

4.5.1 Water and Wastewater Treatment Systems

The Corporation designs, manufactures, and markets systems and equipment for the production of drinking water and industrial process water, reclamation and reuse of water, desalination of seawater and treatment of wastewater (sanitary and industrial).

The majority of the systems sold by the Corporation are custom-designed. Each system is tailored to the customers' requirements and to the specific characteristics of the water to be treated. Mostly based on membrane filtration and bioreactor technologies, these systems combine the varied technological knowledge, know-how and expertise offered by the Corporation to its customers.

In addition, H_2O Innovation holds a series of patented technologies such as the Bio-Brane™ and the Bio-Wheel™. These technologies for applications requiring bioreactors allow the Corporation to target the wastewater and water reuse markets.

In order to improve its offer to its customers, H_2O Innovation designed the FiberFlex™ skid that provides interchangeability and accommodates several types of ultrafiltration modules similar to reverse-osmosis elements. The FiberFlex™ provides the opportunity to take advantage of a much wider spectrum of current and future hollow fiber products.

By using the same open-source approach, the Corporation has developed the flexMBR™ (flexible membrane bioreactor) technology for advanced wastewater treatment applications. The flexMBR™ is the first membrane bioreactor (MBR) with an

open-source wastewater design that can operate MBR modules from different suppliers. It provides flexibility to switch from one membrane model to another without having to redesign the treatment plant. The flexMBR™ technology is ideally suited for new systems, but can also be incorporated into an existing wastewater treatment system. The technology has been recently presented to the water treatment industry and will be commercialized during the current fiscal year.

The Corporation has also developed a containerized membrane bioreactor, which is an advanced wastewater treatment solution that can meet typical wastewater effluent regulations throughout North America. Fully integrated in a standard shipping container, this containerized membrane bioreactor can be easily transported to an isolated work site or to remote communities with access problems.

The water/wastewater treatment systems pillar accounted for 45.3% in 2016 and 58.4% in 2015 of the total consolidated revenues of the Corporation. The revenues of this area were $22.9 M in 2016 and $28.4 M in 2015.

4.5.2 Specialty Products and Services

The Corporation sells products and membrane filtration systems' spare parts to serve both the needs of its installed customer base and of other customers who have not previously purchased water treatment systems from the Corporation. These spare parts include pumps, valves, membranes, filters, media, and any other replacement parts of a water (or wastewater) treatment system

The Corporation also synthesizes and manufactures a unique product line of sustainable specialty chemicals for membrane pre-treatment applications (antiscalants), and develops specific blends for maintenance, preservation, and cleaning of membrane systems that maximize the operating efficiency, economy, performance, and longevity of reverse osmosis systems. H_2O Innovation also offers to its clients specialty coagulants for conventional and membrane filtration systems. This line of coagulants is complementary to the Corporation's specialty chemicals for membrane pre-treatment applications. The Corporation's specialty chemicals for membrane filtration systems as well as coagulants and flocculants are marketed under the brand name PWT™.

Through Piedmont, H_2O Innovation sells and provides a broad line of couplings and fittings that spans a wide range of industrial and municipal applications mostly using membrane-related technologies. Those couplings and fittings are manufactured with polymers, stainless steel or duplex or super duplex stainless steel and are designed for specific membrane filtration applications, such as ultrafiltration and reverse osmosis. Recently, H_2O Innovation added to its portfolio of specialty products state-of-the-art cartridge filter housings especially designed for high corrosion environment and made from fiberglass reinforced polyester (FRP). The FRP cartridge filter housings are universally designed to accept multiple types, brands and connections of cartridges.

This area of activities also includes the revenues coming from the sale of products and equipment for the production of maple syrup. H_2O Innovation markets its reverse osmosis technology in the maple syrup industry. The use of this technology for the benefit of the maple syrup producers allows the Corporation to expand its business activities in an industry sector where its technology may be applied. The Corporation offers a complete line of maple syrup products and equipment that meet the maple syrup producers' needs, such as evaporators, reverse osmosis separators, monitoring solution, membranes, fitting, tubing, tanks, press filters and other products related to the maple syrup industry. H_2O Innovation distinguishes itself with Innovative products, such as the Super-Concentrator™, a patented process to produce maple syrup by concentrating the maple sap to a sugar content of between 30^o and 50^o Brix using membrane filtration, and the H_2O-Smartrek™, which is an efficient solution, developed exclusively for the maple industry, using different sensors installed throughout a sugar bush to provide accurate intelligence on the water tightness of a collection network.

Finally, H_2O Innovation offers to its clients, in order to facilitate the operation and maintenance of their water and wastewater treatment systems, advanced monitoring infrastructure solutions. H_2O Innovation has developed during the last years and is now commercializing its SPMC™ software (System Performance Monitoring Center) that combines early detection of any issues that may arise, system optimization, remote troubleshooting and accessibility of systems, and common data storage all into one, simple platform. Since October 2015, H_2O Innovation has been offering the Clearlogx® automation and control technology, which is a patented technology that precisely and continuously controls the feed of specialty coagulants to maintain a proper pH level and optimum particle charge, while simultaneously improving overall treatment process efficiency. Clearlogx® is also used to avoid excessive membrane cleaning. More recently, H_2O Innovation designs, manufactures and implements SCADA systems in order to help its clients to monitor and control their water and wastewater treatment plants. A SCADA (Supervisory and Data Acquisition) system is a large-scale remote management system allowing real-time processing of a large number of telemetry measures and remote control of water and wastewater plants. The SCADA system is complementary to the other monitoring solutions offered by the Corporation as it allows the client to gather, under a same remote management system, all its monitoring solutions.

The specialty products and services pillar accounted for 54.7% in 2016 and 41.6% in 2015 of the total consolidated revenues of the Corporation. The revenues of this sector amounted to $27.7 M in 2016 and $20.2 M in 2015.

4.5.3 Operation and Maintenance Services

In addition to all the technical services and specialty products offered by the Corporation in order to support customers' system operation on a continuous basis, the Corporation, through its subsidiary Utility Partners, is now offering complete operation and maintenance services of water and wastewater treatment systems to municipalities and industrial customers. As to water treatment plants, Utility Partners operates, maintains, and repairs water treatment and distribution equipment and associated assets for all of its clients according to manufacturer's specifications, and ensure that water quality meets regulatory requirements. The wastewater facilities handled by Utility Partners vary in process complexity from lagoon systems to advanced tertiary treatment systems using the latest technologies. Treated effluent may be land applied, discharged to a receiving stream, or reused for irrigation purposes. Utility Partners also offers complementary public works services to certain clients that require it, such as street maintenance, drainage maintenance and solid waste collection.

The Corporation, through its subsidiary H_2O Operation & Maintenance Inc., also offers leasing of containerized water or wastewater treatment systems, pilot units to clients who wish to test or assess a specific technology, as well as operation and maintenance services of water and wastewater treatment systems throughout Canada to municipal and mining customers.

Considering that this third business pillar results from the acquisition of Utility Partners in July 2016, no revenues coming from this new business line are included in the Corporation's total consolidated revenues for the year ended on June 30, 2016. The revenues generated in Canada by the leasing and operation and maintenance activities of the Corporation are included in the revenues generated by the specialty products and services sector and accounted for less than 15% of the Corporation's total consolidated revenue for the year ended on June 30, 2016.

4.6 Markets, distribution methods, suppliers and customers

The Corporation is active in the United States, in Canada as well as internationally. During the fiscal yearfiscal year ended June 30, 2016, 58.2% of the Corporation's sales were recorded in the United States, 24.8% in Canada and 17.0% elsewhere. During the previous fiscal yearfiscal year, ended June 30, 2015, the Corporation recorded 51.4% of its sales in the United States, 35.5% in Canada, and 13.1% elsewhere.

