

AQUATERA UTILITIES INC.

BOARD AND COMMITTEE PROCEDURES

1. Board Composition

The Board is comprised of between 5 and 11 directors, as determined by the Board and in accordance with the Company's Articles. It is the view of the Board that 9 directors is sufficient to provide a diversity of expertise and opinions, permits effective committee organization and is appropriate for efficient meetings and decision-making. Board members will be elected at the annual meeting of the Shareholder and will serve until their successors are appointed or elected.

2. Composition of Committees

Each committee shall consist of not less than three Directors. All members of the ARC shall be determined by the Board to be independent and financially literate. Determinations as to whether a particular director satisfies the requirements for membership on a committee shall be made by the Board. Where a vacancy occurs at any time in the membership of a committee, it may be filled by the Board. The Board shall fill any vacancy if the membership of a committee is less than three Directors.

3. Tenure and Succession

To ensure the renewal of skills, expertise and personal attributes on the Board, the Board has adopted a maximum tenure of 15 years.

4. Independence of Directors

The Board shall ensure that the majority of directors are independent. An independent director is a director who is independent of management and who has no direct or indirect material relationship or any other relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a member's independent judgement.¹

Any former officer of the Company serving on the Board is considered to be non-independent for purposes of corporate governance until such time as the independent directors determine that no direct or indirect material relationship exists; taking into consideration the former executive's duties and relationships for and with the Company.

5. Changes in a Director's Principal Occupation

A Director who makes a major change in principal occupation must disclose this to the Board in order to give the Board the opportunity to review, through the GEC, the impact of the change on the director's independence and any resulting conflicts of interest.

¹ In making this determination the Board adheres to the requirements of Canadian stock exchange rules and regulations, as outlined in Canadian Securities Regulators Multilateral Instrument 52-110 CP Independence.

6. Chair

The Board recommends its Chair to the shareholders from among its members to lead the Board in the course of its work. The Board shall appoint a Chair for each committee on the recommendation of the GEC.

7. Absence of Chair

If the Chair of the Board is not present at any meeting of the Board, the Vice-Chair, or in his/her absence one of the other members of the Board present at the meeting, shall be chosen by the Board to preside at the meeting. If the Chair of a committee is not present at any meeting of that committee, one of the other members of the committee, present at the meeting, shall be chosen by the committee to preside at the meeting.

8. Secretary

The Board and each committee shall appoint a Secretary who need not be a director of the Company.

9. Meetings

The Chair of the Board or any of its members may call a meeting of the Board. The Chair of a committee or any of its members may call a meeting of the committee. The Board and each committee shall meet at such times during each year as each deems appropriate. The Chief Executive Officer (CEO) may attend Board and committee meetings and members of senior management are invited to attend Board and committee meetings as required; however, the Board shall also meet in camera. The Chair discusses with the CEO any matters raised in these meetings that are relevant for the CEO or management.

10. Quorum

A majority of the members of the Board or committee present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to speak to each other shall constitute a quorum.

11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication or email) to each member of the Board or committee, as applicable, at least 48 hours prior to the time fixed for such meeting provided, however, that a member may in any manner waive notice of a meeting. Attendance of a member at a meeting constitutes a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10. Attendance at Meetings

At the invitation of the Chair of the Board or committee, other Board members, officers or employees of the Company, the external auditors (in the case of ARC) or other experts or consultants may attend any meeting of the Board or committee.

Board meetings are not public. Shareholder representatives may attend Board

meetings with prior notice to the Chair and CEO indicating the topic of discussion. This will then be communicated to other shareholders prior to the meeting to allow them to also attend for this topic. Others wishing to address the Board should do so in writing and may be invited by the Chair (in discussion with the CEO) to attend a Board or committee meeting.

11. In-Camera Meetings

At each regular meeting of the Board and/or its committees, the agenda includes provision for in-camera meetings. Typically, a Director-only session occurs at the beginning of a meeting and Director / CEO in-camera at the end. The in-camera meeting may be waived if no member identifies a need for a Board/committee in-camera meeting.

Board business will not be transacted in an in-camera session. If any business is to be conducted or motions carried, the in-camera portion of the meeting will end, and the secretary will return to the meeting to record the decision(s) for the minutes.

The Board / committee Chair must ensure that in camera sessions remain focused on appropriate items and do not digress into areas that should be discussed in the presence of management. The Chair must exercise his/her authority to determine the appropriateness and relevance of issues raised in camera, and to provide opportunities for all board members to contribute meaningfully to the discussion. Typically, 30 minutes are allocated to in-camera sessions.

Board- and/or committee-only in-camera meetings are sessions involving only members of the Board and/or committee members, and are designed to address specific sensitive matters that are better initially discussed without notes being taken and/or management being present.

Matters dealt with in an in-camera session include:

- Providing Board members an opportunity to discuss issues or concerns relating to the Board materials provided in advance of the meeting. It is expected that all other matters are addressed during the regular Board meeting
- Discussing sensitive internal board governance matters
- Reviewing the performance and compensation of the CEO
- Providing a forum in which board members who are reticent or reluctant to speak may indicate this and seek advice on the appropriate way to raise issues of concern
- Safeguarding the independence of those providing direct access to the Board without management in attendance; such as internal and external auditors.
- Legal advice and litigation
- Personnel and employment/labour matters

Board and CEO in-camera meetings provide an opportunity for Board members to hear from the CEO regarding his/her focus during the period since the last board meeting and plans or items of interest for the upcoming period. The meeting also provides a forum for Board members to ask confidential questions of the CEO and for the CEO to bring any confidential issues of concern to the Board.

12. Procedure, Records and Reporting

Subject to any statute or articles and by-laws of the Company, the Board and each committee shall fix its own procedures at meetings, keep records of its proceedings and report to the Board, generally not later than the next scheduled quarterly meeting of the Board.

13. Outside Experts and Advisors

The Board, each committee and each Director are authorized, at the expense of the Company, when deemed necessary or desirable with Board approval, to retain independent counsel, outside experts and other advisors to advise the Board, the committee or the Director, as the case may be, independently on any matter.