ANNUAL INFORMATION FORM

September 27, 2021
for the year ended on June 30, 2021

For additional information:
Investor Relations
investor@h2oinnovation.com

Trading symbols:
TSX Venture: HEO
Euronext Growth Paris: MNEMO: ALHEO
OTCQX: HEOFF

TABLE OF CONTENTS

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 its 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. The “£” symbol refers to British Pounds.

The Corporation holds, directly or through its subsidiaries, registered and non-registered trademarks, including, but not limited to, the following: Bio-Brane™, Bio-Wheel™, SILO™, FiberFlex™, flexMBR™, H_2O-Smartrek™, High Brix™, Bio-Seal™ Intelogx™, Spectraguard™, OptiClean™, ProDose XPRT™, Piedmont®, PWT™, Genesys®, Genmine™, Genairclean™, Genesol 700™, Membrane Master™, Kardia™, and GMP®. To facilitate the reading of this Annual Information Form, the symbols ® and “TM”, referring to trademarks, have been intentionally omitted.

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, words such as “anticipate”, “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 are generally intended to identify forward-looking statements. 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 received or construed as guarantees of future performance or results; and, will not necessarily be accurate indications of whether or not such results will be achieved. Several 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 at the time these statements are made, 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, other than as may be required pursuant to applicable laws, 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: supply chain; fixed price contracts and renewal; competitive environment; operating risks, including climate changes and natural disasters; recruitment, retention and management of quality employees and key personnel; acquisition and expansion; health & safety; cybersecurity; public health and ongoing COVID-19 pandemic; international operations and global geopolitical climate; foreign exchange risks; compliance with anti-corruption and anti-bribery laws; market liquidity; development of new products; implementation and achievement of the Strategic Plan; availability of insurance coverage; litigation; current global financial conditions; credit risk; capital investment; liquidity; indebtedness; variations in interest rate; capacity to secure performance guarantees; additional financing and dilution; intellectual property infringement; transfer pricing; reputation and regulatory risk; reported performance obligations and impairment.

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.

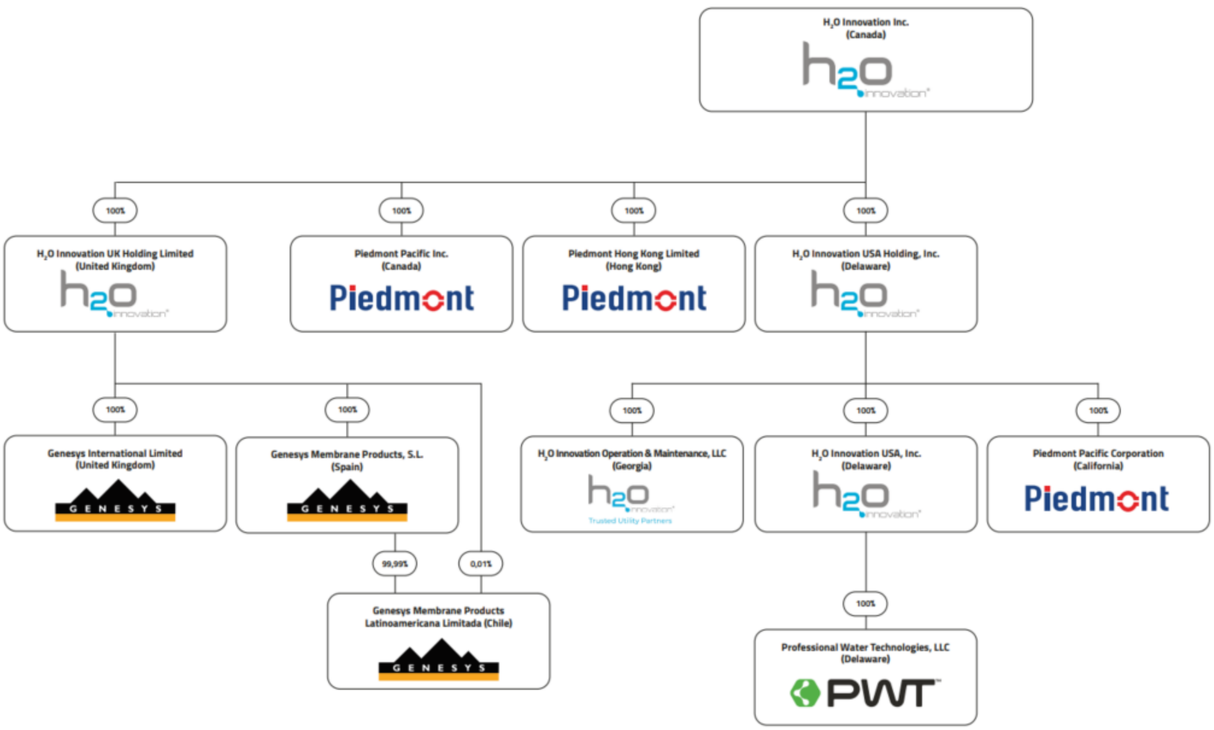
On March 1, 2006, the Corporation completed a consolidation of its common shares on the basis of 10 common shares then issued and outstanding for 1 new common share. A second consolidation of the Corporation's common shares occurred on December 1, 2014 on the basis of 5 common shares then issued and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

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 registered 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 27, 2021.



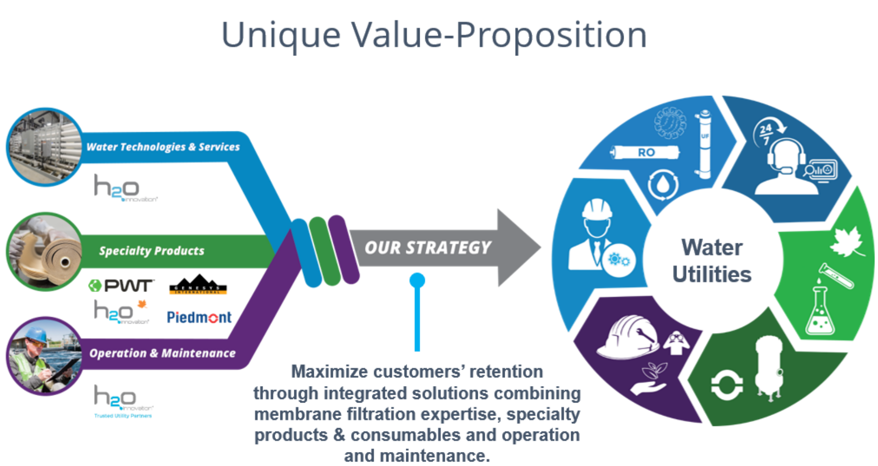
4. GENERAL DEVELOPMENT OF THE BUSINESS

As a complete solution provider, H_2O Innovation designs, manufactures and commissions customized membrane water treatment systems, provides operation and maintenance services and designs, manufactures and sells a complete line of specialty products such as chemicals, consumables, couplings, fittings, cartridge filters and other components for multiple markets in the water industry. The Corporation also designs and implements digital solutions that optimize plant performance and simplify operator duties, such as its Intelogx software. In addition, H_2O Innovation provides a full range of maple equipment and products to maple syrup producers.

Whether it is for the production of drinking water and industrial process water, the reclamation and reuse of water, the 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 the end user's costs, optimize the water treatment process, and maximize the efficiency, performance and longevity of water and wastewater treatment utilities including treatment systems, distribution equipment and associated assets.

H_2O Innovation uses its assets and salesforce to provide a unique and accountable business model to better serve its customers and to respond to design-build-operate ("DBO") opportunities, for which the successful bidder will design and build the water treatment system and operate it on a long-term basis.

As shown in the picture below, the customers, such as water utilities, are at the center of H_2O Innovation's offer. Through its integrated solutions combining membrane filtration expertise, specialty products and operation and maintenance services, H_2O Innovation is well positioned to address each and every need that a customer may have in order to maximize customer retention. With its current business model, and across all its business pillars, H_2O Innovation provides an end-to-end solution to its customers.



To realize its vision, the Corporation empowers its team to delight customers and to transform its industry, through innovation and operational excellence, while protecting a vital resource: water. The Corporation's mission is to simplify water by integrating leading technologies and a trusted team of experts into intelligent solutions, solving water for good.

4.1 Three-year history

Over the past 3 years, the following events significantly influenced the general development of the Corporation's business:

Fiscal year ended June 30, 2021:

- Though the repercussions related to the COVID-19 pandemic on the Corporation's business and the industry lessened during the fiscal year ended June 30, 2021, the COVID-19 crisis is still ongoing to this date. To reduce any risk of spreading the virus, the Corporation continues to encourage remote working when possible, to suspend non-essential international travel, to closely monitor the situation, to encourage physical distancing and to implement sanitary measures to prevent the spread of the COVID-19. In addition, the Corporation highly recommends to its employees to get vaccinated against the COVID-19.

- Restructuring, in June 2021, of the “Genesys Group”, comprised at the time of the Genesys Acquisition (as defined below) of Genesys Holdings Limited, Genesys Manufacturing Limited, Genesys International Limited and Genesys North America, LLC (the latter having been dissolved on June 1, 2020) in order to simplify the management and operational processes in the United Kingdom (“UK”). As part of this restructuring, Genesys Manufacturing Limited and Genesys Holdings Limited transferred all of their assets and liabilities to Genesys International Limited (“Genesys”), before filling for a voluntary strike off at the Companies House (UK).

- Acquisition, on February 1, 2021, of the remaining 76% of the issued and outstanding shares of Genesys Membrane Products, S.L.U (“GMP”), formerly named Genesys Membrane Products, S.L., a Spanish specialty products company, based in Madrid, selling chemicals dedicated to water treatment. The purchase price equals two times the EBITDA of GMP for each calendar year of 2020, 2021 and 2022, multiplied by 76%. At closing, H_2O Innovation UK Holding Limited (“H_2O UK”) paid an initial amount of €1.54 M ($2.40 M). Following the receipt of the 2020 audited financial statements of GMP, an amount of €726,183.80 ($1.072 M) was paid to the sellers as net working capital adjustment and an amount of €603,263.25 ($890,839) was paid to the sellers as the balance of the first instalment of the deferred consideration. The second and third payment of the deferred consideration will be paid by H_2O UK in 2022 and 2023 respectively. As part of this acquisition, the Corporation also acquired Genesys Membrane Products Latinoamerica Limitada (“GLA”), GMP’s subsidiary located in Santiago, Chile. The Corporation had taken a 24% ownership stake of GMP through the Genesys Acquisition on November 15, 2019.

- Obtaining by Genesys, in January 2021, of ISO22301 certification for Business Continuity Management, ensuring that Genesys’ team can operate efficiently despite interruptions like COVID-19, and of ISO45001 certification for Occupational Health & Safety Management Systems, promoting physical and mental health with the objective of reducing work injuries and absenteeism.

- Execution, on January 29, 2021, of a second amended and restated credit agreement with its lender regarding, amongst other things the consolidation of existing loans, the increase of the letter of credit facility and the renewal of other facilities.

- Rebranding and merger of the Operation & Maintenance business pillar by which Utility Partners, LLC (“Utility Partners”), Hays Utility South Corporation (“Hays”) and Gulf Utility Service, Inc. (“GUS”) merged on January 1, 2021 to become H_2O Innovation Operation & Maintenance, LLC. (“H_2O O&M”). Although the respective teams and the services provided by these three companies did not change, the Corporation determined it would be beneficial to bring all the operations and activities performed in the United States of America (“US”, “USA” or the “United States”) under the same umbrella, creating a unified team with a collective vision and a common goal in mind, and facilitating cross-selling synergies between the Corporation’s different business lines.

- Winning the “Water Company of the Year” award at the 2020 Global Water Awards, presented by Global Water Intelligence (“GWI”) on October 8, 2020, the highest honor in the international water treatment industry. The award was presented to the Corporation to highlight the success of its activities during 2019.

- Appointment of Mr. Gregory Madden as Chief Strategy Officer of the Corporation on July 1, 2020. In his new role, Mr. Madden is responsible for enhancing the integration of the businesses and products acquired by the Corporation and for promoting the product offerings of each business line more widely across the Corporation in order to optimize synergies between the Corporation’s business pillars.