H_2O Innovation's products and services are sold in the municipal, commercial and industrial water treatment markets. In these markets, the Corporation mainly serves: municipalities and local governments; communities and private developments; energy and power plants; oil and gas; mining and workers camps; and other industrial segments.

The Corporation's products and services are mainly sold directly to its customers by its internal sales force in the domestic market (Canada and USA). Customers can mainly be categorized in two broad categories: consulting engineering firms, construction companies and engineering procurement companies on one hand and end-users on the other hand. End-users include industrial and manufacturing companies, commercials clients, water utilities, municipalities and local governments.

The Corporation also uses a network of nearly 15 external sales representatives to sell its wastewater treatment equipment and systems in Canada and the United States.

For its specialty chemicals, the Corporation has developed a distribution network of nearly twenty-five (25) international distributors covering the following countries: USA, China, South Korea, Thailand, Australia, Taiwan, Columbia, Brazil, Malaysia, Philippines, Mexico, India, United Arab Emirates, Egypt, Tunisia, Pakistan, South Africa, Ethiopia, Tanzania, Kenya, Argentina, Saudi Arabia, Vietnam, Ecuador, Singapore, Oman and Qatar. All these distributors market and sell the Corporation's PWT™ line of specialty chemicals for membrane pre-treatment, cleaning and maintenance that are part of its specialty products and services pillar. Products sold locally by these international distributors are manufactured by the Corporation at its Vista, CA facility and shipped to them.

Since the acquisition of Piedmont, the Corporation has maintained the existing distribution network and has also expanded such network by adding new distributors worldwide. Currently, Piedmont's external distribution network relies on nearly twelve (12) distributors who are active in many regions and countries around the world, such as Spain, Mexico, United Arab Emirates, Saudi Arabia, Australia, South Korea, Egypt, Argentina, Chile and Brazil. The Corporation also uses its internal sales force to sell such products with potential customers. All these distributors market and sell Piedmont® products, mainly couplings and fittings that are part of the specialty products and services pillar of H_2O Innovation. Piedmont® products, including couplings, fittings and FRP cartridge filter housings, sold by H_2O Innovation through its distribution network or its internal sales force, are manufactured by suppliers who have been carefully selected and who have developed a strong business relationship with Piedmont over the years. In January 2015, H_2O Innovation opened an office in Bilbao, Spain and can now rely on the expertise of experienced resources in sales and product development to expand Piedmont® products in the European and Middle Eastern markets.

The Corporation has developed, for the maple syrup industry, a distribution network of more than thirty-five (35) distributors who are active in Canada (Québec, Ontario and New-Brunswick) as well as in the North-East of the United States. All these distributors market and sell the Corporation's maple syrup equipment and products throughout maple farms and other producers of maple syrup. H_2O Innovation also uses its internal sales force to sell maple syrup equipment and products to

potential customers. Corporation's maple syrup equipment is manufactured at its Ham-Nord, Quebec facility and then shipped to distributors and customers.

For the fiscal yearfiscal year ended June 30, 2016, no customer of the Corporation accounted for more than ten percent (10%) of its revenues. For the fiscal yearfiscal year ended June 30, 2015, the Corporation had derived more than ten percent (10%) of its revenues from a single external customer.

The Corporation believes it is not exposed to significant seasonality risks for its sales, except for the maple syrup industry which is a seasonal industry. The Corporation finds itself mildly exposed to economic cycles, as many other companies doing business in the field of infrastructure and utilities. In order to minimise the impacts of these economic cycles, the Corporation has balanced its activities between municipal, commercial and industrial markets, and a sound business mix combining systems sales, sales of specialty products and services, and operation and maintenance services of water utilities – which are generally recurring in nature. This business mix, which is a result of the acquisitions completed by the Corporation over the last few years, including the acquisition of Utility Partners completed in July 2016, along with its organic growth over the same period, should, in the opinion of the Corporation, enable it to manage its exposure to economic cycles.

The Corporation works with a diverse network of suppliers located mainly in Canada and in the United States and is not dependent on a single supplier for the supply of any raw material or component, except for some specific raw materials or components required for the manufacturing of Piedmont's couplings and the production of maple syrup equipment. The Corporation has identified the risk of relying on specific suppliers for certain materials or components and is currently working to develop an alternative and to find additional suppliers for such specific materials or components. The Corporation frequently monitors its network of suppliers, their technical capabilities and the competitiveness of their pricing and sales conditions. The Corporation also works with new suppliers on an *ad hoc* basis according to each project's specific manufacturing requirements.

4.7 Strategic orientation

The business model of the Corporation relies on three (3) pillars. The first one, being the core of the Corporation's development and growth, is focused on delivering membrane filtration systems and solutions to municipal and industrial customers mostly in Canada and in the United States. The second pillar relies on specialty products and services, which includes Piedmont® products, PWT™ specialty chemicals, advanced monitoring infrastructure solutions and after-sales services for systems. The third business pillar has recently been added with the acquisition of Utility Partners and is dedicated to operation and maintenance services for water and wastewater treatment systems.

The Corporation intends to continue to leverage its water treatment systems customer base to generate sales of specialty products and services, including specialty chemicals, specialty products for the water industry, after-sales services and maple syrup equipment. During the next fiscal yearfiscal year, the Corporation intends to focus on the integration of the operation and maintenance services offered by Utility Partners in order to benefit from synergies between the Corporation's pillars. Such sales are mostly recurring and thereby bring additional predictability to its business model. The Corporation's close and on-going relationships with its customers of specialty products and services may also bring additional opportunities to sell systems. The Corporation intends to develop such kind of relationship with Utility Partners' customers and to create similar synergies and cross-selling opportunities with its two other pillars. The synergies between the Corporation's pillars are cost-efficient and the Corporation wishes to maintain and increase these synergies during the fiscal yearfiscal year 2017, including as a result of the acquisition of Utility Partners.

Furthermore, with the offering of advanced monitoring infrastructure solutions, such as the SPMC™ software, the Clearlogx® technology and the implementation of SCADA systems, and the creation of a third pillar dedicated to operation and maintenance services for water and wastewater treatment systems, the Corporation has improved customer offering to position itself as a complete membrane filtration solution provider, able to provide its customers with a wide spectrum of systems, equipment, products and consumables, while also supporting them in the operation and maintenance of their systems, seeking to continuously improve operational performance.

The Corporation will also focus on increasing its presence in niche markets, such as foods and beverages, energy and power generation, ethanol production, oil and gas, and mining. In the municipal market, in order to increase its sales of water and wastewater systems, the Corporation intends to focus on small and mid-size communities in North America, developing relationships with smaller-sized regional and local engineering firms. These local engineering firms often rely more on knowledgeable and experienced water treatment systems providers to offer their services to their municipal customers, compared to national or international engineering firms, which often have their own internal team of specialized water treatment engineers. In the industrial market, the Corporation intends to increase its focus on industrial segments with complex water problems, seeking to provide them with customized solutions and to optimize the operation of their water treatment systems. The Corporation has also developed, and continues to promote its expertise in small and midsized containerized/packaged water and wastewater treatment units.

During the next fiscal yearfiscal year, the Corporation intends to continue developing its international activities throughout its international distribution networks for its specialty products, to create synergies between all its different distribution networks and to continue expanding such networks worldwide. The Corporation intends to continue as well the development of new

products in order to fulfill its constantly evolving customers' needs, provide improved support to its distributors, and leverage its hybrid offering of water treatment systems, specialty products and services and operation and maintenance services, cross-selling its three pillars to customers.

