Interim Financial Report
First quarter ended
September 30, 2014

www.h2oinnovation.com
investor@h2oinnovation.com

Trading symbols:
TSX Venture: HEO
Alternext: MNEMO: ALHEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL SITUATION

In accordance with National Instrument 51-102 Continuous Disclosure Obligations, the following comments are intended to provide a review and an analysis of H_2O Innovation's results of operations and financial position for the quarter ended September 30, 2014, in comparison with the corresponding period ended September 30, 2013. They should be read in conjunction with the consolidated financial statements and accompanying notes. Comparison of financial situation as at September 30, 2014 to those as at June 30, 2014 is also included. Certain statements set forth in this Management's Discussion and Analysis regarding the operations and the activities of H_2O Innovation as well as other communications by the Company to the public that describe more generally management objectives, projections, estimates, expectations or forecasts may constitute forward-looking statements within the meaning of securities legislation. Forward-looking statements concern analysis and other information based on forecast future results and the estimate of amounts that cannot yet be determined. Forward-looking statements include the use of the words such as "anticipate", "if", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should" or "will" and other similar terms as well as those usually used in the future and the conditional, notably regarding certain assumptions as to the success of a venture. Those forward-looking statements involve a number of risks and uncertainties, which may result in actual and future results of the Company to be materially different than those indicated. Information about the risk factors to which the Company is exposed is provided in the Annual Information Form dated September 22, 2014 available on SEDAR (www.sedar.com). Unless required to do so pursuant to applicable securities legislation, H_2O Innovation assumes no obligation to update or revise forward-looking statements contained in this Management's Discussion and Analysis or in other communications as a result of new information, future events and other changes.

The following financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures in the present report are expressed in Canadian dollars, unless otherwise indicated.

VISION, MISSION & PROFILE

OUR VISION

To become the best in North America at providing membrane-related water treatment solutions and technologies.

OUR MISSION

To provide safe and integrated water treatment solutions and outstanding customer care in order to secure long-term relationships.

OUR PROFILE

H_2O Innovation provides integrated technological water treatment solutions based on membrane filtration technology to municipal, energy & mining end-users. H_2O Innovation designs state-of-the-art custom-built water treatment projects for the production of drinking water and industrial process water, the reclamation and reuse of water, and the treatment of wastewater. Also, directly through its affiliates, H_2O Innovation provides services and products complementary to its membrane filtration and reverse osmosis systems. These products consist of a complete line of specialty chemicals and consumables and a complete line of couplings. H_2O Innovation employs approximately 151 resources and has six locations in North America.

NON-IFRS FINANCIAL MEASUREMENT

In this MD&A, the Company's management uses measures that are not in accordance with IFRS. The measurements "Adjusted earnings before interest, tax depreciation and amortization (adjusted EBITDA)" and "Net debt" are not defined by IFRS and cannot be formally presented in consolidated financial statements.

The definition of adjusted EBITDA does not take into account the Company's gain on disposal of property, plant and equipment, and stock-based compensation costs. The reader can establish the link between adjusted EBITDA and net earnings (loss). The definition of adjusted EBITDA used by the Company may differ from those used by other companies.

Even though adjusted EBITDA is a non-IFRS measure, it is used by management, analysts, investors and other financial stakeholders to assess the Company's performance and management from a financial and operational standpoint.

Reconciliation of adjusted EBITDA to net earnings (loss)

Three-month periods ended September 30,	**2014**	**2013**
	$	**$**
Net earnings (loss) for the period	**282,587**	(469,994)
Finance costs – net	**123,841**	185,927
Income taxes	**118,417**	90,292
Depreciation of property, plant and equipment	**76,517**	72,408
Amortization of intangible assets	**206,044**	186,386
Gain on disposal of property, plant and equipment	**-**	(1,000)
Stock-based compensation costs	**2,421**	5,651
Adjusted EBITDA	**809,827**	69,670

The definition of Net debt consists of bank overdraft, bank loans, long-term debt less cash and cash equivalents. The reader can establish the link between net debt and debt. The definition of net debt used by the Company may differ from those used by other companies.

Even though Net debt is a non-IFRS measure, it is used by management, analysts, investors and other financial stakeholders to assess the Company's capital management.

	September 30, 2014	June 30, 2014
	$	$
Bank overdraft	**557,543**	113,383
Bank loans	**3,209,961**	3,555,774
Current portion of long-term debt	**614,350**	724,996
Long-term debt	**207,549**	331,212
Less: Cash and cash equivalents	**(569,910)**	(497,752)
Net debt	**4,019,493**	4,227,613

RESULTS OF OPERATIONS

Selected financial data
(Unaudited)

	Three-month periods ended September 30, 2014	2013
	$	$
Revenues	**11,219,131**	8,311,219
Gross profit before depreciation and amortization	**3,032,951**	2,141,991
Gross profit before depreciation and amortization	**27.0%**	25.8%
Operating expenses	**200,486**	182,586
Selling expenses	**906,289**	966,669
Administrative expenses	**987,796**	919,063
Research and development expenses – net	**39,922**	43,407
Net earnings (loss)	**282,587**	(469,994)
Basic and diluted earnings (loss) per share	**0.003**	(0.008)
Adjusted EBITDA	**809,827**	69,670

Revenues and gross profit before depreciation and amortization

Revenues for the first quarter of fiscal year 2015 totaled $11.2 M, representing a $2.9 M or 35.0% increase, as compared with revenues of $8.3 M for the same quarter of fiscal year 2014. The substantial increase is largely attributable to revenues from projects which reached $7.3 M compared to $5.1 M in the corresponding period of the previous fiscal year, representing a 42.8% increase. During the first quarter of fiscal year 2015, several large municipal and industrial projects entered production phase and reached invoicing milestones, contributing to higher invoicing converted into revenues during that period. For the last four quarters, we have aimed our efforts to increase our order backlog which reached its highest level ever – at $38.3 M as we started this fiscal year. The revenues level achieved during the quarter is a reflection of the projects composing our order backlog, which are moving from their initial design and engineering phases to the higher revenue-generating phase as we progress in fiscal year 2015. In addition, during the quarter, the Company secured and started to execute a contract for the supply to a municipality located in California, a containerized advanced water treatment. To fulfill this contract, the Company has used more than half of the custom containerized water treatment system that was recorded as finished goods since June, 2013 following the termination of an agreement with a customer. The sale of this system has been key as it alleviates our financial position and cash flows.

