

BY-LAW No. 3

A by-law relating generally to
the transaction of the business
and affairs of
H₂O INNOVATION INC.
(the "Corporation")

DIRECTORS

1. **Number of directors.** The number of directors will be determined from time to time by resolution of the directors, provided that such number is not contrary to the articles of the Corporation.

DIRECTORS' MEETING

2. **Calling of and notice of meetings.** Meetings of the Board of Directors of the Corporation (the "Board") will be held on such day and at such time and place as the chairman of the Board, the President of the Corporation or any Vice-President of the Corporation who is a director of the Corporation or any two directors may determine. Notice of meetings of the Board will be given to each director not less than 48 hours before the time when such meeting is to be held. Each newly elected Board may, without notice, hold its first meeting for the purposes of organization and the appointment of officers immediately following the meeting of shareholders at which such Board was elected.
3. **Quorum.** The quorum for transaction of business at any meeting of the Board or committee thereof will consist of a majority of the members thereof, or such other number of directors as the Board may from time to time determine. At any meeting of the Board, every question will be decided by a majority of the votes cast on the question and the chairman of the meeting will not be entitled to a second or casting vote.
4. **Chairman.** Subject to the provisions of any resolution of the directors of the Corporation, the chairman of the Board, or in his absence, any independent director, or in the absence, the President of the Corporation if he is a director, or in the absence, any officer who is a director, or in the absence also of any such officer, such director as the meeting will select, will act as chairman of the meeting.
5. **Meetings by telephonic or electronic means.** A meeting of the directors may be held by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting.

SHAREHOLDERS' MEETINGS

6. **Notice of meetings.** Notice of the time and place of a meeting of shareholders must be sent to each shareholder entitled to vote at the meeting, to each director and to the auditors of the Corporation not less than 21 days and no more than 60 days prior to the date fixed for such meeting, or within such other minimum and maximum delays as may from time to time be prescribed under the Canada Business Corporations Act (the "Act").
7. **Quorum.** At any meeting of shareholders, a quorum will be two persons present in person or by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting entitled to vote at the meeting and holding or representing by proxy not less than 10% of the votes entitled to be cast at the meeting.

8. Casting vote. In case of an equality of votes at any meeting of shareholders, the chairman of the meeting will not be entitled to a second or casting vote.
9. Chairman. The chairman of the Board, or in his absence, any director who is not an officer, or in the absence, the President of the Corporation if he is a director, or in the absence, any officer who is a director, or in his absence, any Vice President who is a shareholder, will preside as chairman at any meeting of the shareholders. If all of the foregoing are absent, the persons present and entitled to vote at said meeting will choose one of such persons to act as chairman of the meeting.
10. Meetings by telephonic or electronic means. The Board may determine the manner in which meetings will be held. A meeting of the shareholders may be held by means of a telephonic, electronic or other communication facility that permits all participants to communicate adequately with each other during the meeting. To the extent permitted by the Act, the directors may provide for the depositing and tabulation of proxies by means of telephone, electronic or other communication facility and a person entitled to vote at a meeting of shareholders may vote by means of telephone, electronic or other communication facility the Corporation has made available for that purpose.
11. Place of meeting. Meetings of shareholders may be held at any place within Canada that the directors may determine.
12. Postponement or cancellation of meetings. A meeting of shareholders may be postponed or cancelled by the Board at any time prior to the date of the meeting.
13. Suspension/Adjournment of meeting. The chairman of any meeting of shareholders may, without the consent of such meeting, temporarily suspend the meeting, or otherwise adjourn the meeting to a new place and time, if, in the opinion of the chairman of the meeting, it is appropriate in the circumstances to do so.
14. Procedures at meetings. The Board may determine the procedures to be followed at any meeting of shareholders including, without limitation, the rules of order. Subject to the foregoing, the chairman of a meeting of shareholders may determine the procedures of the meeting in all respects.
15. Decisions of the chairman. Unless the chairman of a meeting of shareholders agrees otherwise, the chairman's decision on all matters or things, including any questions regarding the validity of a form of proxy or other instrument appointing a proxy, will be conclusive and binding upon the meeting of shareholders.

SHARE CERTIFICATES

16. Share certificates. Subject to the Act, the shares of the Corporation shall be represented by certificate or shall be electronically issued without a certificate. Subject to the Act, no transfer of a share issued by the Corporation will be registered unless or until the share certificate representing the share to be transferred has been presented for registration or, if no share certificate has been issued by the Corporation in respect of such share, unless or until either: i) a duly executed transfer in respect thereof has been presented for registration, or ii) the transfer of ownership is conducted electronically in accordance with the provisions of a direct registration system operated by a clearing agency approved by applicable regulatory authorities.

BANKING ARRANGEMENTS, EXECUTION OF INSTRUMENTS, ETC.

17. Banking arrangements. The banking business of the Corporation, or any part thereof, will be transacted with such banks, trust companies or other financial institutions as the Board may designate, appoint or authorize from time to time and all such banking business, or any part

thereof, will be transacted on the Corporation's behalf by one or more officers or other persons as the Board may designate, direct or authorize from time to time.

18. Execution of instruments. The Board may, from time to time, determine in its policy of delegation of authority the officers or other persons by whom any particular document or instrument or class of documents or instruments of the Corporation will be executed and the manner of execution thereof, including the use of facsimile or other electronic reproduction of any or all signatures and the use of the corporate seal or facsimile or other electronic reproduction thereof.

INDEMNIFICATION

19. Indemnification. The Corporation shall, in accordance with the provisions of the Act and to the full extent provided therein, indemnify a director or officer of the Corporation, a former director or officer of the Corporation or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity. The Corporation may extend the benefits of the foregoing indemnification to other persons, provided such persons are designated by way of a resolution of the Board.

MISCELLANEOUS

20. Invalidity of any provisions of this by-law. The invalidity or unenforceability of any provision of this by-law will not affect the validity or enforceability of the remaining provisions of this by-law.
21. Omissions and errors. The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any shareholder, director, officer or auditor or any error in any notice not affecting its substance will not invalidate any action taken at any meeting to which the notice related or otherwise founded on the notice.

INTERPRETATION

22. Interpretation. In this by-law and all other by-laws of the Corporation words importing the singular number only include the plural and vice versa; words importing any gender include all genders; words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and governmental authorities; "Canada Business Corporations Act" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as from time to time amended, re-enacted or replaced; terms that are not otherwise defined in this by-law have the meanings attributed to them in the Canada Business Corporations Act; and "meeting of shareholders" means an annual meeting of shareholders or a special meeting of shareholders.