Since municipal water utilities are now exploring less traditional approaches in construction, operation and management to meet their capital investment needs and to comply with federal regulatory standards, one alternative contracting approach that has found a great deal of approval is the Design-Built-Operate ("DBO") method. In such kind of contract, the private entity engaged by the municipalities focuses on water treatment plant's long-term goals because such private entity will ultimately be responsible for the design and construction of the water plant as well as its long-term operation and/or maintenance services and for cost-savings and efficiencies over the next 10 to 20 years. Therefore, H_2O Innovation, once integrated with Utility Partners, will become one of the only players able to provide high quality process equipment as well as operation and maintenance services. This new offering will make H_2O Innovation attractive to general contractors and teams now targeting a growing number of DBO opportunities across the United States.

As for the maple syrup industry, the Corporation intends to continue to expand its distribution network, maintain its growth through the US market by acquiring a larger part of market and develop Innovative products for the maple syrup industry in order to meet its customers' needs.

4.8 Competition

Some of the Corporation's main competitors in the water treatment industry are large, multinational entities such as General Electric (USA), Veolia (France), SUEZ (France), Pall Corporation (division of Danaher, USA), Doosan Hydro (Florida based division of South Korean Doosan Heavy) and Evoqua (USA). The Corporation also competes with regional players such as Harn R.O. Systems in the Southeast of the United States; Wigen Water Technologies in the Midwest of the United States, FilterBoxx in Western Canada; and Lapierre in Quebec, amongst others. For certain specific technologies or in certain niche markets, the Corporation competes with specific players such as Westech for its bioreactor wastewater treatment technologies and Nalco, GE Betz, Genesys, Avista, and King Lee Technologies for its membrane filtration consumables and maintenance solutions technologies. The main competitors of the Corporation in the couplings and fittings industry are Victaulic, Shurjoint (now part of Tyco since 2012), Pass and Horizon.

H_2O Innovation's competitors in the maple syrup industry are not numerous and are the main players in such industry, such as Les Équipements Lapierre, Les Équipements d'érablière CDL, L.S. Bilodeau and Dominion & Grimm. All these Quebec-based companies are also competitors of the Corporation in other markets than the province of Quebec.

Through the acquisition of Utility Partners, H_2O Innovation is now active in the business of operation and maintenance of water and wastewater utilities. This field is often called "Conops", for Contracted Operations & Maintenance Services. It consists of supplying labor and potentially consumables for the continued and ongoing operation and maintenance of water and wastewater treatment plants. In the Conops industry, Utility Partners main competitors are Veolia, Suez, Serven Trent, CH2M Hill and American Water. In addition, there are numerous regional Conops players such as ESG, active in the South East, or PERC, active in the South West part of the United Sates.

Meanwhile, despite its size, H_2O Innovation believes that it is one of the few companies in the water treatment industry in North America to offer such a broad offering with such a significant number of reference projects. In North America, its size enables the Corporation to be competitive in a niche market relatively less occupied by its larger multinational competitors. In normal economic conditions, these larger entities tend to avoid customizing solutions to customers' needs and tend to embrace large scopes of work.

5. NARRATIVE DESCRIPTION OF THE BUSINESS

5.1 General business

H_2O Innovation designs, manufactures, assembles and commissions water treatment systems. Each project is customized by its multidisciplinary team to meet customers' specific needs.

The Corporation's process engineering experts make sure that the proposed treatment solution will ensure customer's problem resolution. Afterwards, all its specialty groups, such as project management, mechanical and 3D modeling engineering, electric and automation engineering as well as installation and commissioning, will be involved in the execution of each project, always in collaboration with people in charge of the project on the customer's side.

H_2O Innovation offers complete technical and maintenance services in order to support customers' system operation on a continuous basis and supply them with all required spare parts, repair and/or change of components. The Corporation expands its offer by offering leasing of containerized water and/or wastewater treatment systems as well as piloting units for specific purposes.

In order to assist its customers with the operation of a water or wastewater treatment system, H_2O Innovation offers advanced monitoring infrastructure solutions such as its SMPC^{TM} software, developed internally over the last years and now commercialized, that combines early detection of any issues that may arise, system optimization, remote troubleshooting and

accessibility of systems, and common data storage all into one, simple platform. Since October 2015, H_2O Innovation has added to its portfolio the Clearlogx® technology, which is a patented automation and control technology that continuously controls the feed of specialty coagulants used in water treatment to maintain a proper pH level and optimum particle charge. Recently, H_2O Innovation has also offered to its customers conception and implementation of SCADA systems.

Through its specialty products and services business line, the Corporation develops and manufactures a unique range of specialty chemicals for membrane treatment under the brand name PWT™, to which a line of specialty coagulants and flocculants has been added over the last fiscal year. The Corporation develops specific anti-scalants and cleaners for membrane systems. H_2O Innovation operates with a modern laboratory and automated production methods certifying the quality of shipped products from its manufacturing plant in California. The Corporation also offers a membrane autopsy service to help detect intricate problems. This way, the Corporation can easily recommend the required protocols in order to expand membrane useful life.

The Corporation designs and manufactures, through its subsidiary Piedmont, a broad line of specialty products for a wide range of industrial and municipal applications in the water treatment industry, such as couplings, fittings, FRP cartridge filters housings and other complementary products.

With the acquisition of Utility Partners, H_2O Innovation believes it is well-positioned to offer operation and maintenance services of water and wastewater treatment systems, mainly to municipalities and utilities. Water and wastewater treatment facilities and distribution systems are operated and maintained in accordance with all current EPA (US Environmental Protection Agency) regulations in order to meet regulatory requirements in terms of water quality. Utility Partners' water treatment personnel is duly licensed and certified in accordance with applicable laws.

5.2 Production methods and specialized expertise

The Corporation believes that it holds competitive advantages over its main competitors as a result of the accumulated knowledge and know-how of its people, its participation in over a thousand water treatment projects, its patented technologies and its scalable manufacturing capacity. The Corporation can offer several different solutions for drinking and industrial process water production, reclamation and reuse of water, seawater desalination or wastewater treatment and is also able to service such systems.

The Corporation is specialized in the design of customer-tailored systems. In its two (2) production facilities dedicated to manufacturing and assembling water treatment systems and maple syrup equipment – a 60,000 sq. ft. plant located in Ham-Nord (Quebec) and a 30,800 sq. ft. plant located in Champlin (Minnesota) – the Corporation benefits from a specialized manpower able to meet customer requirements in short lead-times, thus offering a competitive advantage. Its manpower also has the expertise to manufacture and assemble water treatment systems outside of its manufacturing facilities, for example site-built projects or specific containerized/packaged units.

In its 12,000 sq. ft. production facility in Vista (California), the Corporation manufactures its sustainable specialty chemicals for membrane pre-treatment and cleaning applications. In Vista (California), the Corporation develops anti-scalants and cleaners for membrane systems that maximize the operating efficiency, economy, performance and longevity of reverse osmosis systems. In April 2015, the Corporation significantly increased its production and warehouse capacity in Vista (California) by renting a new warehouse of 7,640 sq. ft. adjacent to its existing facility.

The Corporation also offers various types of mobile units for water purification and/or wastewater treatment. These mobile units, developed for permanent, emergency or piloting use, are true modular treatment plants. Custom-built to meet the specific needs of treatment and the capacities required, they are assembled inside containers, caravans or trailers (insulated, heated and ventilated, if necessary). With its containerized membrane bioreactor, the Corporation offers to its customers an advanced wastewater treatment solution that can meet typical wastewater effluent regulations throughout North America. This containerized membrane bioreactor is the far most compact and versatile containerized wastewater treatment package on the market to offer treatment redundancy, usually found only in much larger plants.