The increase of revenues from projects has been accompanied by an increase of revenues from sales of specialty products and services which reached $3.9 M in this quarter compared with $3.2 M in the comparable quarter of the previous fiscal year. This 22.6% increase is in part the result of our integration of Piedmont activities acquired last December. These revenues are recurring in nature. Our efforts deployed throughout last fiscal year to enlarge our specialty chemicals distributors' network have also contributed to increase revenues from sales of specialty products and services. For the Company, it is still a constant priority to continue to grow the specialty products and services business.

In this first quarter of fiscal year 2015, the Company was able to generate a 27.0% gross profit before depreciation and amortization, a level higher than the 25.8 % gross profit before depreciation and amortization generated in the first quarter of fiscal year 2014. The revenue mix in this quarter shows that revenues from specialty products and services still represent a fair proportion of total revenues compared to the corresponding period of the previous fiscal year (35.1% in fiscal year 2015 versus 38.6% in fiscal year 2014), even though the volume of revenues has increased substantially. This sustained proportion of revenues derived from specialty products and services is partly explainable by the acquisition of Piedmont, which activities also helped stabilised our gross profit before depreciation and amortization.

The Company secured $5.1 M in new bookings for water treatment projects over the quarter. These new bookings, combined with the realized revenues from water treatment projects during the quarter, have brought down the backlog at $36.1 M as at September 30, 2014 compared to $12.4 M as at September 30, 2013. This level of order backlog gives the Company a fairly good perspective over the coming quarters in terms of volume of revenues. Surely, this large order backlog represents an execution challenge for the Company but we are convinced that our people are ready and able to take it up. The Company's bookings over revenue ratio for projects have remained stable at to 0.7

this quarter compared to the corresponding quarter of fiscal year 2014 even though the revenues from water treatment projects have increased significantly.

The current pipeline of water treatment projects sales remains rich in opportunities which should allow the Company to renew its order backlog to support its revenue growth. With a dedicated sales team, we maintain strong bidding activities and business development mainly in Canada and in United States. We are also looking to expand our salesforce in the United States to better cover more opportunities in this expanding market.

The following table summarizes the evolution of the Company's revenues and new orders, together with the variations in its order backlog over the last five quarters. The revenues figures attest of the Company's vision and efforts deployed to grow revenues from specialty products and services while increasing our order backlog.

	2014 FY				**2015 FY**	**Last twelve months**	**Previous twelve months**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**(Q2, Q3 & Q4 FY2014 & Q1 FY2015)**	**(Q2, Q3 & Q4 FY2013 & Q1 FY2014)**
Order backlog	$12.4 M	$17.3 M	$23.5 M	$38.3 M	**$36.1 M**	**N/A**	N/A
Bookings for water treatment projects (*)	$3.4 M	$9.6 M	$10.6 M	$18.2 M	**$5.1 M**	**$43.5 M**	$14.6 M
Revenues from water treatment projects	$5.1 M	$4.7 M	$4.4 M	$3.4 M	**$7.3 M**	**$19.8 M**	$20.9 M
Bookings / Revenues Ratio	0.7	2.0	*2.4*	5.4	**0.7**	**2.2**	0.7
Revenues from specialty chemicals and consumables (usually recurrent in nature)	$3.2 M	$4.1 M	$5.4 M	$4.5 M	**$3.9 M**	**$17.9 M**	$13.5 M
Total revenues	$8.3 M	$8.8 M	$9.8 M	$7.9 M	**$11.2 M**	**$37.7 M**	$34.4 M

(*) Bookings for water treatment projects include foreign exchange impact.

Operating expenses

Operating expenses have increased by $18,000, totaling $0.2 M this quarter compared to $0.18 M for the corresponding quarter of previous fiscal year. This increase is due to the integration of Piedmont, acquired in December 2013, which required the addition of new positions to solidify the supply chain and to ensure technical and engineering support of Piedmont products.

Selling expenses

Selling expenses have decreased by $60,000 and reached $0.9 M for this quarter compared with the corresponding quarter of the previous fiscal year, despite revenues having increased by 35.0%. Selling expenses are linked to bookings and revenues, but do not fluctuate proportionally. The decrease is mostly due to the absence of a PWT distributor's event during the quarter ended September 30, 2014 compared to the corresponding quarter of the previous fiscal year. This event is scheduled to take place every two years.

Administrative expenses

Administrative expenses increased by approximately $68,000 or 7.5% in this first quarter of fiscal year 2015 compared with the first quarter of fiscal year 2014. Professional fees and listing fees have increased following the Company's listing on OTCQX marketplace in the United States at the end of the quarter ended September 30, 2014 compared to the corresponding quarter of fiscal year 2014. Also, in order to mitigate its credit risk, the Company started to insure a part of its accounts receivable through the insurance coverage of Exportation and Development Canada ("EDC"). The insurance premiums are recorded in other expenses.

The Company's ratio of selling, operating and administrative expenses ("SG&A") as a whole over revenues amounted to 18.7% for this quarter, down from 24.9% for the corresponding quarter of the previous fiscal year. This decrease is largely attributable to the enhancement in volume of water treatment projects business and improvement in volume of sales from specialty products and consumables and due to a similar level of SG&A expenses. Management aims to keep the SG&A ratio to a level under 20% through a tight management of SG&A expenses and an increase in revenues.