- Acquisition, on July 1, 2020, of GUS, a company offering complete operation, maintenance and management services to water and wastewater infrastructures for different types of customers such as municipalities, municipal utility districts (commonly known as “MUD”) and public water systems in the State of Texas, United States. The total consideration for this acquisition is $3.713 M (US$2.750 M). An amount of $2.531 M (US$1.875 M) was paid at closing, and the balance not exceeding $1.181 M (US$875,000) will be paid 18 months after closing, subject to the achievement of certain revenue levels by GUS. The Corporation secured an additional long-term debt of $2.1 M to complete this acquisition. The remaining portion of the purchase price was and will be financed from the working capital of the Corporation.

Fiscal year ended June 30, 2020:

- Since March 2020, the world had been impacted by the COVID-19 pandemic. Being considered as an essential service and product provider, H_2O Innovation had been able to maintain its operation and maintenance activities, aftersales services, manufacturing and distribution of specialty chemicals, along with the design and manufacturing of components for the water desalination industry and for the maple farming industry. Only the business line dedicated to water technologies (design, engineering and manufacturing of water and wastewater treatment systems) were slowed down momentarily due to limited access to various construction sites, which access has since been restored. Internal COVID-19 intervention teams, the COVID-19 Committee comprised of senior management and people from human resources, legal, operation and communication departments, as well as the O&M Task Force Committee, comprised of senior certified operators and health and safety managers, were created at the beginning of the pandemic to assess and monitor how the global situation related to the COVID-19 pandemic evolves and its effects on the water industry. In response to the crisis, H_2O Innovation implemented many guidelines and safety measures and adapted all its work environments. Among these measures, all nonessential travel has been suspended, telework has been encouraged when possible, physical distancing and best hygiene practices have been promoted and hand-washing stations, personal protective equipment and plexiglass windows have been installed in the different workplaces. Starting on March 30, 2020, as an extraordinary preventive measure to preserve the solidity of its balance sheet, the Corporation made the decision to reduce the work schedule and, accordingly, the wages of most of its employees, executive officers and members of the Board of Directors. After having carefully monitored the pandemic effects on its financial situation, the Corporation completely and officially lifted these special measures on June 1, 2020 and compensated its employees, executive officers and members of the Board of Directors with an amount equivalent to the wages reduction that affected them.

- Launch on April 23, 2020 of the Genmine chemical product range by Genesys, which is dedicated to the mining industry and includes antiscalants and cleaners designed to tackle issues specific to the treatment of mine water.

- Partnership with the CAWST Organization that successfully led to the Corporation's very first humanitarian aid program, in which two of its employees were sent to Zambia in November 2019 to raise awareness and educate communities on water sanitation. The Corporation deployed this humanitarian initiative as part of a global approach integrating socially responsible management practices.

- Acquisition, on November 15, 2019, of all the issued and outstanding shares of Genesys Holdings Limited, Genesys Manufacturing Limited, Genesys International Limited and Genesys North America, LLC ("Genesys Acquisition"), a privately owned group of companies based in the UK and specialized in the development and manufacturing of specialty chemicals dedicated to water treatment, at a purchase price of $28.8 M (£16.9 M), on a cash-free, debt-free basis, fully paid on the closing date, and subsequent working capital adjustments of $0.9 M (£0.5 M). A business acquisition report with respect to the Genesys Acquisition was filed on SEDAR on January 27, 2020.

- Closing, on November 14, 2019, of an equity offering for an aggregate amount of $22 M, which combines a $8 M brokered private placement and a $14 M overnight marketed public offering (the "2019 Placement"). Under such offerings, the Corporation issued an aggregate of 20,982,619 units (the "Units") at a price of $1.05 per Unit. Each Unit comprised 1 common share of the Corporation and 1/2 of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase an additional common share of the Corporation at an exercise price of $1.40 until November 15, 2021.

- Execution, on October 28, 2019, of an amended and restated credit agreement regarding, amongst other things, the grant of an additional long-term loan of $12 M to finance the remaining portion of the Genesys Acquisition's purchase price and the associated costs and expenses.

Fiscal year ended June 30, 2019:

- Launch by Piedmont of new products allowing this business line to increase business opportunities. In May 2019, Piedmont launched its discs and screen self-cleaning filters dedicated to remove, typically at the pre-treatment phase of a membrane system, suspended solids in the water. In October 2018, Piedmont introduced a new painted iron coupling, the Style L, designed for low-pressure applications and only used for freshwater treatment as well as a new line of filters that will increase its potential scope of supply on seawater reverse osmosis ("SWRO") projects, where ultrafiltration ("UF") is used as pretreatment.

- Acquisition, on November 30, 2018, of all the issued and outstanding shares of Hays, a privately owned provider of water and wastewater asset management services for municipal utility districts within the State of Texas, USA. Such acquisition has been completed for an initial cash consideration of $6.2 M (US$4.7 M), including working capital adjustments. Such initial consideration was, however, subject to contingent consideration (earn-out) payable over the 2 years following the closing date. Following the achievement of closing milestones, the first contingent consideration of $1.487 M (US$1.1 M) was paid on November 21, 2019 and the second contingent consideration of $ 1.441 M (US$1.1 M) was paid on November 30, 2020.

- Closing, on November 30, 2018, of a bought deal private placement of common shares of the Corporation (the “2018 Private Placement”) for total gross proceeds of approximately $13.1 M. The net proceeds of the 2018 Private Placement were used by the Corporation to finance the acquisition of Hays and support certain ancillary costs.

- Launch, in October 2018, of a new packaged wastewater treatment product named SILO which is a simplified approach to membrane bioreactor (“MBR”) treatment for smaller applications where ease of operation and low maintenance are required.

4.2 Products and services offered by the Corporation

H_2O Innovation’s current business model relies on 3 synergetic and related pillars: (i) water technologies and services, (ii) specialty products, which includes a complete line of specialty chemicals, consumables and specialized products for the water industry, as well as equipment and products dedicated to the maple industry, and (iii) the operation and maintenance services for water and wastewater treatment systems, public utilities and ancillary equipment.

4.2.1 Water Technologies and Services (“WTS”)

The Corporation designs, manufactures, and markets treatment solutions using membrane filtration (UF, RO and MBR) for the production of drinking water and industrial process water, the reclamation and reuse of water, the desalination of seawater and the treatment of wastewater (sanitary and industrial); provided that the current majority of the systems sold by the Corporation are for wastewater treatment, water reuse and desalination.

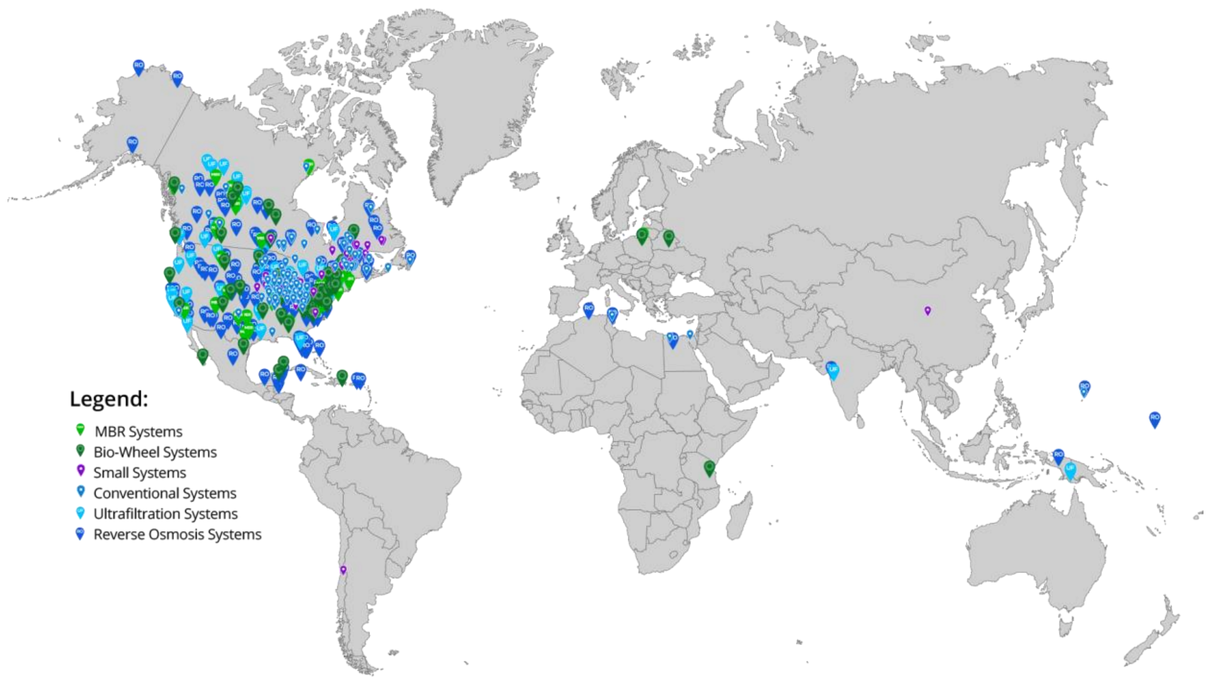
H_2O Innovation holds a series of patented and non-patented technologies, such as the Bio-Brane and the Bio-Wheel, designed for applications requiring bioreactors, allowing the Corporation to evolve in and develop the wastewater and water reuse markets, and as the Fiberflex, the flexMBR and the SILO further explained below.

In order to improve its offer to its customers, H_2O Innovation designed the FiberFlex skid that provides interchangeability and accommodates several types of UF modules similar to RO 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 developed the flexMBR (flexible membrane bioreactor) technology for advanced wastewater treatment applications. The flexMBR is the first 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 wastewater treatment plant. The flexMBR technology is ideally suited for new systems but can also be incorporated into an existing wastewater treatment system.

The Corporation offers to its customers containerized membrane bioreactors, which are an advanced wastewater treatment solution that can meet typical wastewater effluent regulations throughout North America. Fully integrated into a standard shipping container, this containerized membrane bioreactor can be easily transported to an isolated work site or to remote communities with access problems. More recently, H_2O Innovation commercializes a simplified approach to MBR treatment for smaller applications where ease of operation and low maintenance are required. The SILO is simple, independent, gravity driven (level-based) and allows reliable operation, it has a standard compact size and is deployed in just a few days. This system is geared toward populations between 100 and 2,000 people. The SILO system utilizes high concentrations of bacteria housed within a bioreactor, that consume pollutants before being filtered out of the effluent with the use of sub-micron membrane filters.

To satisfy both the needs of its installed customer base and of other customers who have not previously purchased water treatment systems from the Corporation, the Corporation sells products and spare parts for membrane filtration systems. These spare parts include pumps, valves, membranes, filters, media, and any other replacement parts of a water (or wastewater) treatment system. H_2O Innovation’s specialised technicians also offer technical services and maintenance to support customer system operation.

Over the last 20 years, H_2O Innovation has installed more than 750 water, wastewater, and water reuse systems, mostly in North America. This large customer base represents the Corporation's commitment to execute and deliver projects of quality. It also testifies its commitment to long-term customer service, and it provides the Corporation with business opportunities for consumables, parts, and recurring services for the coming years.



Finally, H_2O Innovation offers to its customers advanced digital solutions to facilitate the operation and maintenance of water and wastewater treatment systems. H_2O Innovation has developed the Intelogx software that combines early detection of any issues that may arise, system optimization, remote troubleshooting and accessibility of systems, and data normalized and storage all into one simple platform. H_2O Innovation also designs, manufactures and implements SCADA systems that are large-scale remote management systems 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 digital solutions offered by the Corporation as it allows the client to gather, under a single remote management system, all of its monitoring solutions.

The WTS business pillar accounted for 21.0% in 2021 and 21.9% in 2020 of the total consolidated revenues of the Corporation. The revenues of this business pillar amounted to $30.4 M in 2021 and $29.3 M in 2020.

At the beginning of fiscal year ended on June 30, 2021, the Corporation announced the restructuring of its WTS business pillar to combine the Water & Wastewater Treatment Projects and the Aftermarket Services business lines into a single business line called "Water Technologies & Services". The combination of the two business lines better positions the Corporation to develop sustainable relationships with its customers and improve its operational efficiency. It also allows the Corporation to focus on technologies content that are differentiators for H_2O Innovation and to offer an added-value proposition to its customers. With this restructuration, the Corporation maximizes the use of its internal resources, adopts a more proactive service contracts approach (compared to "on-call" only) and leverages its digital solutions to improve customer engagement.