The Corporation designs couplings and fittings made from polymers, stainless steel and duplex and super duplex stainless steel. Over the last fiscal year, H_2O Innovation has developed, and is now commercializing, cartridge filter housings made from fiberglass reinforced polyester (FRP). All the molds used in the manufacturing of the couplings and FRP cartridge filter housings are the exclusive property of the Corporation, including the molds for the internal components of the FRP cartridge filter which are made of polyamide (PA+ fiber glass) material. The various materials are injected in the molds under strict quality control to minimize any manufacturing defects. Once the housings are completed and confirmed compliant with the specifications, the other components such as hardware (gaskets, nuts and bolts) or internal components (gaskets, internal support and tie rods) are installed to complete the products' assembly. In addition to such components or products, whether fully assembled or not, customers are provided with detailed installation and instruction manuals and can also benefit from the Corporation's technical services.

5.3 Employees

As of June 30, 2016, the Corporation had approximately 180 employees in Canada, Spain and the United States, including nearly 45 engineers specialized in process and application and wastewater process related to innovative water treatment technologies, such as membrane filtration, membrane biological reactors and membrane cleaning solutions, in mechanical and systems engineering, in software development, in electrical design and control panels and in controls and programming.

With the addition of Utility Partners on July 26, 2016, the number of employees being part of the H_2O Innovation's group increased to approximately 540 employees, including several certified operators of water and wastewater treatment facilities.

5.4 Risks and uncertainties

The following risks and uncertainties relating to the Corporation are not exhaustive; the Corporation operates in a constantly evolving sector, which can cause new risks and uncertainties to arise. The Corporation is not in position to neither predict these risks and uncertainties, nor evaluate their impact, as the case may be, on its activities, nor to evaluate to what extent may a factor, or a combination of factors, cause actual results to differ from those presented below.

Competitive environment

In the markets targeted by the Corporation, competition is based on a number of factors, especially price, technology, application know-how, financing viability, corporate image, product warranty, reliability, distribution network, and after-sales services. Some competitors of the Corporation have the benefit of relying on larger resources, notably financial, than those of the Corporation. In the past, the Corporation noticed that challenging global financial conditions contributed to reduce the number of water treatment projects and increase the competition as well as the number of companies bidding on each project. If such competitive environment persists, profit margins on projects may be lowered and it may adversely affect the Corporation's business, financial situation and results of operations.

During the year ended June 30, 2016, many announcements of investments in water treatment equipment over the next years were carried out at municipal level in Canada and the United States. However on a short-term basis such growth may be uneven due to the current instability of the global markets.

Operating risks

Design and fabrication of water treatment projects involve a high degree of operating risks. Human error in design and fabrication can cause material damage or delays in delivery. The occurrence of any of these events could result in loss of revenues, increased costs and liability to third parties. The Corporation uses software that has improved the design, drafting, estimation and fabrication of its products to minimize human error. The Corporation also controls production quality in its plants and is protected by a general insurance coverage.

Different types of events could induce an interruption of operation and/or a loss of production, as loss of a key supplier, natural disaster or failure of a program that runs a production line. All those events could cause significant delays in operation. The Corporation has located a part of its inventory in nearby warehouse and an emergency plan has been implemented and is regularly reviewed. The Corporation has also subscribed to business interruption and contingent business interruption insurance coverages.

As part of operating risks, risk to lose customers or distributors is considered and would have a noticeable gap in sales. The likelihood of occurrence is possible, while low, considering the significant amount of competition in the markets targeted by the Corporation. The Corporation develops broad distribution network and regularly add more distributors in its distribution network to dilute customers' concentration of each distributor.

Fixed price contracts and renewal

The Corporation typically enters into fixed price manufacturing contracts based upon estimates of technical risks and total production costs. Such estimates, if materially inaccurate, can result in potential losses related to fulfilling the contractual obligations of the Corporation.

Through its subsidiary Utility Partners, the Corporation enters into operation and maintenance contracts that are effective for a period of time that may vary from 3 to 5 years, with multi-year renewal options. In the event an operation and maintenance contract is not renewed at its end, this can result in potential loss and adversely affect the Corporation's results and financial position.

Management and employees

The Corporation depends on the skills and experience of its management team and other key employees. The Corporation relies heavily on its ability to attract and retain highly-skilled personnel in a competitive environment. The Corporation may be unable to recruit, retain, and motivate highly-skilled employees in order to assist the Corporation's business, especially sales

activities that are essential to the success of the Corporation. Failure to recruit and retain highly-skilled employees may adversely affect the Corporation's business, financial condition and results of operations.

Considering the type of industry and the line of work of the Corporation, the Corporation is facing situations that may result in accidents causing injuries to employees, customers or sub-contractors. The Corporation has implemented a health and safety program within its organization. Its employees are properly trained to face such kind of situations and are aware of potential hazardous work situations. Health and Safety Committees have been created by the Corporation in each facility and such committees meet on a regular basis to, among others, plan training sessions for the Corporation's employees.

Acquisition and expansion risk

The Corporation may expand its operations by acquiring additional businesses, products or technologies. There can be no assurance that (i) the Corporation will be able to identify, acquire or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business without substantial expenses, delays or other operational or financial difficulties, or (ii) that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income.

In connection with acquisitions completed by the Corporation, liabilities and contingencies that the Corporation failed to discover or was unable to quantify during the due diligence process conducted prior to the acquisition may exist. The Corporation may not be indemnified for some or all of these liabilities and contingencies. The existence of any material liabilities or contingencies could have a material adverse effect on the Corporation's business, financial condition and results of operations. Furthermore, acquisitions may involve a certain number of particular risks including diversion of management's attention, failure to retain key personnel and unanticipated events or circumstances, some or all of which could have a material adverse effect on the Corporation's performance.

The failure of the Corporation to successfully manage its acquisition or expansion strategy could have a material adverse effect on the Corporation's results of operations and financial condition.

Development of new products

Development of new products of a specialized nature by the Corporation entails inherent risks, namely that either the product does not perform as desired or unacceptable reliability issues making such new product unmerchantable; or the risk that required components procured from third party suppliers do not perform in an acceptable manner, thereby having an adverse impact on marketability of such new products and on the Corporation's product liability. The Corporation is also subject to risks associated with the introduction of new products and applications, especially the non-acceptance on the markets, a delay in the development or a malfunction of the products.

IP infringement

H_2O Innovation protects its intellectual property related to investments in research and development by relying on trade secret laws and confidentiality agreements with third parties who have access to information about the Corporation's research and development activities. It also relies on a combination of laws effective in Canada, the United States or foreign countries with respect to trademarks, patents, trade secrets and other intellectual properties.

Despite its efforts, the Corporation may not be able to determine the extent of unauthorized use and infringement of its intellectual property rights related to its trademarks, patents and other intellectual property. In any case, such efforts are difficult, expensive, and time-consuming. Failure to protect H_2O Innovation's existing and future intellectual property rights could seriously harm its business and may result in the loss of its ability to exclude others from practicing the Corporation's technology.

The Corporation's patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. The question as to property ownership in the Corporation's industry is complicated and, in some cases, it is difficult to define with precision where one property begins and another ends. Therefore, there can be no assurance that infringing products or goods could not be manufactured without the Corporation's knowledge and consent

Product liability and other lawsuits

The Corporation may be subject to a variety of potential product liabilities claims and other lawsuits related with its operations, including liabilities and expenses associated with product defects. The Corporation maintains product liability and other insurance coverage that management believes as generally in accordance with the market practice in its industry, but there can be no assurance that the Corporation will always be adequately insured against all such potential liabilities.

Implementation of a strategic plan

The commercial strategy of the Corporation aims at leveraging its offering based on three pillars, namely water treatment projects, specialty products and services and operation and maintenance services of water and wastewater treatment

systems, by focusing on the development of niche sectors and by concluding acquisitions or alliances with players in strategic geographical regions, complimentary product lines or business models. The strategic plan of the Corporation should be addressed taking into consideration potential risks, expenses and difficulties frequently encountered by a growing company. The successful viability of the Corporation's growth strategy may require capital investments larger than those previously expected and nothing warrants that the Corporation will achieve its desired growth level.