Research and development expenses – net

For the quarter ended September 30, 2014, gross research and development expenses totaled $39,922, or 0.3 % of revenues. For the three-month period ended September 30, 2014, the Company has not recorded tax credits from the Canadian provincial government for eligible research and development conducted in Canada.

Adjusted EBITDA

Adjusted EBITDA for the quarter was recorded at $809,827, compared with $69,670 for the same period ended September 30, 2013. The higher revenues recorded during the quarter compared with the corresponding quarter of the previous fiscal year and the similar SG&A expenses also contributed to generating higher adjusted EBITDA. The Company returned to positive adjusted EBITDA this quarter after one quarter of negative adjusted EBITDA for the fourth quarter ended June 30, 2014.

Other losses / (gains) – net

Other losses / (gains) – net amounting to $91,052 for the period ended September 30, 2014 compared with ($34,753) for the quarter ended September 30, 2013 are mostly composed of a foreign exchange loss (gain), which are entirely due to exchange rate fluctuations related to working capital items. By having manufacturing capacities in Canada and in subsidiaries in the United States, it limits the impacts of exchange rate fluctuations in the statement of earnings related to U.S. projects.

Finance costs – net

Finance costs – net totalled $123,841 for the period ended September 30, 2014 compared to $185,927 for the comparable period in the previous fiscal year. These expenses relate mostly to the long-term debt. Of this amount, $17,365 represents the theoretical and non-monetary part of interest on long-term debt. On September 30, 2013, the Company reimbursed $1,157,154 of its long-term debt through a private placement, which explains the decrease of finance costs.

Net earnings (loss)

The net earnings (loss) was $282,587 or $0.003 per share for the first quarter of fiscal 2015 compared with ($469,994) or ($0.008) per share for the first quarter of fiscal 2014. This improvement is primarily due to higher revenues, an improved gross profit of 27.0% and to a similar level of SG&A expenses.

Commitments

The Company has entered into long-term lease agreements expiring in 2015, 2017, 2022 and 2023, which call for lease payments of $4,596,576 for the rental of space. The minimum annual lease payments over the next five years are $667,408 in 2015, $661,578 in 2016, $625,567 in 2017, $502,392 in 2018 and $508,186 in 2019.

Information on share capital

As at September 30, 2014, the Company had 104,632,977 outstanding shares and 1,500,000 stock options.

FINANCIAL SITUATION

Working capital increased from $7.4 M as at June 30, 2014 (working capital ratio of 1.71) to $8.2 M as at September 30, 2014 (working capital ratio of 1.69). The increase of $0.7 M is attributable to the $1.8 M, $0.6 M increase in accounts receivables and costs incurred in excess of billings respectively and to the reimbursement of $0.1 M of the long-term debt. The working capital was negatively impacted by the decrease of $0.4 M of inventories and the increase of $0.9 M and $0.4 M in accounts payable and accrued liabilities and billings in excess of costs incurred respectively.

The net debt which stood at $4.0 M as at September 30, 2014 decreased by $0.2 M compared with $4.2 M as at June 30, 2014. This decrease is mainly attributable to the reimbursement of a portion of the long-term debts and the reimbursement of the bank loans.

Equity stood at $23.8 M as at September 30, 2014, compared with $22.6 M as at June 30, 2014. As at September 30, 2014 the net debt equity ratio was 0.17 whereas it was 0.19 as at June 30, 2014, showing that the Company is not over leveraged.

(in Canadian dollars, except for ratio)	**Period ended September 30, 2014**	**Period ended June 30, 2014**
Working capital	$8,176,158	$7,427,618
Working capital ratio	1.69	1.71
Net debt[1]	$4,019,493	$4,227,613
Equity	$23,815,353	$22,560,883
Net debt to equity ratio	0.17	0.19

[1] Net debt comprises bank overdraft, bank loans and the long-term debt, net of cash and cash equivalents.

As at September 30, 2014 accounts receivable stood at $10.8 M compared with $8.9 M as at June 30, 2014. The rise of $1.8 M is mostly attributable to the increase of accounts receivable from customers under manufacturing contracts related to water treatment projects executed during the first quarter of fiscal year 2015.

In order to mitigate its credit risk, the Company started to insure a part of its accounts receivables through the insurance program of Exportation and Development Canada (“EDC”) in August 2014. This insurance program allows under certain conditions, an insurance coverage that can reach an amount equivalent to 90% of the receivables. As at September 30, 2014, the EDC insurance coverage represents approximately 15% of the receivables (nil as at June 30, 2014). The Company has given direction to pay all insurance proceeds to the bank since the insurance coverage allows the Company to increase its bank loans usage capacity.

Inventories decreased by $0.4 M to $4.3 M as at September 30, 2014 compared with $4.7 M as at June 30, 2014. This decrease is largely attributable to the utilisation, into a customer contract, of more than half of the value of a system that has been accounted for as finished goods following the cancellation of a project in June 2013. To a lesser extent, inventories have increased due to finished goods manufactured during the summer in preparation for the start of the maple syrup production season.

Costs incurred in excess of billings increased by $0.5 M to $2.6 M as at September 30, 2014, from $2.1 M as at June 30, 2014, primarily due to a different number of active projects for which there are differences between project advancement and project invoicing schedules. Billings in excess of costs incurred increased by $0.4 M to $1.9 M as at September 30, 2014, from $1.5 M as at June 30, 2014. This increase is also attributable to differences between project advancement and project invoicing schedules.

Accounts payable and accrued liabilities increased by $0.9 M to $5.4 M as at September 30, 2014, from $4.4 M as at June 30, 2014. This is mostly due to increased volume of activities for water treatment projects which have reached, for many of them, the manufacturing stage during which equipment is being assembled and for which suppliers are involved.