4.2.2 Specialty Products

Specialty Chemicals

The Corporation synthesizes, manufactures and distributes specialty chemicals for membrane-based water treatment systems and develops specific blends to maximize the operating efficiency, economy, performance, and longevity of water treatment systems.

Under the PWT brand name, the Corporation offers membrane pretreatment chemicals (such as Spectraguard), membrane cleaners (such as OptiClean), coagulants & flocculants and membrane preservatives. PWT's dendrimer-based technology provides a phosphate free solution to optimize system performance, which is ideal in situations where phosphate discharge is a concern. The dendrimer-based technology is available as a super concentrate product to reduce shipping and/or storage requirements or as a ready for use solution. Among these products, PWT offers its SpectraGuard 311, a 8x super concentrated antiscalant using a proprietary blend of polymers and phosphonates versatile for use in all feedwaters, especially wastewater streams, in addition to heavy industrial, drinking water and other high loading applications. In addition, PWT offers sustainable product lines, such as the OptiClean products that are eco-friendly specialty chemicals, developed internally by its team of chemists, to remove inorganic precipitants and organic foulants from membranes.

PWT uses and offers to its customers a proprietary scaling prediction software, ProDose XPRT. This software is armed with calculation algorithms based on the latest United States Geological Survey specifications and saturation-index calculations. ProDose XPRT is precise, reliable and user-friendly and it allows the Corporation's customers that are designing or operating RO systems to access PWT's line of cleaners and antiscalants and optimally select the product and dosage rate.

PWT's membrane forensics services offer expert inspection of membrane elements, flat sheet membranes, water samples and many other membrane system components. Its expert service team provides objective analysis and scientific reporting dedicated to resolving system issues. These services are designed to provide comprehensive and reliable analytical information to support effective membrane pretreatment and maintenance methods, and to enable optimal system operation. PWT also offers on-site services such as cleaning studies and system optimization.

Through Genesys, the Corporation distributes phosphate-based specialty RO membrane chemicals such as antiscalants, cleaners, flocculants, biocides and offers over 35 diversified products with unique formulations, which are manufactured in its facility located in Cheshire, UK. Genesys is also the owner of the patented technology Genairclean, a unique spiral wound membrane cleaning method which combines multiple chemical mechanisms with microbubble technology to improve cleaning efficiency. The Genesol 700 range of membrane cleaning chemicals incorporates effervescent micro-bubble components with direct osmosis, which combined, improve both organic and inorganic deposit removal from RO and nanofiltration ("NF") membranes. Genesys also offers the Genmine range of antiscalants and cleaners dedicated to the mining industry and specifically designed to tackle the issues related to the treatment of mine water and to increase membrane life, reduce downtime, increase energy efficiency and reduce cleaning frequency. The range of Genmine products and services can also be used by mining operators to maximise the efficiency of metal extraction/recovery and water purification. Genmine products are now being used in mines located in the USA, Australia, Latin America and Africa.

In addition to its wide range of products, Genesys and its subsidiary GMP offer complete laboratory services including feedwater and pretreatment tests, membrane autopsies and cleaning programs designed to reduce membrane damage and consequent deterioration in performance. In addition to the laboratory services, GMP distributes both Genesys and GMP range of specialty chemicals. The products offered directly by GMP consist mainly of specialty chemicals designed for boilers and cooling towers, along with cartridge filters and membranes. Through its subsidiary GLA, Genesys also distributes Genesys and GMP specialty chemicals in South America, along with some PWT and Piedmont products.

Like PWT, Genesys uses and offers to its customers a scaling prediction program, Membrane Master. By entering project details, operational data and detailed water analysis, Membrane Master will automatically calculate the Langelier Saturation Index and propose the most effective antiscalant as well as the recommended dosage.

On July 1, 2021, PWT and Genesys came together to form H_2O Innovation's Specialty Chemicals group. While each entity will continue to exist on its own, and there will be no changes to the current product portfolio, the Corporation combined the management structure to leverage the strengths of the leadership of Genesys and PWT. The Corporation increased at the same time its sales force within the Specialty Chemicals group with the addition of new territory managers.

Piedmont

Through Piedmont, H_2O Innovation designs, manufactures and provides a broad line of couplings and fittings that spans a wide range of industrial and municipal applications using mostly membrane-related technologies. Those couplings and fittings are manufactured using engineered composite, epoxy painted ductile iron, stainless steel or duplex or super duplex stainless steel and are designed for specific membrane filtration applications, such as UF and RO.

Piedmont's product portfolio also includes state-of-the-art cartridge filter housings especially designed for high corrosion environment and made from FRP or rubber lined carbon steel, bag filters, strainers, and cartridge filter elements. The FRP cartridge filter housings are universally designed to accept multiple types, brands and connections of cartridges and are designed to be used in new and existing water treatment plants. During the fiscal year ended June 30, 2021, the Corporation began to offer rubber lined carbon steel cartridge filter housings, which allows the Corporation to pursue opportunities in new markets, such as oil and gas, and for higher pressure vessels where FRP is not suitable. Piedmont's cartridge replacement can be accomplished faster and easier than with any other filters on the market, thanks, in part, to several design features such as high-speed assembly nuts. Piedmont's cartridge filter housings are regularly used in front of NF and RO water treatment systems as well as clean-in-place systems and are a cost-effective solution and a reliable pretreatment protection for RO systems that treat brackish and sea water. Piedmont also offers discs and screen self-cleaning filters, which are mainly used to remove suspended solids in the water, preventing equipment damages downstream, such as pumps and membranes, and to reduce membrane cleaning frequency. During the fiscal year ended June 30, 2021, the Corporation worked on improving the design of Piedmont's cartridge filter housings to reduce the pressure drop through the filter housing, and, as a result, reducing the energy consumption required to operate the system and enhance its environmental sustainability benefits.

Maple Equipment

The Specialty Products business pillar also includes products and equipment dedicated to the production of maple syrup, for which H_2O Innovation uses and markets its RO and UF technologies. By using the UF process, maple syrup producers obtain a purified sap, or concentrate, since such sap, or concentrate, passes through the pores of the membrane, limiting the passage of bacteria and suspended matter. In addition, the Corporation offers a complete line of maple syrup products and equipment that meet the maple syrup producers' needs, such as evaporators, RO separators, monitoring solutions, membranes, fittings, tubing, tanks, press filters and other products related to the maple syrup industry.

H_2O Innovation distinguishes itself in the maple industry by developing and manufacturing innovative solutions and products. One of these innovative solutions is the High Brix, a patented process to produce maple syrup by concentrating the maple sap to a sugar content of between 30º and 50º Brix using membrane filtration. By substantially increasing the sugar concentration level, the quantity of water to be evaporated, for the purpose of producing maple syrup, is significantly reduced, also resulting in a significant decrease in energy requirements for evaporation. The boiling phase, which is the last production phase, allows the producer to produce a maple syrup with the desired color and taste and to improve the product's classification. Another innovative product offered by the Corporation is the H_2O-Smartrek developed exclusively for the maple industry, providing accurate intelligence on the watertightness of a collection network by using different sensors installed throughout a sugar bush. In order to expand its services in the agri-food sector, in accordance with its Strategic Plan (as defined hereinafter) objectives, the Corporation also began to offer the H_2O-Smartrek innovative product in the irrigation market, where it provides precise data collection and alarm management personalized to the customer's needs. The Corporation also developed the Bio-Seal spout cap, a flexible liner used in maple trees that provides absolute sealing at the tap to avoid the presence of oxygen and micro-leaks at the taphole. The Bio-Seal also protects the maple trees by reducing the risk of the bark being damaged when untapping, which is more frequent with conventional plastic spouts.

The Specialty Products business pillar accounted for 30.4% in 2021 and 30.1% in 2020 of the total consolidated revenues of the Corporation. The revenues of this business pillar amounted to $43.9 M in 2021 from which $3.0 M was attributable to the acquisition of GMP and represented a period of five (5) months following its acquisition, compared to $40.2 M in 2020.

4.2.3 Operation and Maintenance ("O&M") Services

In addition to all the technical services and Specialty Products offered by the Corporation, in order to support customer system operation on a continuous basis, H_2O Innovation Inc. and H_2O O&M offer complete operation and maintenance services for water and wastewater utilities including, treatment systems and public works to municipalities, MUDs as well as industrial customers. These O&M services are provided in the United States, by H_2O O&M, and in Canada by H_2O Innovation Inc.

As of September 27, 2021, the Corporation operates more than 290 water and wastewater treatment facilities and 500 lift stations within 12 states in the USA and 2 provinces in Canada.

As part of the O&M services, the Corporation operates, maintains, and repairs water and wastewater utilities, including treatment systems, distribution equipment and associated assets for all of its customers, and ensures that water quality meets regulatory requirements. The wastewater facilities handled by the Corporation 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.

H_2O O&M also provides operation, maintenance and management services to MUDs in the State of Texas, USA, which services include meter reading, billing and collection. A MUD is one of several types of special districts that function as independent, limited governments. The purpose of a MUD is to provide a developer with an alternate way to finance infrastructure, such as water, sewer, drainage, and road facilities. Each MUD is managed by a board of directors elected by the property owners within the MUD.

In addition to the O&M services, H_2O O&M provides public work services to certain of its customers, such as street maintenance, drainage maintenance and solid waste collection and minor construction services related to water and wastewater treatment systems and ancillary equipment, such as water lines, sewer lines and fire hydrants.

As for H_2O Innovation Inc., in addition to the O&M services provided in Canada, it also offers leasing of containerized water or wastewater treatment systems and pilot units to customers who wish to test or assess a specific technology.

To increase its efficiency, cost effectiveness and reliability and to simplify and streamline its internal and external workflow, H_2O O&M uses for some of its activities in Texas, USA, an information management software named Kardia, which was developed in-house by GUS team prior to its acquisition by the Corporation. Every interaction that occurs within a system and for a client is logged and tracked in real time within Kardia. The software is also used to manage work orders, inventory, client information, rates and more. H_2O O&M is in the process of implementing this system for all of its O&M activities in Texas.

During the fiscal year ended June 30, 2021, the Corporation rebranded the O&M business pillar. Previously consisting, in the United States, of Utility Partners, Hays and GUS, those three O&M entities were merged on January 1, 2021 to become H_2O O&M. Also, during the last fiscal year, all of the O&M services in Canada, previously performed by H_2O Operation & Maintenance Inc., were transferred to H_2O Innovation Inc., its parent company, along with all of H_2O Operation & Maintenance Inc.'s assets and liability, by a way of a winding-up and dissolution of H_2O Operation & Maintenance Inc.

The O&M business pillar accounted for 48.6% in 2021 and 48.0% in 2020 of the total consolidated revenues of the Corporation. The revenues of this business pillar amounted to $70.0 M in 2021 and $64.1 M in 2020.

4.3 Markets and distribution methods

The Corporation is active in the United States, in Canada as well as internationally. During fiscal year ended June 30, 2021, 82.7% of the Corporation's sales were recorded in the Americas, including 67.0% in the United States, 13.3% in Canada and 2.4% in Latin America; 3.4% of the Corporation's sales were recorded in Europe; 9.3% in Middle East and Africa; and 4.6% in Asia Pacific. During the previous fiscal year ended June 30, 2020, 81.2% of the Corporation's sales were recorded in the Americas, including 67.6% in the United States, 12.2% in Canada, and 1.4% in Latin America; 8.1% of the Corporation's sales were recorded in Europe; 6.1% in Middle East and Africa; and 4.5% in Asia Pacific.

As more fully detailed below, during fiscal year ended on June 30, 2021, most of the sales of the Corporation in the United States were related to the WTS and O&M business pillars. Even if they represent a portion of the sales in the United States, Corporation's Specialty Products are mostly distributed and sold on markets outside Canada and the USA, through a network of international distributors. Therefore, the Corporation is exposed to global market demand, prices and foreign exchange fluctuations as well as trade barriers. Furthermore, laws and regulations that incentivize the purchase of products from local sources may impact the Corporation's performance results.