Capacity to secure performance guarantees

In the industry in which the Corporation evolves, it is important for the Corporation to be able to provide required performance guarantees such as bonds or insurance coverages in order to bid for and obtain certain contracts. The capacity of the Corporation to secure performance guarantees depends among other factors on its financial situation and on the collateral that the Corporation is able to provide to a bonding company. The financial situation of the Corporation and its capacity to provide collateral can be affected by many different factors and there is no assurance that the Corporation will always be able to provide the required performance guarantees for any project. If required performance guarantees cannot be provided and the Corporation cannot enter into an agreement with a customer, the Corporation may not be able to execute a project for which it had all required technical skills and competitive pricing.

Market liquidity

Trading on the Corporation's common shares may be unstable, which could in same period result in a lack of liquidity for those shares. The market price for the common shares of the Corporation could consequently be subject to wide fluctuations. Factors such as the announcement of significant contracts, technological innovations, new commercial products, patents, a change in regulations, quarterly financial results, future sales of common shares by the Corporation or current shareholders, and many other factors could have considerable repercussions on the price of the Corporation's common shares. In addition, the financial markets may experience significant price and value fluctuations that affect the market prices of equity securities of companies that sometimes are unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally may adversely affect the market price of the Corporation's common shares.

Capital investment

The business of the Corporation depends in part upon capital investment of its customers. In many cases such capital expenditures are substantial compared to its operating budget. The technologies of the Corporation frequently represent a new solution to a customer's water treatment problems, leading to a need to educate the customer about the solutions of the Corporation. As a result, a significant proportion of the Corporation's business is made up of large orders compared to its total revenues and subject to a sale cycle which may exceed one year as well as to postponement and cancellation of projects.

Current global financial conditions

The Corporation offers products and services that are primarily designed for the non-residential construction market. Non-residential construction includes municipal, industrial, commercial and institutional sectors. The non-residential construction market is closely tied to overall changes in the economy. Economic growth and cycles have a direct impact on the level of construction that takes place on an annual basis.

In addition, the current challenging global financial conditions have been characterized by increased volatility. The difficulties met by financial institutions have contributed to a reduction in liquidity among all financial institutions and have reduced the availability of credit to those institutions and to the issuers who borrow from them. These difficulties may impact the ability of the Corporation to obtain equity or debt financing on terms favourable to the Corporation. As such, continued increased levels of volatility and market turmoil may impact the Corporation's operations.

Additional financing and dilution

The Corporation does not exclude raising additional funds by equity financing. In addition, as at September 26, 2016, 2,565,334 stock options are currently issued and outstanding. The exercise of stock options, as well as any new equity financings, represent dilution factors for present and future shareholders.

Shortage of raw materials

Some of the products manufactured by the Corporation require specialized raw materials. If such raw material is not available or not available under satisfactory terms and the Corporation cannot manufacture and provide its customers with the requested product, sales level and relationships of the Corporation with its customers can be negatively affected.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements, using various funding sources to ensure its financial flexibility and by preparing budgets and cash forecast to ensure that it has sufficient funds to fulfill its obligations. For its investing activities, the Corporation will evaluate its liquidity needs when applicable and take the necessary action.

Interest rate risk

In the normal course of business, the Corporation is exposed to interest rate fluctuation risk as a result of the floating-rate loans, debts receivable and loans payable. The Corporation manages its interest rate fluctuation exposure by allocating its financial debt between fixed and floating-rate instruments.

The guaranteed deposit certificates and unsecured loans bear interest at fixed rates and the Corporation is, therefore, not exposed to the risk of changes in fair value resulting from interest rate fluctuations. The bank loans bear interest at floating rates and the Corporation is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

Insurance coverage risk

The Corporation maintains a wide insurance portfolio relating to its operations, including, among other coverage, property, general and product liability, professional liability, workers' compensation as well as directors' and officers' liability policies. However, the Corporation's insurance coverage is subject to large individual claim deductibles for certain policies, individual claim limits, exclusions, and other terms and conditions. Certain damages in litigation, such as punitive damages, are generally not covered by insurance. There is a small risk that the Corporation's current insurance coverage will not be sufficient to cover all losses, that future insurance coverage will not contain additional exclusions or limitations, that the Corporation will not be able to continue to obtain insurance coverage, or that insurance coverage will not be available at an economically reasonable cost. In the event that the Corporation does not have adequate or any insurance, product liability claims, litigation or other losses could have a material adverse effect on results of operations and financial condition.

Cybersecurity

The Corporation relies on the accuracy, reliability, and proper use of sophisticated and dependable information processing systems and management information technology and provides several services to its customers using such kind of information processing systems. Any interruption in these systems or any interruption associated with the transition of these systems to a new information technology platform could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation has developed and implemented a cybersecurity plan to mitigate the risks associated with cyber threats, breach or loss of data and inadequate users' behaviors. Different controls are currently in place, such as network security, data security, training and awareness. The Corporation also maintain a cyber liability insurance coverage as well as a technology error and omission insurance coverage with respect to all services offered to its customers with respect to electronic or computer based system or network.

Technology and regulatory changes

The water treatment industry is characterized by evolving technologies, competition imposed standards and regulatory requirements which have an impact on the demand and compel the Corporation to improve its products and services. The evolution of legal, regulatory or local requirements may render obsolete some products and some water treatment processes offered by the Corporation. The acceptance of new products may also be negatively impacted by the enforcement of new governmental legislation imposing more stringent standards.

Credit risk

Credit risk relates to the risk that a party to a contract will not fulfil some or all of its obligations, thereby causing the Company to sustain a financial loss. The main risk relates to accounts receivable. To manage credit risk from account receivables, the Company reviews credit limits, monitors aging of accounts receivable and establishes an allowance for doubtful accounts based on specific customer information and general historical trends. Also, the Corporation insures a part of its accounts receivable through the insurance coverage of Exportation and Development Canada ("EDC").

Currency risk

The Corporation is exposed to exchange risk as a result of its U.S. dollar purchases and sales. To limit the impact of fluctuations of the Canadian dollar over the U.S. dollar and other currencies, the Corporation matches, in general and when possible, the cash receipts in a foreign currency with the cash disbursements in the same foreign currency. The Corporation does not use derivative financial instruments to cover the variability of cash flows in foreign currencies.

Transfer pricing

The Corporation conducts business operations in various jurisdictions and through legal entities in Canada and the United States. The tax laws of these jurisdictions have detailed transfer pricing rules which require that all transactions with non-resident related parties be priced using arm's-length pricing principles and that contemporaneous documentation must exist to support that pricing. The taxation authorities in the jurisdictions where the Corporation carries on business could challenge the Corporation's arm's-length related party transfer pricing policies. International transfer pricing is a subjective area of taxation and generally involves a significant degree of judgment. If any of these taxation authorities were to successfully challenge the Corporation's transfer pricing policies, its income tax expense could be adversely affected and it could also be subject to interest and penalty charges. Any such increase in its income tax expense and related interest and penalties could have a significant impact on the Corporation's future earnings and future cash flows.

6. DESCRIPTION OF THE SHARE CAPITAL

The authorized share capital of the Corporation consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

As of September 26, 2016, 40,144,214 common shares are issued and outstanding.

The following is a brief summary of the attributes of the common shares and the preferred shares. This summary is subject to the more detailed provisions set out in the articles of the Corporation.

6.1 General description

6.1.1 Common shares

The holders of common shares have the right to vote at all meetings of shareholders, with the exception of those meetings at which only the holders of other classes of shares have voting rights. The holders of common shares are entitled to receive and to be paid in money, in shares or in property of the Corporation, out of the monies of the Corporation applicable to the declaration and the payment of dividends, any amount of declared dividend, when and as declared by the Board of Directors of the Corporation. The holders of common shares are entitled to receive the remaining assets of the Corporation upon its liquidation, dissolution, winding-up or any other distribution of its assets.