The decrease in the current portion of the long-term debt is explained by the repayment of $0.2 M during the quarter. On October 20, 2014, the Company has exercised a six-month moratorium option on the repayment of principal of the loan from other entities, starting on November 1, 2014 totaling $634,757 as of September 30, 2014. This decision was taken to help support our working capital requirements related to our large backlog as of September 30, 2014.
For the first quarter ended September 30, 2014, shareholders’ equity increased by $1.2 M to $23.8 M ($22.6 M as at June 30, 2014). The following elements had an impact on shareholders’ equity in the first quarter of fiscal year 2015: 1)

the $282,587 net earnings for the period ended September 30, 2014; 2) the Canadian dollar's depreciation generated an unrealized exchange gain of $0.9 M resulting from the translation of foreign operations, mainly those of the U.S. subsidiaries; and 4) the stock-based compensation costs of $2,421.

CASH FLOWS

A comparison of the Company's cash flows for the periods ended September 30, 2014 and 2013 is presented below:

(in Canadian dollars) (unaudited)	**Three-month period ended September 30, 2014**	**Three-month period ended September 30, 2013**
Cash flows from operating activities	**411,225**	494,483
Cash flows from investing activities	**(104,484)**	(35,100)
Cash flows from financing activities	**(709,774)**	(526,901)
Effect of exchange rate changes on the balance of cash held in foreign currencies	**31,032**	(5,016)
Net change	**(372,001)**	(72,534)
Cash and cash equivalents – Beginning of period	**384,369**	47,235
Cash and cash equivalents – End of period	**12,368**	(25,299)

Operating activities generated $411,225 in cash for the period ended September 30, 2014, compared with $494,483 of cash generated during the corresponding period ended September 30, 2013. The decline is mainly attributable to the change in working capital items and is softened by improvement in net earnings in the first quarter of fiscal year 2015.

For the first quarter of fiscal 2015, investing activities used net cash of ($104,484), mainly attributable to the remodeling of the office and maple store at our Ham-Nord plant and to the acquisition of intangible assets, namely the development of dosage software for our specialty chemicals.

Financing activities used net cash of ($709,774) in the first quarter of fiscal 2015 compared with ($526,901) of net cash used during the corresponding period ended September 30, 2013. The Company reimbursed $254,812 of its long-term debt and reduced the bank loans by $345,313. Interest paid during the first quarter of fiscal year 2015 amounted to $109,149.

QUARTERLY SUMMARY FINANCIAL INFORMATION (unaudited)

(in dollars, except per share data)

	Three-month periods ended				**Last twelve months**
	September 30, 2014	**June 30, 2014**	**March 31, 2014**	**December 31, 2013**	
Revenues	11,219,131	7,896,401	9,826,466	8,797,428	37,739,426
Adjusted EBITDA	809,827	(201,458)	299,122	(90,179)	817,312
Net earnings (loss)	282,587	(269,242)	(216,314)	(500,581)	(703,550)
EPS basic and diluted	0.003	(0.002)	(0.001)	(0.006)	(0.006)
Cash flows from operating activities	411,225	330,455	(298,938)	(3,012,316)	(2,569,574)

	Three-month periods ended				**Previous twelve months**
	September 30, 2013	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**	
Revenues	8,311,219	6,768,455	9,966,644	9,418,908	34,465,226
Adjusted EBITDA	69,670	(234,355)	530,026	561,888	927,229
Net earnings (loss)	(469,994)	(532,392)	86,834	488,854	(426,698)
EPS basic and diluted	(0.008)	(0.008)	0.001	0.008	(0.007)
Cash flows from operating activities	494,483	(107,468)	(1,073,407)	1,024,161	337,769

CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth while at the same time taking a prudent approach towards financial leverage and financial risk.

The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion and integration.

The Company monitors its performance through different ratios such as those required under its credit facility and long-term debt arrangements.

Credit facility and long-term debt arrangements require that the Company meet certain financial ratios at fixed points in time. The financial ratios are, as at September 30, 2014

- Working capital ratio, defined as current assets divided by current liabilities greater than or equal to 1.30:1.00;
- Debt-to-equity ratio, defined as total debt excluding deferred taxes divided by equity of less than or equal to 2.50:1.00; and
- Fixed charge coverage ratio, including all capital and interest payments on borrowings due and capital expenditures, as defined, greater than or equal to 1.00:1.00.

As at September 30, 2014, the Company was in compliance with its financial ratios required for its credit facility and long-term debt arrangements.

ACCOUNTING POLICIES

The reader is invited to refer to the summary of significant accounting policies presented in note 3 to the consolidated financial statements as at June 30, 2014.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted standards along with any consequential amendments, effective July 1, 2014.

a) Impairment of assets
In May 2013, IASB amended IAS 36, *Impairment of Assets*, which provides guidance on recoverable amount disclosures for non-financial assets. The amendments to IAS 36 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

The adoption of these IFRS amendments did not have a significant impact on the unaudited consolidated financial statements but they will require additional disclosures in the audited annual consolidated financial statements of the Company.

b) Levies
IFRIC 21, *Levies*, this interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', applies to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

The adoption of these IFRS amendments did not have a significant impact on the unaudited consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2014, the Company had off-balance sheet arrangements consisting of letters of credit amounting to $1.1 M; these letters of credit expire at various dates through fiscal year 2014 and 2015. In these letters of credit, $1.0 M is secured by guaranteed investment certificates.

CONTROLS AND PROCEDURES

In compliance with the Canadian Securities Administrators' National Instrument 52-109 ("NI 52-109"), the Company has filed certificates signed by the Chief Executive Officer ("CEO") and the Vice President, Finance ("Vice President, Finance") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure controls and procedures

The CEO and the Vice President, Finance have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Company has been made known to them; and
- information required to be disclosed in the Company's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

An evaluation was carried out, under the supervision of the CEO and the Vice President, Finance, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and the Vice President, Finance concluded that the disclosure controls and procedures are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework and in compliance with guidance from the Canadian Securities Administrators set out in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings.