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; MUDs, communities and private developments; energy and power plants; food and beverage industries; oil and gas; mining and workers' camps; and other industrial segments.

The Corporation's water technologies and services are mainly sold directly to its customers by its internal salesforce in Canada and the USA. Its customers can 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, commercial customers, water utilities, municipalities and local governments. The Corporation also uses a network of nearly 20 external sales or manufacturers' representatives to commercialize its water technologies in Canada and the United States.

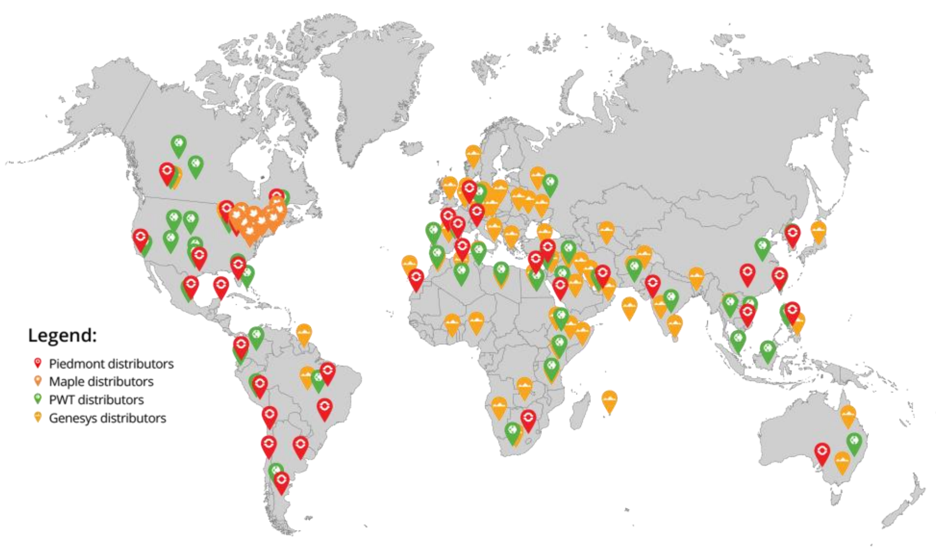
For its Specialty Chemicals group, the Corporation has developed and is maintaining a distribution network of more than 105 international distributors and resellers covering the following countries: USA, Canada, Spain, Germany, Italy, Portugal, China, South Korea, Thailand, Taiwan, Indonesia, Malaysia, Philippines, Vietnam, Armenia, Australia, New Zealand, India, Pakistan, Kuwait, Tunisia, Morocco, United Arab Emirates, Saudi Arabia, Iraq, Lebanon, Oman, Qatar, Egypt, Libya, Yemen Bahrain, Djibouti, Ethiopia, Tanzania, Kenya, South Africa, Mexico, Brazil, Argentina, Peru, Chile, Colombia, Ecuador, Russia, Algeria, Ghana, Jordan, Austria, Belgium, Netherlands, Canaries, Czech Republic, Slovakia, Hungary, Romania, France, UK, Ukraine, Poland, Greece, Bangladesh, Sri Lanka, Maldives, Mauritius, Kuwait, Namibia, Mali, Turkmenistan, Kazakhstan and Japan.

PWT and Genesys' specialty chemicals are manufactured by the Corporation in its facilities located in Vista, California and in Cheshire, UK, and are sold by its internal sales force and by international distributors. Having facilities located in the USA and in the UK allows the Corporation to optimize its manufacturing strategies to lower freight costs and import duties for customers and reduce delivery time. The Corporation also evaluates on a case-by-case basis the possibility for a specialty chemical distributor to access the product lines from both Genesys and PWT.

Piedmont's external distribution network relies on more than 30 distributors and agents who are active in over 35 regions and countries around the world, such as USA, Spain, Italy, Mexico, United Arab Emirates, Saudi Arabia, Australia, South Korea, Philippines, Egypt, Argentina, Chile, Brazil, New Zealand, Vietnam, Taiwan, India, South Africa, Oman, Kuwait, Bahrain, Qatar, Iraq, Singapore, Germany, Peru, Ecuador, Algeria, Israel, Colombia, Norway, Sweden, Denmark, Austria, Switzerland, Trinidad & Tobago, Puerto Rico, Panama and Bahamas. All these distributors market and sell Piedmont products that are part of the Specialty Products business pillar of H_2O Innovation. The Corporation also uses its internal salesforce to sell such products to potential customers. H_2O Innovation has an office in Bilbao, Spain and can 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, for the maple syrup industry, a distribution network of nearly 50 distributors who are active in Canada (Québec and Ontario) as well as in the North-East of the United States. All of these distributors market and sell the Corporation's maple syrup equipment and products to maple farms and other producers of maple syrup of all sizes. H_2O Innovation also uses its internal sales force to sell maple syrup equipment and products to potential customers, including maple stores that are open to the public and located in the province of Quebec, Canada and in the State of Vermont, USA. The Corporation's maple syrup equipment is manufactured at its Ham-Nord, Quebec facility and shipped to distributors and customers. Once a year, the Corporation holds "open day" events at its Ham-Nord, Quebec, manufacturing facility and at its maple store located in Vermont, USA, during which customers, potential customers, distributors and other business partners are invited to visit the Corporation's facilities. During the last fiscal year, the Corporation adapted the manufacturing facility visits to the ongoing COVID-19 pandemic. Visits were conducted by appointment only in order to limit the numbers of people on site at the same time, and to comply with applicable safety measures. As for the maple store's "open day", the Corporation decided to suspend the event until further notice.

Therefore, to further grow its Specialty Products business pillar, the Corporation relies on a large and diversified distribution network buying and reselling its specialty products in more than 75 countries.



For the fiscal years ended on June 30, 2021 and June 30, 2020, no customer of the Corporation accounted for more than 10% of its revenues.

The Corporation believes that it is not exposed to significant seasonality risks related to its sales, with the sole exception of the maple syrup industry which is a seasonal industry. The Corporation finds itself mildly exposed to economic cycles, as it is the case for other companies active in the field of infrastructure and utilities. In order to manage the potential impact of these economic cycles, the Corporation balances its activities between municipal, commercial and industrial markets, in addition to a business mix combining system sales, sales of specialty products, and operation and maintenance services for water utilities. Revenues generated by the sales of specialty products, aftermarket services and operation and maintenance services are generally recurring in nature. This business mix, which is a result of the acquisitions completed by the Corporation over the last few years along with its organic growth over the same period, should, in the opinion of the Corporation, mitigate its exposure to economic cycles.

4.4 Suppliers and subcontractors

Raw materials, components and supplies for major products are available from a number of different suppliers located mainly in the United States, Canada, Spain, Tunisia and China. The Corporation is not dependent on a single supplier for the supply of any raw material or component, except for some specific materials or components required for the manufacturing of Piedmont's products and for maple syrup equipment. Alternative sources and additional suppliers have been identified for such raw materials and components and the Corporation's management believes they could be used without any material effect on the business. Manufacturing of certain equipment or components are outsourced to a network of subcontractors carefully chosen by the Corporation with facilities in strategic locations, in order to increase its presence in emergent markets. 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. The Corporation extensive outsourcing network provides considerable advantages, including a more flexible and competitive cost structure that minimizes certain risks, such as the risk of currency fluctuations. In addition, due to the large number of suppliers and subcontractors, the Corporation benefits from a diversified sourcing and subcontractors' proximity to the markets it serves, which enables it in particular to obtain favorable conditions. H_2O Innovation's supply chain and procurement department works to improve the Corporation's relationship with its various suppliers, to consolidate its purchase volume and to secure favorable terms and conditions.

4.5 Strategic orientation

During the last fiscal year, H_2O Innovation adopted its first triennial strategic plan (the "Strategic Plan") to align its long-term vision with key strategic objectives, which will trigger actions impacting the Corporation's growth. The key strategic objectives and their progress over time will be regularly communicated to stakeholders to ensure proper alignment at all levels within the framework of the Strategic Plan.

With an estimated global market of $842 billion in 2020, the water industry represents a significant portion of the annual global infrastructure market of $3.6 trillion. The water infrastructure market, despite a momentary decline due to the COVID-19 pandemic, remains thirsty. The market will require (i) plant upgrades and expansions of water and wastewater treatment systems to serve population growth and manage the increase of food consumption, which adds pressure on existing infrastructure; and (ii) leaner and more efficient operations which will meet tightening regulations.

Although the water sector is wide, it remains fragmented and diversified in terms of client profile, technologies and geographies. Consequently, the Corporation intends to focus on geographies where there is a match between its offering and local market trends, on the right size of projects, which fits the Corporation's experience and where competition is limited, and on opportunities where the Corporation can offer technologies that provides a clear advantage. The Corporation believes it can satisfy approximately 15% and 30% of the global water market's capital expenditures ("CAPEX") and operating expenditures ("OPEX") needs, respectively, with its current technologies, products, and services offering.

To develop the Strategic Plan, the Corporation identified specific sub-markets and sub-segments to determine the magnitude of the addressable market for H_2O Innovation, which is where H_2O Innovation intends to grow, either organically or through acquisitions. The Corporation intends to build out its business to enhance cross-selling opportunities, maximize customer synergies, and improve its operational efficiency, with the goal of increasing its adjusted EBITDA margin.

H_2O Innovation identified its market and competitive position, developed a SWOT (strengths, weaknesses, opportunities, and threats) analysis and fostered a clear value proposition for each business line. This exercise was critical to align business line needs with the Corporation's key strategic objectives and vision. This approach results, in the view of the Corporation, in a Strategic Plan that is ambitious but achievable. In addition, employee ownership, engagement, and retention will be essential to the Strategic Plan's success.

From the Corporation's "Mission and Vision" comes the playbook (the "Playbook"), comprised of four themes on which H_2O Innovation intends to compete for customers, talent, and shareholders. First, the Corporation must delight its customers and continuously strive for higher customer satisfaction to build long-term relationships and increase recurring business. In addition,

H_2O Innovation will work hard to retain its customers and gain new ones by pushing for innovation, challenging the status-quo and delivering world-class technology solutions through its products and services. Therefore, by reinventing itself, and by pursuing improvements in its business process, the Corporation strives for operational excellence, which will enable H_2O Innovation to become leaner and better integrated. Operational improvements maximize synergies, better leveraging its cost structure and sales organization.

To execute its Strategic Plan and reach its key objectives, team engagement is key. The Corporation must create an inspirational and meaningful work environment where people feel safe and have an opportunity to develop talents along their chosen career path.

The Corporation believes that the Strategic Plan defines a comprehensive framework which will inspire and guide the managers to develop solid annual budgets and tactical roadmaps to achieve the key strategic objectives and the financial targets. Most importantly, the Strategic Plan will facilitate a winning and engaging alignment between the Corporation's employees, customers, and shareholders. Through its execution, H_2O Innovation will maintain its focus on long-term goals while respecting the need for short-term wins. The Corporation's entrepreneurial motivation, driven by its rooted values, and its desire to grow its business will be achieved with the objective of creating value for all stakeholders while preserving the Corporation's culture: Care, Communicate and Celebrate.

4.6 Competition

Competition among suppliers of new technologies and specialised products, like the water technologies, specialty products and O&M services developed, manufactured, commercialized and/or provided by the Corporation, is driven by value added and technical know-how, and provides for relatively high profit margins. In the industrial market, competition is also driven by reputation. That being said, the overall market targeted by the Corporation's business pillars remains highly fragmented. Considering the current water resources and environmental legislation, the Corporation considers that customers will be further inclined to use the most effective technologies and products, regardless of their origin, to obtain solutions adapted to their needs.

In North America, H_2O Innovation has positioned itself as a leader to address water issues of small and mid-size communities and public utilities. Its size enables the Corporation to be competitive in this niche market which appeals less to its larger multinational competitors, as they tend to avoid customizing solutions to local customers' needs.

Some of the Corporation's main competitors in the water treatment industry are large, multinational entities such as Suez, Veolia (France), Pall Corporation (division of Danaher, USA) 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, and NewTerra in Canada, amongst others. For certain specific technologies or in certain niche markets, the Corporation competes with specific players such as Ovivo for its bioreactor wastewater treatment technologies.