6.1.2 Preferred shares

Preferred shares may be issued at any time, in one or several series, ranking between themselves, as shares of this specific category upon payment of dividends and assets distribution in the case of Corporation winding-up, liquidation and partial or complete asset distribution among the shareholders. Subject to the provisions of the *Canada Business Corporation Act*, preferred shares do not entitle their holder to vote, to be convened to or to attend shareholders' meetings. The holders of preferred shares of a specific series are entitled to receive, with respect to each fiscal yearfiscal year or any other period indicated on the articles of amendment related to said series, preferential dividends. The cumulative or non-cumulative characteristic, rate, amount or calculation method and payment terms of the said preferential dividends will be determined by the applicable articles of amendment. In the event of the winding-up of the Corporation, or the distribution of its assets in the liquidation process, in whole or in part among shareholders, the holders of preferred shares of any series receive, in cash or in nature, an amount equivalent to the counterpart payable to said issued and outstanding shares, in priority before any distribution to the holders of common shares.

7. DIVIDENDS

The Corporation has not declared any dividend on its common shares since its incorporation and intends to continue reinvesting its future benefits to support its growth.

8. MARKET FOR SECURITIES

8.1 Trading Price and Volume

The common shares of the Corporation are listed on the TSX Venture Exchange Inc. under the symbol “HEO”. The following table sets out trading information for each month during the fiscal yearfiscal year ended June 30, 2016 for the Corporation’s publicly traded common shares listed on the TSX Venture Exchange, as well as corresponding monthly volume:

Month	Closing High	Closing Low	Volume
July 2015	$1.75	$1.39	334,455
August 2015	$1.52	$1.33	174,878
September 2015	$1.49	$1.35	174,826
October 2015	$1.47	$1.20	476,065
November 2015	$1.40	$1.02	410,000
December 2015	$1.22	$1.00	246,549
January 2016	$1.20	$1.01	291,488
February 2016	$1.21	$1.01	279,865
March 2016	$1.20	$1.03	644,716
April 2016	$1.38	$1.06	545,643
May 2016	$1.80	$1.26	1,512,939
June 2016	$1.63	$1.42	714,964

The common shares of the Corporation are also traded on the NYSE Euronext Alternext Exchange in Paris under the symbol “ALHEO” and, since December 1, 2014, on the OTCQX marketplace in the USA under the symbol “HEOFF”.

9. DIRECTORS AND EXECUTIVE OFFICERS

9.1 Directors

Below are the names and city of residence of the directors of the Corporation, the positions and offices held with the Corporation, their principal occupation, the starting date of their mandate as director and the number of voting shares of the Corporation held directly or over which a director had control on as of September 26, 2016.

Name and Place of Residence	Principal Occupation	Position and Office held with the Corporation	Director Since	Number of Shares held as of September 26, 2016
Pierre Côté[(3)] Dundas, Ontario Canada	President, Côté Membrane Separation Ltd. (Consulting firm)	Director	November 12, 2013	59,057
Peter K. Dorrins[(2)] St-Raymond, Quebec Canada	President and CEO, Junex Inc. (Petroleum and Natural Gas exploration and production)	Director	November 11, 2014	----
Frédéric Dugré[(3)] Quebec City, Quebec Canada	President and Chief Executive Officer, H_2O Innovation Inc.	President and Chief Executive Officer and Director	January 12, 1999	829,268

Name and Place of Residence	Principal Occupation	Position and Office held with the Corporation	Director Since	Number of Shares held as of September 26, 2016
Laurence E. Gamst[(1)] Mendota, MN United States	Investor and Certified public accountant – Managing Director and Shareholder at DS&B Certified Public Accountants, Consultants & Advisors (Accounting and Financial Consulting Firm)	Director	November 10, 2010	612,605
Philippe Gervais[(1)] Montréal, Quebec Canada	Principal Navigator Ltd. (Public affairs Firm)	Chairman of the Board of Directors	December 19, 2001	96,159
Lisa Henthorne[(2)(3)] Tampa, FL United States	Chief Technology Officer, Water Standard (Water Desalination Company)	Director	July 12, 2010	----
Richard A. Hoel[(1)] Naples, FL United States	Private investor (former lawyer at Winthrop & Weinstine P.A.)	Director	July 10, 2008	2,445,763
Élaine Cousineau Phénix[(1)(2)] Montréal, Quebec Canada	President, Phénix Capital inc. (Asset Management Consulting Firm)	Director	December 6, 2006	71,761
Jean-Réal Poirier[(2)(3)] St-Georges, Quebec Canada	Corporate Director (former Vice President, Manufacturing Operations for Canam Group Inc.)	Director	November 12, 2013	----

(1) Member of the Audit Committee
(2) Member of the Corporate Governance, Remuneration and Risks Committee
(3) Member of the Technology and Projects Committee

Directors are elected on an annual basis by the shareholders. Each director holds office until its successor has been elected, or unless the director resigns or if his or her position becomes vacant by reason of death, dismissal or any other reason.

For the past five (5) years, all the directors of the Corporation held the principal occupation indicated besides their name, with the following exceptions:

- Jean-Réal Poirier retired in March 2013 from his position of Vice President Manufacturing Operations for Canam Group Inc. Mr. Poirier held various positions with Canam Manac Group over the last 25 years.
- Philippe Gervais has been principal of Navigator Ltd.'s Montreal office since July 1, 2016. Prior joining Navigator Ltd., Mr. Gervais has served as Vice President of The Capital Hill Group for more than 20 years.

As a group, the directors of the Corporation held, as of September 26, 2016, 4,114,613 common shares of the Corporation, representing 10.25% of the issued and outstanding common shares of the Corporation.

9.2 Executive Officers

Following are the names and city of residence of the executive officers of the Corporation, their principal occupation, the starting date of their function as executive officer and the number of voting shares of the Corporation held directly or over which they had control on September 26, 2016:

Name and Place of Residence	Position within the Corporation	With the Corporation Since	Number of Shares as of September 26, 2016[(1)]
Marc Blanchet Quebec City, Quebec, Canada	Chief Financial Officer and Secretary	February 27, 2007	300,783
Guillaume Clairet Quebec City, Quebec, Canada	Chief Operating Officer	November 29, 2004	321,460
Frédéric Dugré Quebec City, Quebec, Canada	President and Chief Executive Officer	January 12, 1999	829,268

(1) 625,000, 208,333 and 208,333 common shares, held respectively by Frédéric Dugré, Marc Blanchet and Guillaume Clairet, have been issued subject to shareholders' approval (for more detail, see Section 2.5 of the Management Proxy Circular of the Corporation dated September 26, 2016).

For the past five (5) years, all the executive officers of the Corporation held the principal occupation indicated beside their name, with the following exceptions:

- Marc Blanchet was appointed Chief Financial Officer and Secretary of the Corporation on September 21, 2015, after having served as Vice President, Corporate and Legal Affairs and Corporate Secretary since July 1, 2011. Marc Blanchet joined H_2O Innovation on February 27, 2007 as Director of Corporate and Legal Affairs.
- Guillaume Clairet was appointed Chief Operating Officer of H_2O Innovation on September 21, 2015 and previously served as Executive Vice President from July 1, 2012. Since he joined H_2O Innovation in November 2004, and before being appointed as Executive Vice President in July 2012, Mr. Clairet served in sequence as National Sales Manager, Director of Business Development and Vice President of Strategic Business Development.

As a group, the executive officers of the Corporation held, as of September 26, 2016, 1,451,511 common shares of the Corporation, representing 3.6 % of the issued and outstanding common shares of the Corporation, of which 1,041,666 have been issued subject to shareholder approval.