Internal controls over financial reporting

The CEO and the Vice President, Finance have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Changes in internal controls over financial reporting

During the quarter, the Company did not make any modifications to the internal controls over financial reporting that had or could reasonably be expected to have a significant impact on the internal controls over financial reporting.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

September 30, 2014

The condensed interim consolidated financial statements which are included in this report have not been subject to a review by the Company's external auditors.

For additional information:
Investor Relations
investor@h2oinnovation.com

Trading symbols:
TSX Venture: HEO
Alternext: MNEMO: ALHEO

Financial reports, annual reports and press releases are accessible on our website: *www.h2oinnovation.com* and on SEDAR.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

	September 30, 2014	June 30, 2014
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**569,910**	497,752
Guaranteed investments certificates	**1,231,283**	1,224,846
Accounts receivable (note 3)	**10,751,414**	8,908,408
Inventories (note 4)	**4,273,640**	4,705,869
Costs incurred in excess of billings	**2,644,502**	2,067,905
Prepaid expenses	**501,429**	452,415
	19,972,178	17,857,195
Non-current assets		
Property, plant and equipment	**1,862,520**	1,874,083
Intangible assets	**7,019,224**	6,837,264
Other assets	**46,326**	44,826
Goodwill	**4,209,340**	4,010,148
Deferred income tax assets	**2,815,073**	2,801,051
	35,924,661	33,424,567
LIABILITIES		
Current liabilities		
Bank overdraft	**557,543**	113,383
Bank loans (note 5)	**3,209,961**	3,555,774
Accounts payable and accrued liabilities (note 6)	**5,400,496**	4,417,197
Provisions (note 7)	**83,639**	77,391
Billings in excess of costs incurred	**1,896,975**	1,491,883
Income taxes payable	**21,578**	37,475
Deferred rent	**11,478**	11,478
Current portion of long-term debt (note 8)	**614,350**	724,996
	11,796,020	10,429,577
Non-current liabilities		
Long-term debt (note 8)	**207,549**	331,212
Deferred rent	**105,739**	102,895
	12,109,308	10,863,684
SHAREHOLDERS' EQUITY		
Share capital (note 9)	**55,298,945**	55,298,945
Reserve - Stock options	**1,876,378**	1,873,957
Deficit	**(33,317,250)**	(33,599,837)
Accumulated other comprehensive loss	**(42,720)**	(1,012,182)
	23,815,353	22,560,883
	35,924,661	33,424,567

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

On behalf of the Board,

Frédéric Dugré — President and Chief Executive Officer

Philippe Gervais — Chairman of the Board of Directors

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three-month periods ended September 30, 2014 and 2013
(Unaudited)

ATTRIBUTABLE TO THE SHAREHOLDERS OF H_2O INNOVATION INC.

	Common shares Number	Share capital	Reserves Stock option (note 9)	Reserves Warrants	Deficit	Accumulated other comprehensive loss	Total
		$	$	$	$	$	$
Balance as at July 1, 2013	60,145,832	45,852,436	1,861,040	141,787	(32,285,493)	(1,142,982)	14,426,788
Issuance of common shares under private placement (note 9)	9,704,546	2,135,005	-	-	-	-	2,135,005
Share issue expenses (note 9)	-	(51,925)	-	-	-	-	(51,925)
Stock-based compensation costs	-	-	5,651	-	-	-	5,651
Net loss for the period	-	-	-	-	(469,994)	-	(469,994)
Other comprehensive loss – Currency translation adjustments	-	-	-	-	-	(262,554)	(262,554)
Balance as at September 30, 2013	**69,850,378**	**47,935,516**	**1,866,691**	**141,787**	**(32,755,487)**	**(1,405,536)**	**15,782,971**
Balance as at July 1, 2014	**104,632,977**	**55,298,945**	**1,873,957**	**-**	**(33,599,837)**	**(1,012,182)**	**22,560,883**
Stock-based compensation costs	**-**	**-**	**2,421**	**-**	**-**	**-**	**2,421**
Net earnings for the period	**-**	**-**	**-**	**-**	**282,587**	**-**	**282,587**
Other comprehensive income – Currency translation adjustments	**-**	**-**	**-**	**-**	**-**	**969,462**	**969,462**
Balance as at September 30, 2014	**104,632,977**	**55,298,945**	**1,876,378**	**-**	**(33,317,250)**	**(42,720)**	**23,815,353**

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)
For the three-month periods ended September 30, 2014 and 2013
(Unaudited)

	Three-month ended September 30,	
	2014	2013
	$	$
Revenues (note 13)	**11,219,131**	8,311,219
Cost of goods sold (note 10 a))	**8,186,180**	6,169,228
Gross profit before depreciation and amortization	**3,032,951**	2,141,991
Operating expenses (note 10 a))	**200,486**	182,586
Selling expenses (note 10 a))	**906,289**	966,669
Administrative expenses (note 10 a))	**987,796**	919,063
Research and development expenses – net (notes 10 a) and c))	**39,922**	43,407
Depreciation of property, plant and equipment (note 10 b))	**76,517**	72,408
Amortization of intangible assets (note 10 b))	**206,044**	186,386
Other losses / (gains) – net (note 10 d))	**91,052**	(34,753)
Operating costs total	**2,508,106**	2,335,766
Operating earnings (loss)	**524,845**	(193,775)
Finance income	**(2,673)**	(3,537)
Finance costs	**126,514**	189,464
Finance costs – net	**123,841**	185,927
Earnings (loss) before income taxes	**401,004**	(379,702)
Current income tax expense	**133,707**	94,700
Deferred tax benefit	**(15,290)**	(4,408)
	118,417	90,292
Net earnings (loss) for the period	**282,587**	(469,994)
Net earnings (loss) per share attributable to the equity holders of the company during the period		
Basic and diluted net earnings (loss) per share	**0.003**	(0.008)
Weighted average number of shares outstanding (note 11)	**104,632,977**	60,251,316