The main competitors of the Corporation in the couplings and fittings industry are Victaulic, Shurjoint (part of Tyco), Pass and Horizon and those in cartridge filters for the desalination market are mainly Spanish entities such as Trepovi, Dimasa, Bupolsa and Fluytec.

The Corporation's main competitors with respect to its specialty chemical product lines are Nalco Water (owned by Ecolab), Avista Technologies (owned by Kurita), American Water Chemicals, King Lee Technologies, Adiquimica and BWA Water Additives (owned by Italmach).

H_2O Innovation's competitors in the maple syrup industry are : Les Équipements Lapierre, Les Équipements d'érablière CDL, Leader Evaporators and Dominion & Grimm.

The business of operation and maintenance of water and wastewater utilities is often referred to as "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, the Corporation's main competitors are Veolia, Suez, Inframark and Jacobs. 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. In Canada, the main competitors are Aquatech, Nordikeau, Epcor and OCWA.

On May 14, 2021, Veolia and Suez entered into a merger agreement, which should result, in the upcoming months, in strategic adjustments and employees overlap in some regions. Though the entity resulting from this merger will remain among H_2O Innovation's main competitor in the water treatment industry, this merger could have a positive outcome for the Corporation in terms of recruitment of key personnel, as well as new contract opportunities with clients who feel left behind by the turmoil of the upcoming restructuring.

5. NARRATIVE DESCRIPTION OF THE BUSINESS

5.1 General business

H_2O Innovation designs, manufactures, assembles and commissions water and wastewater treatment systems. Each project is customized by its multidisciplinary team to meet customer's specific needs. The Corporation's process engineering experts make sure that the proposed technology will address the issues faced by a customer. Afterwards, the Corporation's specialized units, 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, in collaboration with the customers.

H_2O Innovation offers complete technical services in order to support customer system operation on a continuous basis and supply its customers with required spare parts, repair and/or replacement of components. The Corporation expanded its offering by leasing 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 digital solutions such as the Intelogx software that combines early detection of any issues that may arise, system optimization, remote troubleshooting and accessibility of systems, as well as common data storage all into one simple platform and SCADA systems.

Through its Specialty Products business pillar, the Corporation develops, manufactures and markets unique ranges of specialty chemicals for membrane treatment under the brand names PWT and Genesys. H_2O Innovation operates with modern laboratories and uses production methods certifying the quality of shipped products from its manufacturing plants in California, USA, and in Cheshire, UK. In January 2021, Genesys obtained for the Cheshire, UK, facility the ISO22301 certification for Business Continuity Management, ensuring that Genesys' team can operate efficiently despite interruptions like COVID-19, and the ISO45001 certification for Occupational Health & Safety Management Systems, promoting physical and mental health with the goal of reducing work injuries and absenteeism. In addition to the specialty chemicals, the Corporation offers complete laboratory services, including feedwater and pretreatment tests, membrane autopsies and cleaning programs designed to reduce membrane damage and consequent deterioration in performance. Consequently, the Corporation can easily recommend the required protocols in order to expand a membrane useful life. PWT synthesizes a unique dendrimer based antiscalant which is phosphate free and available in high concentrated versions. The flagship dendrimer based antiscalant belongs to a family of product formulated to improve the performance of membrane-based water filtration plants. Genesys formulates a range of phosphonate based antiscalants and cleaners also targeting membrane-based water filtration plants. The phosphonate based antiscalants and cleaners have been utilized globally with a long track record of success and reputation.

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, mainly the desalination market, such as couplings, fittings, cartridge filter housings, self-cleaning filters and other complementary products.

H_2O Innovation offers complete O&M services for water and wastewater utilities, including treatment systems, distribution equipment and associated assets. Water and wastewater treatment facilities and distribution systems are operated and maintained in accordance with all laws and regulations in the USA (US Environmental Protection Agency) and in Canada (Environment and Natural Resources) in order to meet current regulatory requirements in terms of water quality. Corporation's employees operating water or wastewater treatment systems are duly licensed and certified in accordance with applicable laws.

The Corporation, using its know-how in membrane filtration, offers to maple syrup producers a complete line of products and equipment dedicated to the production of maple syrup, helping them to increase their production of maple syrup while reducing their energy consumption costs.

5.2 Production methods and specialized expertise

The Corporation believes that it holds competitive advantages over its main competitors as a result of the knowledge and know-how of its people, who have been involved in over a thousand water treatment projects, its patented technologies and its scalable manufacturing capacity. The Corporation can offer an array of technologies for drinking water and industrial process water, reclamation and reuse of water, desalination of seawater and treatment of wastewater (sanitary and industrial).

The Corporation is specialized in the design, manufacturing and assembly of customer-tailored water and wastewater treatment systems. The assembly of such systems is either done at the Corporation's facilities or on customer's site. The Corporation's manufacturing facility located in Ham-Nord, Quebec, having approximately 60,000 sq. ft., is mainly dedicated to the manufacturing of maple syrup products and equipment and the assembly of small water treatment systems. In April 2021, the Ham-Nord facility was extended by 21,390 sq. ft., for a total of 81,390 sq. ft., allowing additional space for water treatment systems assembly and storage. The 30,800 sq. ft. plant located in Champlin, Minnesota, is mostly use for to the assembly of water treatment systems. The Corporation's specialized 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. During the fiscal year ended June 30, 2021, the Corporation transferred all of Piedmont's inventories and logistic activities located in Vista, California, to its plant located in Champlin, Minnesota. The Corporation also has access to a storage space of 753 sq. ft. in China, facilitating expeditions and logistics of some Piedmont products.

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 and the SILO, 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 one of the most compact and versatile containerized wastewater treatment packages on the market to offer treatment redundancy, usually found only in much larger plants.

At its 12,000 sq. ft. production facility in Vista, California, USA, the Corporation manufactures its sustainable PWT specialty chemicals for membrane pretreatment and cleaning applications, including liquid cleaners. The Corporation also synthetizes its own polymer and develops antiscalants and cleaners for membrane systems that maximize the operating efficiency, economy, performance and longevity of RO systems. The Corporation has warehouse capacity in Vista, California, of 7,640 sq. ft. adjacent to its production facility.

The Corporation develops, tests and manufactures its Genesys' range of specialty RO membrane chemicals, including antiscalants, flocculants, biocides and cleaning chemicals, in its 14,874 sq. ft. production facility located in Cheshire, UK. Genesys' research and development team works closely with membrane manufacturers to ensure the compatibility and quality of its products. On June 30, 2021, Genesys entered into a lease agreement for an additional 12,219 sq. ft. plant which will result in additional production capacity over the next months.

The Corporation designs couplings and fittings made from engineered composite, epoxy painted ductile iron, stainless steel or duplex or super duplex stainless steel, with options for duplex and super duplex hardware. H_2O Innovation also designs, manufactures and sells cartridge filter housings made from FRP or rubber lined carbon steel. Almost all the molds used in the manufacturing of the couplings and cartridge filter housings are the exclusive property of the Corporation, including the molds for the internal components of the cartridge filter which are made of polyamide 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 product's assembly. H_2O Innovation also offers to its customers discs and screen self-cleaning filters to remove suspended solids in the water during the pretreatment phase. Therefore, H_2O Innovation is able to supply prefiltration systems for the 2 different types of designs in a RO plant: prefiltration cartridge filters for the conventional filtration, and discs or screen filters for the UF membrane filtration. Customers are provided with detailed installation and instruction manuals and can also benefit from the Corporation's technical services. Piedmont's products, such as couplings, fittings, cartridge filter housings and self-cleaning filters, are designed and engineered in-house by specialized resources and are manufactured by carefully selected and strategic partners and suppliers. Since 2018, Piedmont has a ISO 9001:2015 certification for the Corporation's office in Quebec, ensuring quality management, from design to supplying, of all its products and components for water treatment systems. This certification was amended during fiscal year ended on June 30, 2020 to include all of the operations from the Piedmont office located in Bilbao, Spain. In addition to the ISO certification, Piedmont secured three new National Sanitation Foundation ("NSF") certifications for its FRP cartridge filter housing product line, for its filter cartridge elements and for its coupling gaskets that are now being manufactured in Spain, all of which increase its chances of participating and winning projects in the municipal sector in the United States.

From time to time, the Corporation's different business lines use third party warehouse storage in different strategic locations to optimize delivery time of its products.

5.3 Employees

As of June 30, 2021, the Corporation had approximately 725 employees in Canada, Spain, the United States, the UK and South America, including 34 engineers specialized in process and application and wastewater process related to innovative water treatment technologies, in mechanical and systems engineering, in software development, in electrical design and control panels as well as in controls and programming. The Corporation also had 5 chemists working on research and development activities for specialty chemicals for membrane-based water treatment systems.

The number of employees being part of the O&M business pillar, as of June 30, 2021, was approximately 490 employees, including certified operators of water and wastewater treatment facilities present at each O&M project site.

5.4 Intellectual property

The Corporation holds intellectual property rights such as technologies, trademarks, trade names, brand names, copyrights and trade secrets, and also enters into licensing agreements with third parties to grant or secure rights to intellectual property, allowing it to offer innovative solutions to its customers. Certain of the Corporation's proprietary technologies are protected by patents and H_2O Innovation does its utmost to protect its intellectual property rights, particularly where technology or products provide a major competitive edge.

5.5 Environmental protection

The Corporation is concerned about the principles of sustainable development, including energy efficiency and the optimal use of resources, notably the reclamation and reuse of water. As a result, the Corporation's solutions help its customers to reduce their environmental footprint. Management believes that such expertise will be a differentiating factor from competing entities over the medium and long term. With respect to its own operations, the Corporation believes that environmental protection requirements do not have any material, financial, operational or other impact, notably in regard to its activities, capital expenditures, earnings or competitive position.

The Corporation values the importance of maintaining strong environmental, social and governance ("ESG") practices and is currently working on the development and the implementation of a detailed ESG plan focusing on water stress and carbon emissions for the environment objective, on health & safety matters, employee engagement and diversity for the social objective, and on cybersecurity for the governance objective.

5.6 Risks and uncertainties

The following risks and uncertainties relating to the Corporation are not exhaustive, since the Corporation operates in a constantly evolving sector, which can cause new risks and uncertainties to arise. The Corporation is neither in position to 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. Certain of these risks and uncertainties are described in more details in the Corporation's most recent Management's Discussion and Analysis available on SEDAR at www.sedar.com.

Supply chain

For the manufacturing of its products or the performance of technical services, the Corporation relies on different suppliers, vendors and subcontractors ("suppliers") worldwide. Globally, management believes that the Corporation has good relationships with its suppliers and that it is generally able to obtain competitive pricing and other terms and conditions favourable for the Corporation. Raw materials, parts, materials, equipment or services, including transportation (the "supplies") are bought on an order-by-order basis and the Corporation has very few master purchase agreements with its suppliers.

The Corporation is exposed to potential supply chain disruptions or errors, delays in delivery and cost increases that could result in faulty materials, shortage of supplies, penalties or impacts on contract profitability, especially with the ongoing COVID-19 pandemic.

If a supplier fails or is unable, for any reason, to provide supplies, or provides supplies that are not of an acceptable quality, the Corporation may be required to delay the delivery of those supplies or to source them from other suppliers, on an expedited basis and at a higher price than anticipated, impacting contract profitability. In addition, providing faulty supplies to a customer could result in claims against the Corporation for failure to meet project specifications. In instances where the Corporation relies on a single contracted supplier or a small number of suppliers, there can be no assurance that the marketplace can provide these products or services on a timely basis, or at the costs the Corporation had anticipated.

Failure to implement and maintain effective supplier selection and procurement practices could adversely affect H_2O Innovation's ability to meet project specification or to deliver products and services in due time, resulting in potential exposure to liquidated damages, inability to obtain attractive pricing and impacts on contract profitability.

Availability of supplies as well as variation in their prices or in the transportation costs of these supplies, as a result of foreign exchange rate fluctuations, economical changes or regulatory landscape of the country of origin or the global economic situation due to the COVID-19, can impact Corporation's manufacturing costs and contract profitability. The potential impacts of supplies' prices volatility or other pricing variations (including transportation costs) on H_2O Innovation's financial results depends on its ability to transfer those increases to its customers, including in the context of a competitive market and during a worldwide pandemic.