9.3 Cease trade orders, bankruptcies, penalties or sanctions

No director, officer or major shareholder of the Corporation who may affect significantly the control of the Corporation, is or has been, during the ten (10) years preceding the date of this Annual Information Form, a director or executive officer, including a chief executive officer or chief financial officer of a company that: i) while exercising this function, was subject to a cease trade order or order similar to a cease trade order or an order that denied the relevant company access to any exemption under Canadian securities legislation for a period of more than thirty (30) consecutive days, ii) was the subject to a cease trade order or order similar to a cease trade order or an order that denied the relevant company access to any exemption under Canadian securities legislation for a period of more than thirty (30) consecutive days issued after the director or executive officer ceased to be a director or executive officer and which resulted from an event that occurred while that person was acting in such capacity, iii), while that person was a director or executive officer or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or iv) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Moreover, no officer or director of the Corporation and principal shareholder of the Corporation who may affect significantly the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority nor any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Subject to certain proceedings in the normal course of business, the Corporation is not party to any proceedings which would have a material adverse effect, individually or as a whole, on the business, financial situation or operating results of H_2O Innovation or that involve a claim in an amount, exclusive of costs and interest, that exceeds ten percent (10%) of the current assets of the Corporation.

During the fiscal yearfiscal year ended June 30, 2016, the Corporation has not been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or that would likely be considered important to a reasonable investor in making an investment decision. The Corporation has not entered into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority.

11. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Over the past three (3) fiscal yearfiscal years, no director and executive officer of the Corporation as well as any person that beneficially owns, or controls or directs, directly or indirectly, more than ten percent (10%) of any class or series of the issued and outstanding voting securities of the Corporation, or any of their associates or affiliates, is or has been part of a transaction that has materially affected the Corporation, except the following:

Current fiscal yearfiscal year:

- On July 26, 2016, Frédéric Dugré, director, President and Chief Executive Officer, Marc Blanchet, Chief Financial Officer, and Guillaume Clairet, Chief Operating Officer, participated in the concurrent additional non-brokered private placement for an aggregate amount of $1.25 M. Subject to the approval of the disinterested shareholders of the Corporation at the next annual meeting of its shareholders, the Company extended to Frédéric Dugré, Marc Blanchet and Guillaume Clairet individual loans in an aggregate amount of $1.25 M in order for them to acquire common shares of H_2O Innovation, which loans bear interest at a rate of 2.5%, are secured by a pledge of the acquired common shares and will be reimbursed upon predefined repayment conditions. (For more details, see Section 2.5 of the Management Proxy Circular of the Corporation dated September 26, 2016.)

- On July 26, 2016, certain insiders of H_2O Innovation (Investissement Québec, Caisse de dépôt et de placement du Québec, Élaine Cousineau Phénix, Pierre Côté, Richard Hoel, Laurence Gamst and Guillaume Clairet) participated, as the case may be, in the bought deal private placement or the concurrent additional non-brokered private placement for an aggregate of 7,246,998 common shares of the Corporation. Investissement Québec and Caisse de dépôt et de placement du Québec, for their part, have participated in the bought deal private placement and have subscribed to a certain number of common shares, thus increasing their participation to respectively 18.56% and 13.88% of the issued and outstanding common shares of the Corporation.

Fiscal year ended June 30, 2014:

- On December 5, 2013, some insiders of the Corporation (Caisse de dépôt et de placement du Québec, Richard A. Hoel, Philippe Gervais, Pierre Côté, Élaine Cousineau Phénix, Marc Blanchet, Josée Riverin, Guillaume Clairet and Frédéric Dugré) participated, as the case may be, in the bought deal private placement or the concurrent additional non-brokered private placement and subscribed to an aggregate of 3,941,737 common shares of the Corporation.

- On December 5, 2013, Investissement Québec participated in the bought deal private placement by acquiring 18.28% of the issued and outstanding common shares of the Corporation.

- On September 30, 2013, some insiders of the Corporation (Richard A. Hoel, Laurence E. Gamst and Frédéric Dugré) participated in the non-brokered private placement and subscribed to an aggregate of 1,204,546 common shares of the Corporation.

12. TRANSFER AGENT AND REGISTRAR

Since June 1, 2014, the Canadian transfer agent and registrar of the Corporation is CST Trust Company, which holds the register of transaction of the common shares of the Corporation in its offices located in Montreal, Province of Quebec.

13. MATERIAL CONTRACTS

Except the following material contracts, all contracts entered into and closed by the Corporation during the current and the last fiscal year are considered as entered into during the normal course of business and are not considered as “material contracts” for the purpose of *Regulation 51-102 respecting Continuous Disclosure Obligations*:

- Underwriting Agreement entered into between the Corporation, GMP Securities L.P. and Beacon Securities Limited on July 26, 2016 concerning the issuance, on a private placement basis, of 15,333,333 common shares of the Corporation at a price of $1.20 per share, for an aggregate purchase price of approximately $18.4 M. The Underwriting Agreement was filed on SEDAR on August 2, 2016.

- Share Purchase Agreement entered into between H_2O Innovation USA Holding, Inc., Dr. Carl J. Pope, Mr. Robert Monette, Ms. Theresa Calvert and Utility Partners, LLC, on July 13, 2016, concerning the acquisition by H_2O Innovation USA Holding, Inc. of all of the membership interests of Utility Partners, LLC. The Share Purchase Agreement was filed on SEDAR on July 22, 2016.

- Asset Purchase Agreement entered into between H_2O Innovation Inc. and H_2O Innovation USA, Inc., as the buyers, and Clearlogx Inc., Marmac Water LLC, Gregg McLeod and Mary Marvelli, as the sellers, on October 21, 2015, concerning the acquisition by H_2O Innovation Inc. and H_2O Innovation USA, Inc. of all the assets of sellers pertaining to or used in the business consisting (i) in the design, manufacturing, commercialization and sale of the Clearlogx® technology and (ii) in the sale and distribution of chemicals for the maintenance and operations of industrial and commercial water treatment systems.

14. INTERESTS OF EXPERTS

During the fiscal year ended June 30, 2016, the auditor of the Corporation was Deloitte LLP, Chartered Professional Accountants at their Quebec City office. The auditor is independent in accordance with the rules of the Code of Ethics of Chartered Professional Accountants of Quebec.

15. AUDIT COMMITTEE

15.1 General

The Audit Committee of the Board of Directors is comprised of four (4) independent directors and is responsible for reporting on certain aspects of the governance of the Corporation as delegated by the Board of Directors.

15.2 Mandate of the Audit Committee

The Mandate of the Audit Committee is attached as Schedule “A” to this Annual Information form.

15.3 Composition

The members of the Audit Committee are:

Mrs. Élaine Cousineau Phénix (Chairperson)
Mr. Laurence E. Gamst
Mr. Philippe Gervais
Mr. Richard A. Hoel

Each of these members is independent and financially literate.

Élaine Cousineau Phénix holds a Bachelor of Arts with honour degree from the Collège Jean-de-Brébeuf, a Fellow degree from the Canadian Securities Institute, and an ASC degree (certified corporate director) from the Collège des administrateurs de sociétés. Mrs. Phénix counts over twenty-five (25) years of experience in the Canadian capital market, especially as Senior Vice-President, Underwriting, at Lévesque, Beaubien, Geoffrion Inc. (now National Bank Financial Inc.) and as Senior Vice-President, Capital Development at the Montreal Exchange. Since 1999, Mrs. Phénix has been consultant in assets management and President of Phénix Capital Inc. Mrs. Phénix is currently member of four (4) boards of directors, and serves on several audit and governance committees.