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the three-month periods ended September 30, 2014 and 2013
(Unaudited)

	Three month ended September 30,	
	2014	2013
	$	$
Net earnings (loss) for the period	**282,587**	(469,994)
Other comprehensive income (loss) - Items that may be reclassified subsequently to net earnings (loss)s		
Currency translation adjustments	**969,462**	(262,554)
Comprehensive income for the period	**1,252,049**	(732,548)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three-month periods ended September 30, 2014 and 2013
(Unaudited)

	Three-months ended September 30, 2014	2013
	$	$
Cash flows from operating activities		
Earnings (loss) before income taxes for the period	**401,004**	(379,702)
Non-cash items		
Finance costs – net	**123,841**	185,927
Depreciation of property, plant and equipment	**76,517**	72,408
Amortization of intangible assets	**206,044**	186,386
Gain on disposal of property, plant and equipment	**-**	(1,000)
Deferred rent	**318**	2,039
Stock-based compensation	**2,421**	5,651
	810,145	71,709
Change in working capital items (note 12a))	**(384,326)**	421,419
Cash generated by operations	**425,819**	493,128
Interests received	**2,673**	3,537
Income taxes paid	**(17,267)**	(2,182)
Net cash generated by operating activities	**411,225**	494,483
Cash flows from investing activities		
Variation of guaranteed deposits certificates	**(1,121)**	231
Acquisition of property, plant and equipment	**(42,389)**	(20,002)
Acquisition of intangible assets	**(60,974)**	(16,329)
Disposal of property, plant and equipment	**-**	1,000
Net cash (used in) investing activities	**(104,484)**	(35,100)
Cash flows from financing activities		
Variation of bank loans	**(345,813)**	(1,292,689)
Long-term debt reimbursement	**(254,812)**	(1,005,920)
Interest paid	**(109,149)**	(154,218)
Issuance of common shares (note 9)	**-**	1,977,851
Payment for share issue expenses (note 9)	**-**	(51,925)
Net cash (used in) financing activities	**(709,774)**	(526,901)
Net change in cash and cash equivalents	**(403,033)**	(67,518)
Effect of exchange rate changes on the balance of cash held in foreign currencies	**31,032**	(5,016)
(Decrease) Increase in cash and cash equivalents	**(372,001)**	(72,534)
Cash and cash equivalents - Beginning of period (note 12b))	**384,369**	47,235
Cash and cash equivalents - End of period (note 12b))	**12,368**	(25,299)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. Description of Business

H_2O Innovation Inc. (the "Company") is incorporated under the *Canada Business Corporations Act*. The Company's mission is to design, develop and market innovative environmentally-friendly water treatment technology and to produce high performance products in the field of membrane filtration and biological and physical water treatment solutions. At the same time and on a smaller scale, the Company continues its manufacturing and equipment distribution operations for the maple industry. The head office of the Company is located at 330 Saint-Vallier Street East, suite 340, Quebec City (Quebec), Canada.

2. Basis of Preparation

Basis of preparation

The Company's financial statements are presented in Canadian dollars. All values are rounded at the nearest dollar, except otherwise indicated.

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting ("IAS 34").

The IFRS accounting policies that are set out in the Company's consolidated financial statements for the year ended June 30, 2014 were consistently applied to all periods presented. Please refer to note 3 in the Company's consolidated financial statements for the year ended June 30, 2014 for a complete description of the Company's significant accounting policies.

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4 in the Company's consolidated financial statements for the year ended June 30, 2014 and remained unchanged for the three-month period ended September 30, 2014.

The accompanying unaudited condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention.

These condensed interim consolidated financial statements are intended to provide an update on 2014 annual statements. Accordingly they do not include all the information required for annual financial statements and should be read in conjunction with the Company's 2014 annual audited consolidated financial statements.

On November 10th, 2014 the Board reviewed the accompanying condensed interim consolidated financial statements and authorized its publication.

Standards and interpretations adopted during the period

a) *Impairment of assets*
In May 2013, IASB amended IAS 36, *Impairment of Assets*, which provides guidance on recoverable amount disclosures for non-financial assets. The amendments to IAS 36 must be applied retrospectively for annual periods beginning on or after January 1, 2014.

The adoption of these IFRS amendments did not have a significant impact on the unaudited consolidated financial statements but they will require additional disclosures in the audited annual consolidated financial statements of the Company.

b) *Levies*
IFRIC 21, *Levies*, this interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', applies to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the

activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

The adoption of these IFRS amendments did not have a significant impact on the unaudited consolidated financial statements.

Standards and interpretations issued to be adopted at a later date

Unless otherwise noted, the following revised standard and amendment are effective for annual periods beginning on or after January 1, 2017 (January 1, 2018 for IFRS 9), with earlier application permitted. The Company has not yet assessed the impact of these standard and amendment or determined whether it will early adopt them.

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement*, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through the statement of income (loss). IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through the statement of income (loss) or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of income (loss) to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In May 2014, the IASB released IFRS 15, *Revenue from Contracts with Customers*, which establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. IFRS 15 also requires more comprehensive disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, and a number of revenue-related interpretations (IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue, Barter Transactions Involving Advertising Service*). IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

3. Accounts Receivable

	As at September 30, 2014	As at June 30, 2014
	$	$
Accounts receivable	**9,673,069**	7,682,304
Retentions from customers under manufacturing contracts	**1,202,157**	1,198,327
Allowance for doubtful accounts	**(578,276)**	(547,764)
	10,296,950	8,332,867
Tax credits receivable	**158,376**	194,636
Other receivables	**296,088**	380,904
	10,751,414	8,908,408

In order to mitigate its credit risk, the Company started to insure a part of its accounts receivables through the insurance program of Exportation and Development Canada (“EDC”) in August 2014. This insurance program allows under certain conditions, an insurance coverage that can reach an amount equivalent to 90% of the receivables. As at September 30, 2014, the EDC insurance coverage represents approximately 15% of the receivables (nil as at June 30, 2014).