The global supply chain instability, resulting mostly from the COVID-19 pandemic, is currently a challenge to the Corporation's ability to obtain and deliver goods. While the Corporation can adjust the prices of some of its products and services to manage the overall raw material price and freight cost increase, some of its business lines, such as WTS, are facing margin erosion in some fixed price projects. In addition to the margin erosion, the unforeseeable delays and the port congestion affect the Corporation's ability to obtain supplies and deliver products according to initial schedules.

Fixed price contracts and renewal

The Corporation typically enters into fixed price contracts for the design, manufacture and commissioning of its Water Technologies and some Specialty Products, for which the price is based on technical risk estimates, production costs and potential contingencies. Such fixed price, if materially inaccurate or if impacted by significant increases of manufacturing, supplies and transportation costs, can result in potential losses related to the reported performance obligations of the Corporation.

In addition, the Corporation enters into O&M service agreements for terms ranging from 3 to 5 years, with multi-year renewal options, or on an evergreen basis. In the event an O&M service contract is not renewed at the end of its term or terminated at any time by a customer upon a relatively short notice, any such non-renewal or termination may adversely affect the Corporation's results and financial position as well as its reported performance obligations with a corresponding impact on expected future revenues and profitability.

Competitive environment

The Corporation competes with companies of various sizes offering substantially similar technologies, products and services dedicated to the water industry. Historically, the Corporation has developed its target markets by building on its innovative technologies and on the expertise and know-how of its employees to provide customers with customized and tailored solutions that provide economic and operational advantages. The Corporation considers that the global financial conditions, development of innovative technologies and specialty products as well as capital investments made by potential customers in their infrastructure contribute to increase the competition and the number of companies bidding on a same project. In the different segments in which the Corporation operates, competition is based on a number of factors, mainly pricing, performance obligations, internal resources, financial strength, technology, application and know-how, reputation for quality, timeliness and experience, distribution network and technical services. If the Corporation is unable to effectively respond to competitive factors, results of operations and financial condition may be adversely impacted.

Operating risks

Different types of events could induce an interruption and/or a loss of the Corporation's operation and production and cause significant delays in operation. To mitigate that risk, the Corporation has located its inventory in different warehouses strategically located and has implemented an emergency plan. In the event that one of the Corporation's locations is affected by an event that leads to a business interruption, a significant portion of the Corporation's operations can be moved to another location, or source from another warehouse or subcontractor with whom the Corporation has established good business relationship. The Corporation also maintains business interruption and contingent business interruption insurance coverage.

Design and manufacturing of water treatment systems and specialty products as well as the performance of O&M services involve a significant degree of operating risks. There are a few products that are designed and manufactured by the Corporation, and specialized technical services performed by Corporation's employees, for which a major failure or human error could cause material damages and personal injury, even death. The occurrence of any of these events could result in criminal prosecutions, financial loss, loss of market and customer confidence, loss of key customer and business interruption, all of which may have an adverse effect on the Corporation's business. The Corporation uses software that has improved the design, drafting, estimation and fabrication of its products to minimize human error and controls production quality in its plants. The Corporation maintains product liability, pollution liability and other insurance coverage that management of the Corporation believes is 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.

Due to the nature of its operations, the Corporation may also be negatively impacted to varying degrees by climate change and natural disasters beyond its control, including hurricanes, floods, ice storms or other natural catastrophes. While the Corporation has in place an emergency plan, is prepared to face these types of events and to mitigate their risks on its operations, natural disasters can evolve quickly and have potential operational and financial impacts hard to predict. Consequently, there is no assurance that the Corporation's operations and ability to carry on its business will not be disrupted by natural disasters or climate change.

Recruitment, Retention and Management of Quality Employees and Key Personnel

The Corporation depends on the skills and experience of its executive officers, management team and other key employees having significant expertise and broad knowledge of the Corporation's business and activities. Thus, future growth and performance depend, among other things, on the Corporation's ability to attract, retain and motivate quality employees and key personnel, in all the fields of activities throughout the Corporation.

The Corporation's ability to meet its labour needs while controlling labour costs is subject to many external factors, including the competition for and availability of quality personnel in a given market, unemployment levels within those markets, minimum wage laws, health and other insurance costs and changes in employment and labour legislation. In the event of a labour shortage affecting the Corporation's staffing needs, the Corporation could experience difficulty in delivering its products and in performing technical services in a timely manner. Labour shortage could force H_2O Innovation to increase wages and benefits in order to attract and retain workers, which would result in higher operating costs and reduced profitability.

Therefore, the Corporation strives to offer competitive employment conditions, a wide variety of career opportunities and a stimulating working environment. However, other factors may come into play, and there can be no assurance that the employment conditions offered by the Corporation will be sufficient to retain qualified employees and key personnel.

Acquisition and expansion

The Corporation may expand its operations by acquiring additional businesses, products or technologies. While the Corporation's management has solid experience in integrating businesses, 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) acquired businesses, products or technologies, if any, will achieve anticipated revenues and income. Prior to completing a business acquisition, the Corporation performs exhaustive due diligence. Despite that, there are risks associated with the acquisition of a business where certain liabilities including, but not limited to, tax related claims, contingent liabilities, legal claims and environmental exposures, were not discovered during the due diligence and unknown at the time the acquisition was negotiated and concluded.

Health & Safety

Considering the type of industry in which the Corporation operates, the Corporation is facing situations that may result in accidents causing injuries to its employees, customers or subcontractors. In order to mitigate these risks, the Corporation has implemented a global health and safety program throughout its organization, which program includes proper training on how to face safety issues and awareness about potential hazardous work situations. In addition to the health and safety program, the Corporation has resources fully dedicated to the Corporation's health and safety, and also created an Health & Safety Committee with the objective of gathering all the health and safety practices already in place in the Corporation's business lines to create a uniform health and safety program throughout H_2O Innovation. Corporation's employees use a specialized software to report work-related incident. Additionally, the Corporation closely monitors its Total Recordable Incident Rate, often referred to as "TRIR" and its Days Away, Restricted or Transfers, often referred to as "DART", to measure the overall safety of the different workplaces.

In the midst of the COVID-19 pandemic, the health and safety of the Corporation's employees remains a priority, and even becomes a key challenge. Therefore, the Corporation implemented extensive health and safety measures across all its locations and operations in Canada, the USA, Spain and the UK, based on the guidance, recommendations and directions provided by the national and local public health authorities. Each location developed and updated, from time to time, protocols to protect the Corporation's employees, to meet the health and safety requirements and to promote good hygiene practices.

In the event the Corporation is unable to meet the health and safety measures related to COVID-19 or if, despite the Corporation's efforts and precautions, employees are exposed and infected by the COVID-19 virus, it could have an adverse effect on the Corporation's abilities to maintain its operations and activities and on its financial performance. Therefore, considering the availability of approved vaccines increasing protection against the COVID-19 and potential complications, the Corporation highly encourages that its employees get properly vaccinated in order to protect themselves, their family and their colleagues

Cybersecurity

The Corporation relies on the accuracy, reliability, and proper use of information processing systems and management information technology ("IT") and provides several services to its customers using these information processing systems. Any interruption in its IT systems and the resulting operational delays 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 attacks or 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. All employees of the Corporation who work remotely, connect themselves to the Corporation's network through a virtual private network (VPN). The Corporation's network is also protected by firewalls controlling incoming and outgoing network traffic based on predetermined security rules. The Corporation maintains 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.

In addition, the Corporation hired an IT specialized external consultant to perform, at the Quebec City office, an external intrusion test, which is an analysis to identify and verify the presence of security weaknesses and vulnerabilities within the targeted systems and components. Following the external intrusion test, the recommendations of he IT consultant have been implemented to improve the Corporation's network security.

Public Health and COVID-19 pandemic

On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. Therefore, over the past eighteen (18) months, the COVID-19 pandemic has impacted the world on many levels, and is still impacting to this date, the commercial activities globally. The different governmental emergency measures, the travel restrictions and the temporary business closures have led to global economic uncertainties, including a general reduction of consumer activities and delays in the operations and supply chain.

The Corporation has been actively monitoring the development of the COVID-19 pandemic and more particularly its effects on its business, supply chain and industry. In these unprecedented times, the degree to which the pandemic may affect the Corporation's activities in the future is difficult to predict. Being considered as an essential service and product provider, H_2O Innovation has been able to maintain its operation and activities since the beginning of the pandemic and the management expects that the situation will remain the same over the next years. To date, the impact of the COVID-19 pandemic on the Corporation has been, and is expected to remain, manageable. However, there are many factors that could affect the Corporation on different and hard to predict levels, such as the duration and magnitude of the pandemic as well as its effects on the global economy and the supply chain. The extent to which the COVID-19 pandemic may impact the Corporation's overall business, business opportunities, results of operations, financial condition and cash flows are outside of the Corporation's control and cannot be accurately predicted at this time.

International operations and global geopolitical climate

The Corporation's international sales operations expose it to risks inherent in operating in foreign jurisdictions, such as (i) imposition of or increase in import or export duties, surtaxes, tariffs or other customs duties, (ii) compliance with import and/or export laws, (iii) tax increases or changes in tax laws, legislation or regulation or in the interpretation, application and/or enforcement thereof, (iv) business practices favoring local companies, (v) longer accounts receivable cycles in certain foreign countries, whether due to cultural, economic or other factors, and (vi) changes or instability in foreign political or economic conditions. The Corporation cannot ensure that one or more of these factors will not harm the Corporation and the Corporation's inability to expand its international operations would adversely impact its revenues, results of operations and financial condition.

Foreign exchange

In addition, the Corporation's activities outside Canada expose the Corporation to foreign currency exchange risks, mainly as a result of its purchases and sales made in US dollar, Euro, or British Pound, which could adversely impact its operating results. To limit the impact of the fluctuations of the Canadian dollar over the US 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 uses derivative financial instruments such as forward currency contracts to cover the variability of cash flows in foreign currencies. Although the Corporation contracted such derivatives financial instruments, they do not use hedging under IFRS 9 – *Financial Instruments* and similar financial instruments.

Compliance with anti-corruption and anti-bribery laws

Due to its international operations and activities, H_2O Innovation is subject to various laws and regulations relating to bribery and corruption in the jurisdictions in which it sells its technologies, products and services. Although the Corporation has procedures in place, such as an Ethics and Business Conduct Policy, a Procurement Procedure and a Supplier Code of Business Conduct and Ethics, if the Corporation is found to be liable for anti-corruption or anti-bribery law violations (either due to its own acts or inadvertence, or due to the acts or inadvertence of others, including actions taken by H_2O Innovation's distributors or representatives), the Corporation could suffer from penalties or sanctions, which could adversely affect its business, financial condition and results of operations.

Market liquidity

Trading on the Corporation's common shares may be unstable, which could result in a lack of liquidity for the common 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, completion of an acquisition, technological innovations, new commercial products, 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. Broad market fluctuations, as well as economic conditions generally may adversely affect the market price of the Corporation's common shares.

Development of new products

The water industry is characterized by evolving technologies, competition-imposed standards and regulatory requirements which have an impact on the demand and force the Corporation to improve its technologies, products and services. The Corporation's inability to enhance existing technologies, products and solutions and develop and introduce new innovative water treatment solutions in a timely manner in response to changing market conditions and customer demands, could be materially and adversely affected.

In addition, development of new technologies and products of a specialized nature entails inherent risks, such as (i) the non-performance of such new technology or product, (ii) unacceptable reliability issues making such new technology or product unmerchantable, or (iii) poor performance of the components procured from third party suppliers. In such circumstances, development of new technologies and products may have an adverse impact on their marketability and on the Corporation's product liability, resulting in warranty claims against the Corporation.

Implementation and achievement of the Strategic Plan

The commercial strategy of the Corporation aims at leveraging its offering based on 3 pillars, namely WTS, Specialty Products and O&M. Focusing on customer satisfaction in order to build long-term relationships and increase recurring business, pushing for innovation, challenging the status-quo and delivering world-class technology solutions through its products and services and by striving for operational excellence, enable the Corporation to become leaner and better integrated. It also keeps the different Corporation's teams engaged and creates an inspirational and meaningful work environment for its employees. In addition, the Corporation's Strategic Plan focuses on cross-selling opportunities between its business lines and on new strategic acquisitions. The successful viability of the Corporation's growth strategy may require capital investments larger than those expected, along with employee and customer retention. Despite all the Corporation's efforts, nothing can guarantee that H_2O Innovation will achieve its desired growth level through its Strategic Plan.