Laurence E. Gamst graduated from the University of Minnesota in 1976. He is a Certified Public Accountant and an active member of the American Institute of Certified Public Accountants and Minnesota Society of Certified Public Accountants. In 1976, Mr. Gamst joined DS&B Certified Public Accountants, Consultants & Advisors, where he now acts as Managing Principal. Mr. Gamst uses his vast financial, business ownership and management experience to set and achieve the firm's strategic direction. In addition, he utilizes his business advisory, direct ownership and financial expertise to proactively help clients with strategic planning, operations, succession and financing issues. Mr. Gamst was instrumental in developing DS&B's healthcare specialty, and the firm is now recognized as one of the state's leading healthcare consulting teams. Mr. Gamst is also a private investor and, with partners, invests and acquires privately-owned operating companies.

Philippe Gervais graduated from the University of Montréal in 1988 with a Bachelor of Science in Economics. From 1988 to 1992, he worked for the Minister of National Revenue as Special Assistant responsible for the implementation of the GST. His government service continued with positions as Executive Assistant to the Federal Minister of Public Works and Government Services and then as Political Attaché to the Deputy Premier and President of Treasury Board of Québec. In 1994, Mr. Gervais joined the Capital Hill Group, a government relations firm, as a senior consultant. His vast experience was called upon to modify legislation, strategically positioning issues and assisting in selling goods and services to governments in Canada and abroad.

Richard A. Hoel holds a J.D. from Harvard Law School and a B.A. in Economics from Hamline University. He was a founding partner of Winthrop & Weinstine, a Minneapolis law firm of approximately 85 lawyers. His law practice focused on representing corporate and entrepreneurial customers particularly in the area of buying, restructuring and selling companies. In addition to his law practice, he has been an owner, director and investor in numerous companies in various industries for over twenty years. As part of this process, he has been personally and professionally involved in the business, tax, securities and regulatory issues associated with acquisitions, divestitures and restructurings. He has also been the Vice Chairman and long-time Trustee of Hamline University.

15.4 Fees of the Auditor

During the past two years, the Corporation paid the following fees to its auditor for services rendered:

Fees	Fiscal year ended June 30, 2016	Fiscal year ended June 30, 2015
1. Audit fees [(1)]	**$113,000**	$113,000
2. Audit-related fees [(2)]	**$14,800**	$14,800
3. Tax fees [(3)]	**$47,296**	$67,249
4. All other fees[(4)]	**$123,539**	$9,193
Total fees	**$298,635**	$204,242

[(1)] Audit fees include all fees incurred in respect of audit services, being the professional services rendered by the Corporation's auditor for the audit of the Corporation's annual financial statements and those of the Corporation subsidiaries and the review of the Corporation's quarterly financial statements as well as services normally provided by the Corporation's auditor in connection with statutory and regulatory filings and engagements.

[(2)] Audit-related fees include the aggregate fees billed for assurance and related services by the Corporation's auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under "Audit fees".

[(3)] Tax fees include the aggregate fees billed for professional services rendered by the Corporation's auditor for tax compliance, tax advice, and tax planning.

[(4)] All other fees include the aggregate fees billed for products and services rendered by the Corporation's auditor other than the services reported under clauses (1), (2) and (3) above.

15.5 Pre-approval policies and procedures

The mandate of the Audit Committee set out in Schedule A provides that the Audit Committee shall approve the hiring of the auditor. This mandate also prohibits the Corporation to use the auditor to obtain non audit-related services without the pre-approval of the Audit Committee.

15.6 Audit Committee Oversight

Since the commencement of the Corporation's most recently completed fiscal year, the Audit Committee has not made any recommendations to nominate or compensate an auditor that were not adopted by the Board of Directors of the Corporation.

16. ADDITIONAL INFORMATION

Additional information regarding the Corporation is available on SEDAR at www.sedar.com. Additional information, including regarding directors' and officers' remuneration and indebtedness, principal holders of securities of the Corporation and securities authorized under equity compensation plans, is contained in the Corporation's Management Proxy Circular which will be published over the next weeks, prior to the Corporation's Annual and Special Meeting of Shareholders. Additional information is also provided in the Corporation's financial statements and management's discussion and analysis for the fiscal year ended June 30, 2016, or by request to the Investor Relations Department, H_2O Innovation Inc., 330 rue St-Vallier Est, Suite 340, Quebec (Quebec) G1K 9C5, Canada.

Schedule "A": MANDATE OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors is composed of a minimum of three (3) outside independent directors and the quorum shall consist of a majority of members.

The Audit Committee is responsible for reporting on certain aspects of the stewardship of the Corporation as delegated by the Board of Directors. All the members of the Audit committee should possess sufficient knowledge to be able to read and understand the financial statements. At least one of the members of the committee should have "related accounting or finance expertise" for having occupied functions in the accounting or finance sectors, the necessary accounting professional certification or any other comparable experience allowing the acquisition of the professional qualifications and experience, including the occupation of the position of Chief Executive Officer, Chief Financial Officer or officer with financial responsibilities, and be knowledgeable to analyze and understand a complete set of financial statements.

The members of the Audit Committee are re-appointed each year by the Board of Directors at the first meeting of the Board of Directors following the Annual General Meeting of the shareholders or at another meeting, if a vacancy occurs. The Board of Directors also appoints a chairman among the designated directors.

The Board of Directors retains plenary authority and power to do all lawful acts and things that are not by law or otherwise directed or required to be exercised or done by the shareholders of the Corporation or in some other manner.

All directors shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Definition of Responsibilities

In carrying out its responsibilities, the Audit Committee of the Board of Directors shall have the following specific responsibilities:

1. The oversight of the qualifications and independence of the auditor of the Corporation and approval of the terms and conditions of their audit and non-audit service engagements as required by and in accordance with applicable laws and regulations of the stock exchange and of securities regulatory authorities on which the Corporation lists its securities;
2. Obtain an annual report from the auditor listing all the services and including all related expenses provided to the Corporation, other than those related to the internal audit;
3. The prior approval of any service non-related to the audit and required by the Corporation;
4. Review the competency and adequacy of the accounting personnel to discharge the Corporation responsibility with the necessary regulatory bodies in consultation with the President and Chief Executive Officer, the Chief Financial Officer and the auditor;
5. The assessment of the performance of the independent auditor and the filling of any vacancy in the office of the independent auditor between shareholders' meetings;
6. The recommendation of the annual appointment or, if appropriate, the removal, of the independent auditor of the Corporation to the shareholders of the Corporation for their approval in accordance with applicable laws;
7. The Audit committee in consultation with management and the auditor prepare an annual audit plan to determine the work to be done by the auditor and the monitoring of certain aspects of the internal control of the Corporation;
8. The oversight of the reliability and integrity of accounting principles and practices followed by management, financial statements and other financial reporting, and disclosure practices followed by management;
9. Meet privately with the auditor on an annual basis or at any time when deemed necessary to review the results of their finding in their internal audit;
10. The review and recommendation for approval of the annual audited consolidated financial statements of the Corporation and, as required in accordance with applicable laws as well as the approval of the quarterly un-audited consolidated financial statements of the Corporation;
11. Investigate any claims originating from third parties, the income tax departments, etc. and establish their real or potential impact on the results of the Corporation and ensure proper annotations are made to the financial statements;
12. The review and recommendation for approval of prospectuses, annual information forms, annual reports or other applicable forms, as the case may be, including proxy circulars and proxy statements sent to shareholders of the Corporation. The review of management's discussion and analyses of financial condition and results of operations and, any other material disclosure documents as determined by the Board of Directors from time to time;
13. Any other matter as delegated by the Board of Directors, and;
14. Report to the Board of Directors on each and all meetings on a timely and regular basis.

General

In discharging its duties and responsibilities, the Audit Committee is expected to be fully diligent in its oversight to avoid fraud or abuse. Accordingly, the Board of Directors may conduct such examinations, investigations or inquiries, and engage such special legal, accounting or other advisors, at the expense of the Corporation, at such time or times and on such terms and conditions as the Board of Directors considers appropriate.