The Company has given direction to pay all insurance proceeds to the bank since the insurance coverage allows the Company to increase its bank loans usage capacity.

4. Inventories

	As at September 30, 2014	As at June 30, 2014
	$	$
Raw materials	**987,072**	971,227
Finished goods	**3,286,568**	3,734,642
	4,273,640	4,705,869

5. Bank loans

During the quarter, the Company renegotiated its bank loans for an authorized amount of $2,250,000 and US$2,750,000 bearing interest at CDN prime rate plus 1.00% (4.0% as at September 30, 2014) and at US prime rate plus 1.00% (4.75% as at September 30, 2014). The bank loans are secured by an assignment of book debtors and inventories. These are renegotiable in November 2014 and are secured in part by Export Development Canada (“EDC”).

Covenants

The Company have undertaken to maintain covenants on a monthly basis in respect of the bank loans described above. The Company’s bank facilities are to be renegotiated on November 30, 2014.

As at September 30, 2014, the Company was in compliance with its financial ratios required for its credit facility and long-term debt arrangements.

6. Accounts Payable and Accrued Liabilities

	As at September 30, 2014	As at June 30, 2014
	$	$
Trade accounts payable	**3,587,427**	2,868,518
Other accrued liabilities and accounts payable	**1,813,069**	1,548,679
	5,400,496	4,417,197

7. Provisions

The change in carrying value of the provision for warranties is as follows:

	$
Balance as at June 30, 2013	41,637
Additional provisions recognised	123,608
Plus: Allocation received	62,964
Less: Payments	(154,261)
Effect of foreign exchange differences	3,443
Balance as at June 30, 2014	77,391
Additional provisions recognised	**3,000**
Effect of foreign exchange differences	**3,248**
Balance as at September 30, 2014	**83,639**

8. Long-Term Debt

	As at September 30, 2014	As at June 30, 2014
	$	$
Unsecured – at amortised cost		
Bank loan, denominated in Canadian dollars(a)	**122,822**	242,625
Loan from other entities, denominated in Canadian dollars (a)(b)	**634,757**	747,648
Loan from other entities, denominated in US dollars	**64,320**	65,935
	821,899	1,056,208
Less : Current portion	**614,350**	724,996
Long-term debt	**207,549**	331,212

(a) On September 30, 2013, the Company used the proceeds from an equity private placement (note 9) to reimbursed $500,000 of its bank loan and $500,000 of its loan from other entities. The Company also issued 714,312 common shares to reimburse the loans from shareholders amounting to $157,154.

(b) Loan from other entities
On August 28, 2014, an agreement was concluded giving a six-month moratorium option on the repayment of principal with an increase of 0.25% of the interest rate applicable. On October 20, 2014, the Company has exercised its six-month moratorium option on the repayment of principal, starting November 1, 2014.

9. Capital Stock

Share capital

On September 30, 2013, the Company issued, by way of an equity private placement, 9,704,546 common shares with gross proceeds of $2,135,005, expenses of $51,925 for a net proceeds of $2,083,080. The Company used the proceeds to reimburse partially its long-term debt and to support its working capital. Among the common shares issued in connection with this offering, 714,312 common shares were issued to reimburse the loans from shareholders amounting to $157,154.

Stock options

The following table summarizes the activity under the Company's stock-based compensation plan.

	Three-month period ended September 30, 2014		Year ended June 30, 2014	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Outstanding - Beginning of period	**1,737,500**	**0.53**	2,124,500	0.57
Forfeited	**(237,500)**	**0.54**	-	-
Expired	**-**	**-**	(387,000)	0.71
Outstanding - End of period	**1,500,000**	**0.53**	1,737,500	0.53

10. Additional information about the nature of costs components

a) Expenses by nature

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
	$	$
Material	**5,257,610**	4,426,842
Changes in inventories of raw material, finished goods and costs incurred in excess of billings	**563,614**	(71,237)
Salaries and fringe benefits	**2,741,341**	2,461,643
Subcontractors and professional fees	**680,692**	487,428
Rent, electricity , insurance and office expenses	**384,335**	365,313
Telecommunications and travel expenses	**319,200**	251,500
Bad debt expenses	**30,000**	3,399
Other expenses	**343,881**	356,065
Total cost of goods sold, operating, selling, administrative and research and development expenses	**10,320,673**	8,280,953

b) Depreciation and amortization

The Company has elected to present depreciation and amortization as a separate line item in its condensed interim consolidated statement of loss, as opposed to reflecting the fraction of such amount that pertains to each of the cost of goods sold, operating expenses, selling expenses, administrative expenses and research and development expenses – net, within those cost categories. The following tables provide: i) a breakdown of the depreciation and amortization expense by cost category as noted above, for the three-month periods ended September 30, 2014 and 2013 and ii) the amounts of cost of goods sold, operating expenses, selling expenses, administrative expenses and research and development expenses – net, if depreciation and amortization were allocated within those cost categories for the periods as noted above.