Insurance coverage

The Corporation maintains a wide insurance portfolio relating to its operations, including, among other coverage, property, general and product liability, professional liability, pollution liability, cybersecurity liability, workers' compensation as well as directors' and officers' liability policies. There is a 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.

The Corporation may be subject to a variety of potential product liabilities claims and other claims related with its operations, including liabilities and expenses associated with product defects. The Corporation maintains 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. In the event that the Corporation does not have adequate insurance, claims, litigation or other losses could have a material adverse effect on results of operations and financial condition.

Litigation

In the course of its business, the Corporation may become involved in, named as a party to, or be the subject of various legal proceedings and other claims relating to the conduct of the business. These may include claims, suits, government investigations and other proceedings, the outcome of which cannot be predicted with certainty and may be determined adversely to the Corporation. As a result, such matters could have a material adverse effect on the reputation, results of operations, liquidity or financial position of the Corporation. Moreover, the cost of defending against lawsuits and diversion of management's attention could be significant.

Current global financial conditions

Volatile financial market conditions and adverse credit market conditions could adversely affect the borrowing capacity of the Corporation and of its customers, distributors and partners, which support the continuation and expansion of the Corporation's activities worldwide, and could result in contract cancellations or suspensions, project delays, payment delays or defaults by the Corporation's clients. Corporation's ability to operate or expand its business would be limited if, in the future, the Corporation is unable to access sufficient credit capacity, including capital market funding, bank credit, such as letters of credit, and surety bonding on favourable terms or at all. These disruptions could materially impact the Corporation's performance obligations, revenues, and net income.

Credit

Credit risk relates to the risk that a party to a contract will not fulfil some or all of its obligations, thereby causing the Corporation to sustain a financial loss. The main risk relates to accounts receivable. To manage credit risk from account receivables, the Corporation reviews credit limits, monitors aging of accounts receivable, obtains credit insurance when available and establishes an allowance for doubtful accounts based on forward-looking expected credit loss.

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 their operating budget. The technologies of the Corporation may be an alternative solution to more customary methods for a water treatment problem, 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.

Liquidity

The Corporation is subject to liquidity risks that are managed by establishing cash forecasts and operating and strategic plans. Constant monitoring of expected cash inflows and outflows is implemented and achieved through forecasts assessing the adequacy of cash resources to meet financial and contractual obligations as they become due, maintain sufficient liquid financial resources to fund its operations and meet its commitments and obligations. There can be no assurance that the Corporation's forecasts will adequately predict its liquidity needs.

Indebtedness

The Corporation's credit agreements contain financial covenants requiring the Corporation, on a consolidated basis, to satisfy specific ratios. Such credit agreements also contain negative covenants restricting the Corporation's discretion and flexibility in the operation of its business. A breach of any of these credit agreements or the Corporation's inability to comply with these specific ratios could, if not cured or waived, result in an acceleration of the Corporation's financial debt or a cross-default under certain of its other credit agreements. If the Corporation's operating results or liquidity are not sufficient to service its current or future indebtedness, the Corporation may be required to implement measures such as reducing or delaying business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt, or seeking additional equity capital.

Interest rate

In the normal course of business, the Corporation is exposed to interest rate fluctuation 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. 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. From time to time, the Corporation contracts interest rate swap to protect itself against interest rate fluctuations.

Capacity to secure performance guarantees

The Corporation is, in certain instances, required to obtain bonds or bank guarantees to secure its various contractual obligations. Significant instability or disruptions of the capital markets or a deterioration in or weakening of its financial position due to internal or external factors, could restrict or prohibit the Corporation to access to, or significantly increase the cost or the availability of, these bonds or bank guarantees, such as letters of credit. A deterioration in the Corporation's financial condition could limit the Corporation's ability to issue new bonds, letters of credit or other performance guarantees, which would have a material adverse effect on the Corporation's business, financial condition and results of operations. A draw on bonds, letters of credit or bank guarantees by one or more third parties could, among other things, significantly reduce the Corporation's cash position and have a material adverse effect on its business and results of operations.

Additional financing and dilution

The Corporation does not exclude raising additional funds by equity financing to fund its activities or implement its strategic plan. On November 14, 2019, the Corporation issued 20,982,619 new common shares and 10,491,310 Warrants exercisable at a price of $1.40 until November 15, 2021, under the 2019 Placement. In addition, as of June 30, 2021, there were 3,359,334 stock options issued and outstanding. As of June 30, 2021, 3,793,220 Warrants expiring on November 15, 2021 were issued and outstanding. The exercise of the Warrants and stock options, as well as any new equity financing, represent dilution factors for present and future shareholders.

Intellectual property infringement

H_2O Innovation protects its intellectual property related to its investments in research and development by relying on trade secret laws and confidentiality agreements with third parties who have access to information about its research and development activities. The Corporation 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 the Corporation'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 using and profiting from the Corporation's technology.

Transfer pricing

The Corporation conducts business operations in multiple jurisdictions and through various legal entities in Canada, the USA, Spain, Chile and UK. The tax laws of these jurisdictions have detailed transfer pricing regulations 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.

Reputation and regulatory risk

Given the nature of its international operations, the Corporation is required to comply with various local, national and international rules, laws, regulations and other legal requirements enforced by governments or other regulatory authorities. In addition, misconduct, fraud, non-compliance with such applicable rules, laws and regulations, or other improper activities by one of the Corporation's employees, agents or partners could have a significant negative impact on the Corporation's business and reputation. The Corporation develops and maintains client relationships in the normal course of business in accordance with high ethical standards as set out in its policies. The risk of non-performance of a contract under the terms agreed upon including the possibility of a default or a significant incident could adversely impact its reputation and influence its future capacity to win projects.

The consequence of reputational risk is a negative impact on the Corporation's public image, which may cause the cancellation of contracts and influence the Corporation's ability to obtain future projects. Reputational risk may arise under many situations including, among others, quality or performance issues on the Corporation's contracts, alleged or proven non-compliance with laws or regulations by the Corporation's employees, agents, subcontractors, suppliers and/or partners.

Reported performance obligations

Corporation's reported performance obligations are derived from contracts that are considered firm or for which management estimates a certain amount of revenues to be generated from such contracts. Project delays, suspensions, terminations, cancellations or reductions in scope may occur from time to time in the Corporation's industry due to considerations beyond the Corporation's control and may have a material negative impact on the amount of reported performance obligations with a corresponding adverse impact on future revenues and profitability. Furthermore, the risk resulting from the loss of recurrent customers or distributors is considered and would have a noticeable impact on expected revenues and profitability. The likelihood of occurrence is possible, while low, considering the significant amount of competition within the different segments in which the Corporation operates. The Corporation developed broad distribution networks and continues to expand them worldwide by creating convergence and synergies.

Impairment

A significant portion of the Corporation's assets is attributable mainly to goodwill, which is a result of the acquisitions completed by the Corporation over the years and include without limitation, brand name, customer base, customer relations, technologies and intellectual property rights (collectively, "financial assets"). Different factors related to market and economic conditions could influence the value of its financial assets. Financial assets, other than those accounted for at fair value, are assessed for indicators of impairment at all time during a given fiscal year and are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. Any future write-offs or write-downs of financial assets could have a material adverse effect on its financial condition or results of operations.

6. 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.

7. 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 27, 2021, 85,278,254 common shares, no preferred shares and 3,652,170 Warrants expiring on November 15, 2021 are issued and outstanding.

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

7.1 General description

7.1.1 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.

7.1.2 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 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.

7.1.3 Warrants

The Warrants expiring on November 15, 2021 are governed by a warrant indenture entered into between TSX Trust Company (formerly AST Trust Company (Canada)), as warrant agent, and the Corporation dated as of November 14, 2019. Each Warrant entitles its holder to purchase one common share of the Corporation at a price of $1.40 per share.

8. MARKET FOR SECURITIES

8.1 Trading price and volume

The common shares of the Corporation are listed on the TSX Venture Exchange Inc. (“TSX-V”) under the symbol “HEO”. The following table sets out trading information for the common shares for each month during fiscal year ended June 30, 2021 for the Corporation’s publicly traded common shares listed on the TSX-V, as well as corresponding monthly volume:

Month	Closing High	Closing Low	Volume
July 2020	$1.15	$1.05	1,041,849
August 2020	$1.14	$1.02	992,687
September 2020	$1.59	$1.09	2,998,118
October 2020	$1.96	$1.50	5,281,477
November 2020	$1.97	$1.81	3,264,849
December 2020	$2.24	$1.86	6,308,705
January 2021	$3.60	$2.14	15,497,136
February 2021	$3.30	$2.45	6,830,233
March 2021	$2.89	$2.29	3,839,294
April 2021	$2.65	$2.27	2,197,866
May 2021	$2.60	$2.29	2,947,466
June 2021	$2.44	$2.17	2,561,061

The Warrants of the Corporation are listed on the TSX-V under the symbol “HEO.WT”. The following table sets out trading information of the Corporation’s Warrants listed on the TSX-V, as well as their volume from each month during the fiscal year ended June 30, 2021.

Month	Closing High	Closing Low	Volume
July 2020	$0.195	$0.12	25,790
August 2020	$0.10	$0.10	10,000
September 2020	$0.40	$0.10	244,600
October 2020	$0.63	$0.30	1,164,100
November 2020	$0.74	$0.57	47,580
December 2020	$1.00	$0.55	173,998
January 2021	$2.120	$0.92	747,680
February 2021	$1.87	$1.18	132,821
March 2021	$1.49	$0.80	171,743
April 2021	$1.18	$1.02	32,600
May 2021	$1.25	$0.86	53,864
June 2021	$1.00	$0.82	54,027

Only the common shares of the Corporation are also traded on the NYSE Euronext Growth Paris Exchange in Europe under the symbol “ALHEO” and on the OTCQX marketplace in the USA under the symbol “HEOFF”.

8.2 Prior Sales

On May 17, 2021, 1,056,000 stock options, having a vesting period of five (5) years and an exercise price of $2.55, were granted to the executive officers as part of the Corporation’s Long-Term Incentive Plan, in accordance with the terms and conditions of the Corporation’s Stock Option Plan.

9. DIRECTORS AND EXECUTIVE OFFICERS

9.1 Directors

Below are the names and city of residence of the current 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 beneficially owned, directly or indirectly, or over which a director exercised control or direction, as of September 27, 2021.

Name and Place of Residence	Principal Occupation	Position and Office held with the Corporation	Director Since	Number of Shares held as of September 27, 2021
Robert Comeau (1) Montréal, Quebec Canada	Corporate Director	Director	December 6, 2017	213,854
Pierre Côté (3) Ancaster, Ontario Canada	President, Côté Membrane Separation Ltd. (consulting firm)	Director	November 12, 2013	144,835
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	868,052
Stéphane Guérin (3) Montréal, Quebec Canada	Corporate Director	Director	November 13, 2019	18,774
Lisa Henthorne (2) Tucson, AZ United States	Senior Vice President and Chief Technology Officer, Water Standard (water desalination company)	Chairwoman of the Board of Directors	July 12, 2010	98,053
Richard A. Hoel (1) Naples, FL United States	Private investor and Consultant	Vice-Chairman of the Board of Directors	July 10, 2008	1,859,613
René Vachon (1)(2) Sherbrooke, Quebec Canada	Corporate Director	Director	June 13, 2019	28,593
Elisa M. Speranza (2)(3) New Orleans, LA United States	President Seventh Ward Strategies, LLC (consulting firm)	Director	December 8, 2020	10,209

(1) Member of the Audit Committee
(2) Member of the Governance, Remuneration & ESG Committee
(3) Member of the Projects, Operation and Innovation Committee

Directors are elected on an annual basis by the shareholders. Each director appointed by the Board of Directors to fill a vacancy holds office until the next annual meeting of 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 5 years, the directors of the Corporation held the principal occupation indicated beside their name, with the following exception:

- Stéphane Guérin was Equity Owner and Executive Vice President of Groupe CT Inc. from September 2018 to April 2021, before which he served as Executive Vice President and Chief Financial & Development Officer of Groupe Dynamite Inc. from April 2017 to May 2018. Prior joining Groupe Dynamite Inc., Mr. Guérin served as President and Chief Operating Officer of Hewitt Equipment Limited from April 2009 to January 2017.

9.2 Executive officers

Below are the names and city of residence of the current 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 27, 2021:

Name and Place of Residence	Position within the Corporation	With the Corporation Since	Number of Shares as of September 27, 2021
Frédéric Dugré Quebec City, Quebec, Canada	President and Chief Executive Officer	January 12, 1999	868,052
Marc Blanchet Quebec City, Quebec, Canada	Chief Financial Officer	February 27, 2007	418,825
Guillaume Clairet Quebec City, Quebec, Canada	Chief Operating Officer	November 29, 2004	428,672
Gregory L. Madden Des Moines, IA, USA	Chief Strategy Officer	November 9, 2009	79,721

For the past 5 years, all of the executive officers of the Corporation held the principal occupation indicated beside their name except for the following:

- Gregory Madden joined the Corporation on November 9, 2009. In February 2014, he was appointed Vice President Products & Services before becoming Vice President and Managing Director, Aftermarket & Digital Solutions in September 2017. Mr. Madden was appointed as Chief Strategy Officer on July 1, 2020.

As a group, the directors and executive officers of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over, as of September 27, 2021, 4,169,201 common shares of the Corporation, representing 4,89% of the issued and outstanding common shares of the Corporation.

9.3 Cease trade orders, bankruptcies, penalties or sanctions

No director or executive officer of the Corporation, is or has been, during the 10 years preceding the date of this Annual Information Form, a director, chief executive officer or chief financial officer of a company that: i) 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 30 consecutive days that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, 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 3) consecutive days issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in such capacity, iii) 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 while that person was a director, chief executive officer or chief financial officer or within a year of that person ceasing to act in that capacity, 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, except the following:

- Robert Comeau served as Vice President and Chief Financial Officer of Aveos Fleet Performance Inc. (“Aveos”) from January 26, 2009 until March 31, 2011. On March 19, 2012, Aveos filed a voluntary petition for relief under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”). The Québec Superior Court issued a stay of proceedings until April 5, 2012 and subsequently until November 22, 2013. On March 22, 2012, the Court issued an order appointing a restructuring officer with the requisite authority to carry on and supervise the affairs of Aveos. On November 18, 2013, Aveos presented a motion for the termination of the CCAA proceedings, and on November 22, 2013, following a Motion of the Issuance of an order to appoint a Receiver pursuant to Section 243 of the Bankruptcy and Insolvency Act (Canada) (the “BIA”) by certain creditors of Aveos, the Québec Superior Court issued a termination and discharge order with respect to the CCAA proceedings and issued an order appointing a receiver under the BIA. On November 25, 2013, the Québec Superior Court issued a notice of bankruptcy and called a first meeting of creditors pursuant to subsection 102(1) of the BIA.

Moreover, no director or executive officer 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

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 10% of the current assets of the Corporation.

During fiscal year ended June 30, 2021, 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 3 fiscal years, no director, executive officer of the Corporation or any person that beneficially owns, or controls or directs, directly or indirectly, more than 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:

Fiscal year ended on June 30, 2020:

- On November 14, 2019, Mr. Richard Hoel, as an insider of H_2O Innovation, participated in the public offering of the 2019 Placement for an aggregate of 124,000 common shares of the Corporation and 62,000 Warrants. At the same date, certain insiders of H_2O Innovation (Caisse de dépôt et de placement du Québec, Investissement Québec and BDC Capital Inc.) participated in the private placement portion of the 2019 Placement for an aggregate number of 7,019,048 common shares of the Corporation and 3,509,524 Warrants.

Fiscal year ended on June 30, 2019:

- On November 30, 2018, certain insiders of H_2O Innovation (Robert Comeau, Pierre Côté, Richard Hoel, Caisse de dépôt et de placement du Québec and Investissement Québec) participated in the 2018 Private Placement for an aggregate of 3,451,260 common shares of the Corporation.

12. TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Corporation is TSX Trust Company (formerly AST Trust Company (Canada)), which holds the register of transaction of the common shares and the Warrants 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*:

- Second Amended and Restated Credit Agreement entered into between H_2O Innovation Inc., H_2O UK and its lender on January 29, 2021 regarding amongst other things the consolidation of existing loans, the increase of the letter of credit facility and the renewal of other facilities**.** The Second Amended and Restated Credit Agreement was filed on SEDAR on March 11, 2021.

- Share Purchase Agreement entered into between Blackswan Water Resources, LLC and H_2O Innovation USA Holding, Inc. on June 30, 2020 regarding the acquisition, by H_2O Innovation USA Holding, Inc., effective as of July 1, 2020, of all the issued and outstanding shares of GUS held by Blackswan Water Resources, LLC. The Share Purchase Agreement was filed on SEDAR on September 21, 2020.

- Warrant Indenture entered into between H_2O Innovation Inc. and AST Trust Company (Canada) on November 14, 2019 in connection with the appointment of AST Trust Company as the warrant agent. The Warrant Indenture was filed on SEDAR on November 21, 2019.

14. INTERESTS OF EXPERTS

During fiscal year ended June 30, 2021, the auditor of the Corporation was Ernst & Young LLP, Chartered Professional Accountants at their Quebec City office. The auditor has confirmed its independence within the meaning of the rules of the *Code de déontologie de l'Ordre des comptables professionnels agréés du Québec*.

15. AUDIT COMMITTEE

15.1 General

The Audit Committee of the Board of Directors is currently comprised of 3 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

As of September 27, 2021, the members of the Audit Committee are:

Mr. Robert Comeau, Chair of the Audit Committee
Mr. René Vachon
Mr. Richard A. Hoel

Each of these members is independent and financially literate.

Robert Comeau is a Chartered Professional Accountant with over 30 years of experience and holds a degree in Accounting from Les Hautes Etudes Commerciales (HEC) at Université de Montreal. Mr. Comeau is reputed for his solid background in financial planning and reporting, treasury and financing, mergers and acquisitions, restructuring and information systems. During his career, Mr. Comeau has been Chief Financial Officer of both public and private companies. Among them were Lumenpulse Inc., Aveos and Emergis Inc. He also worked at Nortel Networks, where he was Vice President, Finance and Operations for various divisions, and was notably Chief Financial Officer for an international joint venture with Matra. In addition, Mr. Comeau served as Chief Executive Officer of Media5 Corporation, a company that develops Voice Over IP software and hardware.

René Vachon, CPA, CA, held the positions of Vice President – Corporate Development and Chief Financial Officer at Miranda Technologies for close to 10 years, from 2003 to 2012. Previously, he served as Vice President – Strategy and Corporate Development and Chief Financial Officer at Autostock Inc. and Belron Canada from 1995 to 2002. During his career, Mr. Vachon also held various positions including those related to strategic planning, mergers and acquisitions, finance, IT and human resources. Over the last years, Mr. Vachon sat on the board of directors of several publicly traded and private companies. As of now, besides H_2O Innovation, Mr. Vachon sits on the board of directors of a private company, for which he is also the chairman of the audit committee.

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 130 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 20 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

Since December 6, 2017, Ernst & Young LLP acts as external independent auditor of the Corporation. During the past 2 years, the Corporation paid the following fees to its auditor for services rendered:

Fees	**Fiscal year ended June 30, 2021**	Fiscal year ended June 30, 2020
1. Audit fees (1)	**$464,175**	**$508,450**
2. Audit-related fees (2)	**---**	---
3. Tax fees (3)	**$5,000**	---
4. All other fees (4)	**---**	---
Total fees	**$469,175**	**$508,450**

(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's 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 insurance 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. In accordance with the mandate of the Audit Committee, the authority to grant preapprovals on any audit and non-audit service engagements may be delegated to one or more of its designated members, being understood that such member(s) shall ensure that the qualifications and the independence of the auditor are sustained and not affected. Such preapprovals or decisions shall be ratified by the Audit Committee at the next meeting.

15.6 Audit Committee oversight

Since the beginning of the Corporation's most recently completed fiscal year, the Audit Committee has not made any recommendations to nominate or compensate an auditor that was 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 information with respect to 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 General Meeting of Shareholders. Additional information is also provided in the Corporation's consolidated financial statements and management's discussion and analysis for fiscal year ended June 30, 2021, or by request to the Investor Relations Department, H_2O Innovation Inc., 330 rue St-Vallier Est, Suite 340, Quebec City, 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) non-related, independent directors and the quorum shall consist of a majority of the members duly appointed by the Board of Directors.

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

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 members of the Committee 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 and duties:

A. Auditor

1. Oversee the qualifications and independence of the auditor of the Corporation and approve the terms and conditions of its 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 that those related to the internal audit.
3. Approve any service non-related to the audit and required by the Corporation.
4. Oversee the work of the auditor of the Corporation for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation.
5. Participate to the resolution of disagreements between Corporation's management and the auditor regarding financial reporting.
6. Recommend to the Board of Directors the compensation of the auditor.
7. 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.
8. Assess the performance of the auditor and ensure the filling of any vacancy in the office of the auditor between annual shareholders' meetings.
9. Recommend the annual appointment or, if appropriate, the removal, of the auditor of the Corporation to the Board of Directors of the Corporation for approval.
10. Prepare, in consultation with Corporation's management and the auditor, 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.
11. 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.
12. Review and approve the Corporation's hiring policies regarding partners, employees and formers partners and employees of the present and former auditor of the Corporation.

B. Internal Controls

13. Review (i) the relevancy of the Corporation's internal controls and procedures implemented to ensure compliance with laws and regulations, and (ii) on an annual basis, the internal control report prepared by the Director – Financial Information.
14. Provide the Governance, Remuneration and Risk Committee of the Corporation with any internal control report prepared by the Director – Financial Information with respect to internal controls.
15. Oversee the reliability and integrity of accounting principles and practices followed by management, financial statements and other financial reporting, and disclosure practices followed by management.
16. Receive, for information purpose, the Corporate Profile Risk Policy of the Corporation, as presented by the management to the Governance, Remuneration and Risks Committee.

C. Disclosure Documents

17. Review and recommend to the Board of Directors for approval the annual audited consolidated financial statements of the Corporation, the quarterly un-audited consolidated financial statements of the Corporation, MD&A and annual and interim profit or loss press releases in order to confirm their compliance with applicable laws before their disclosure by the Corporation.

18. Review and recommend to the Board of Directors for approval, management's discussion and analyses of financial condition and results of operations, 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, and, any other material disclosure documents as determined by the Board of Directors from time to time.

D. Banking and Borrowing Facilities

19. Review and recommend to the Board of Directors for approval, borrowings, credit facilities (and their renewal) and other banking arrangements of the Corporation.

E. Whistleblowing

20. Provide oversight of any process related to (i) the receipt, retention and treatment of complaints received by the Corporation regarding a violation of an existing law or regulation, the Corporation's code of business conduct and ethics or any of the Corporation's corporate policies, procedures, requirements and directives, and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding the foregoing.

21. Establish procedures for (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

22. Investigate any claims originating from third parties and received directly by the Committee and any claims of third parties received by the Corporation's management and disclosed to the Committee on a promptly basis, 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.

F. General

The Committee shall report, on a timely and regular basis, its findings and conclusions to the Board of Directors with respect to any of the matters described above. Furthermore, the Committee may discuss any other matter as delegated by the Board of Directors.

The authority to grant preapprovals on any audit and non-audit service engagements may be delegated by the Audit Committee to one or more of its designated members, being understood that such member(s) shall ensure that the qualifications and the independence of the auditor are sustained and not affected. Such preapprovals or decisions shall be ratified by the Audit Committee at the next meeting.

The Committee acknowledges and agrees that the Corporation received from its auditor and/or other professionals, various educational, informational and other tools in the form of newsletters, webcast, podcast, websites, database subscriptions, checklist, research reports, surveys or other similar or related tools and services ("Subscriptions"). Considering that the Corporation's management may use, consult, consider or otherwise refer to such Subscriptions, the Committee acknowledges and approves the use of such Subscription by the Corporation's management.

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.

Revised by the Board of Directors on June 17, 2020.