Depreciation by function	**Three-month period ended September 30, 2014**	Three-month period ended September 30, 2013
	$	$
Cost of goods sold	**47,956**	41,610
Operating expenses	**779**	909
Selling expenses	**8,388**	10,832
Administrative expenses	**19,394**	19,057
	76,517	72,408

Amortization by function	**Three-month period ended September 30, 2014**	Three-month period ended September 30, 2013
	$	$
Cost of goods sold	**97,672**	91,178
Selling expenses	**95,364**	81,153
Administrative expenses	**13,008**	14,055
	206,044	186,386

Cost per function including depreciation and amortization	**Three-month period ended September 30, 2014**	Three-month period ended September 30, 2013
	$	$
Cost of goods sold	**8,331,808**	6,302,016
Operating expenses	**201,265**	183,495
Selling expenses	**1,010,041**	1,058,654
Administrative expenses	**1,020,198**	952,175
Research and development expenses – net	**39,922**	43,407
	10,603,234	8,539,747

c) Research and development expenses – net

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
	$	$
Gross research and development expenses	**39,912**	60,951
Research and development tax credits and grants	**-**	(17,544)
	39,912	43,407

d) Other losses (gains) – net

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
	$	$
Exchange (gain) loss	**93,072**	(26,143)
Other revenues	**(2,020)**	(7,610)
(Gain) Loss on disposal of assets	**-**	(1,000)
	91,052	(34,753)

11. Net Earnings (loss) Per Share

The following table sets out the weighted average basic and diluted number of outstanding shares used to compute the basic and diluted loss per share:

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
Net earnings (loss)	**$282,587**	($469,994)
Basic and diluted weighted average number of share outstanding	**104,632,977**	60,251,316
Basic and diluted net earnings (loss) per share	**$0.003**	($0.008)
Items excluded from the calculation of diluted net earnings (loss) per share because the exercise price was greater than the average market price of the common shares		
Stock options	**1,500,000**	1,707,500
Warrants (number of equivalent shares)	**-**	1,000,000

For the three-month periods ended September 30, 2014 and 2013, the diluted net earnings (loss) per share was the same as the basic net earnings (loss) per share, since the effect of the assumed exercise of stock options and warrants to purchase common share is anti-dilutive. Accordingly, the diluted net earnings (loss) per share for these periods were calculated using the basic weighted average number of shares outstanding.

12. Cash Flows

a) The change in non-cash working capital items is as follows:

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
	$	$
Accounts receivable	**(1,601,145)**	(305,187)
Inventories	**534,189**	(292,467)
Costs incurred in excess of billings	**(519,328)**	(539,864)
Prepaid expenses	**(46,705)**	22,829
Accounts payable and accrued liabilities	**859,855**	989,758
Provisions	**3,000**	162
Billings in excess of costs incurred	**385,808**	546,188
	(384,326)	421,419

b) Cash and cash equivalents consist of the following:

	As at September 30, 2014	As at September 30, 2013
	$	$
Beginning of period		
Cash and cash equivalents	**497,752**	303,936
Bank overdraft	**(113,383)**	(256,701)
	384,369	47,235

	As at September 30, 2014	As at September 30, 2013
	$	$
End of period		
Cash and cash equivalents	**569,910**	137,613
Bank overdraft	**(557,543)**	(162,912)
	12,367	(25,299)

13. Segment Information

Products from which reportable segments derive their revenues

The Company operates under a single reportable segment consisting of delivering drinking water and process water production and wastewater treatment systems, including related services.

The following is an analysis of the Company's revenues for the period for the continuing operations.

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
	$	$
Revenues from sales of consumables	**3,937,128**	3,212,174
Manufacturing contracts revenues	**7,282,003**	5,099,045
	11,219,131	8,311,219

Geographical information

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
	$	$
Revenues from external customers		
Revenue according to geographic location		
Canada	**3,891,286**	3,161,306
United States	**5,545,095**	4,402,434
China	**810,544**	406,821
Switzerland	**18,114**	123,073
Tunisia	**88,989**	49,600
Other	**865,103**	167,985
	11,219,131	8,311,219

Revenues are attributed to the various countries according to the customer's country of residence.

	As at September 30, 2014	As at June 30, 2014
	$	$
Non-current assets other than financial instruments and deferred tax assets according to geographic location		
Canada	**1,577,006**	1,561,921
United States	**11,514,078**	11,159,574
	13,091,084	12,721,495

14. Related parties disclosure

Compensation of key management personnel

The remuneration of members of key management personnel during the period was as follows:

	Three-month period ended September 30, 2014	Three-month period ended September 30, 2013
	$	$
Short-term benefits	**266,928**	**274,789**
Post-employment benefits	**3,698**	**2,792**
Share-based payments	**2,155**	**5,651**
	272,781	**283,232**

The remuneration of key executives is determined by the remuneration committee having regards to the performance of individuals and market trends.

GENERAL INFORMATION

Board of Directors

Philippe Gervais, Chairman of the Board (1)
Frédéric Dugré, President, Chief Executive Officer and Director(3)
Pierre Côté, Director(3)
Élaine C. Phénix, Director (1) (2)
Jean-Réal Poirier, Director(2)(3)
Richard Hoel, Director (1)
Lisa Henthorne, Director (2)(3)
Laurence E. Gamst, Director (1)

(1) Audit Committee
(2) Governance, Remuneration and Risks Committee
(3) Technology and Projects Committee

Key Management

Frédéric Dugré, President & CEO
Josée Riverin, VP Finance
Marc Blanchet, VP Corporate Affairs and Secretary
Guillaume Clairet, Executive VP

Legal Counsel
McCarthy Tétrault S.E.N.C.R.L.

Independent Auditors
Deloitte LLP

Transfer Agent
CST Trust Company

Head Office
330, rue St-Vallier Est, Suite 340
Quebec City, Quebec, G1K 9C5
Phone: 418.688.0170
Fax: 418.688.9259

investor@h2oinnovation.com
www.h2oinnovation.com

Plants (North America)
201, 1st Avenue
Ham-Nord, Quebec G0P 1A0

1048 La Mirada Court
Vista, California 92081

8900, 109th Ave N, Suite 1000
Champlin, Minnesota 55316

Sales and Engineering Offices
1046, 18th Ave SE
Calgary, Alberta T2G 1L6

5100, South Service Road, Unit 17
Burlington, Ontario L7L 6A5