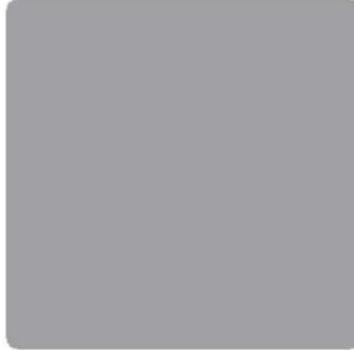




MODERNWATER

Investor Update

October 2018





Modern Water Basics

An AIM listed Water Technology Group

*Established in 2006 by IP Group Plc to develop & commercialise water related IP
Owns over 100 water focussed patents and employs 40 staff in the UK, US & China*

New Strategy adopted in early 2015

Following a board reorganisation in 2015, the Membrane strategy was re-focussed on licensing its technologies to strong local partners in its target markets.

Three parts to the Modern Water story

- *Membrane: Contains most of the IP and has strategic partners in India, China & Africa*
- *Monitoring: Sells water quality monitoring equipment and consumables globally*
- *Gibraltar: Preferred bidder for a £22m project to design & build a Sewerage Plant.*

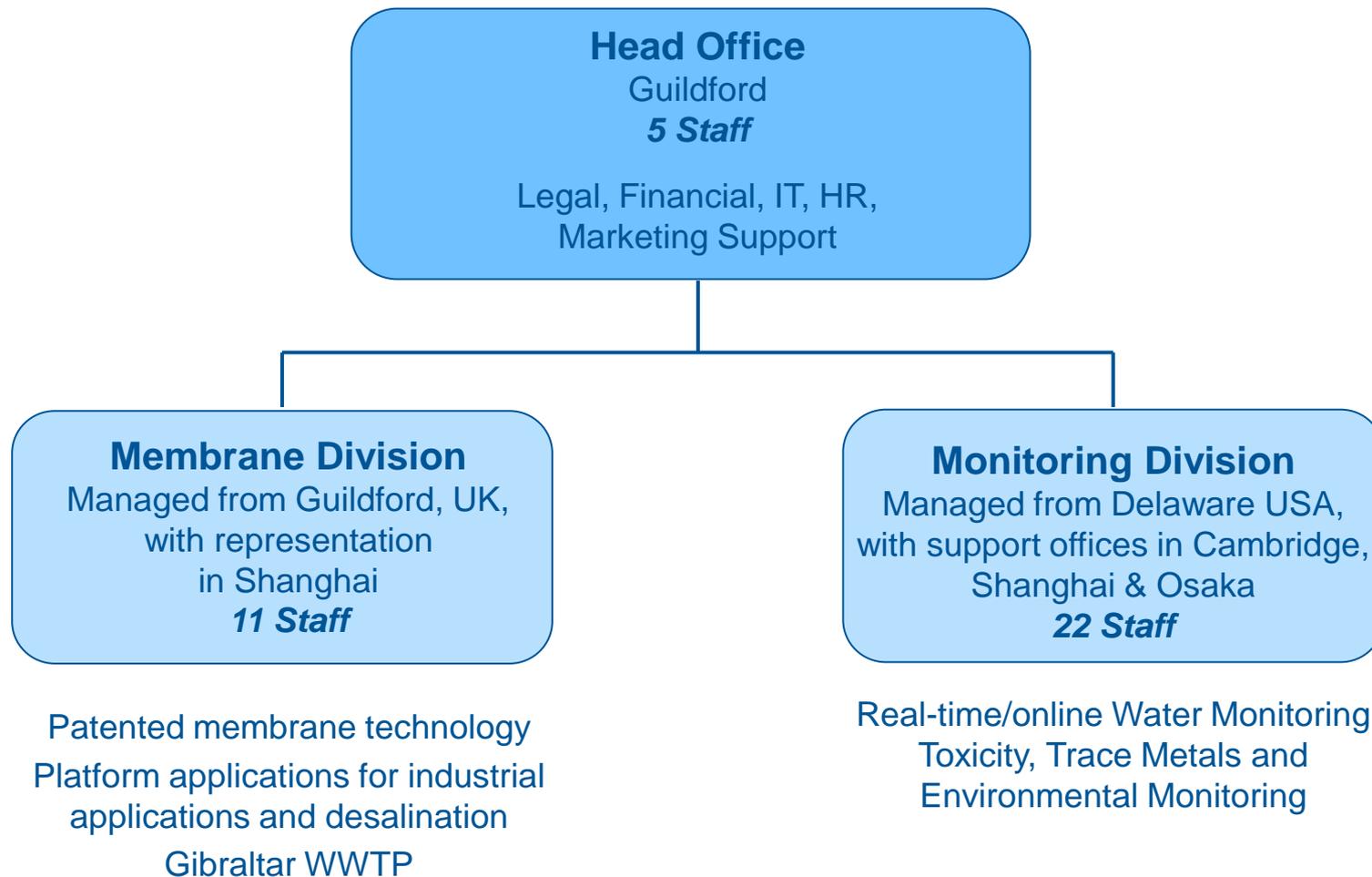
Sales momentum is now building

MW technology has now been commercially deployed in both China and India, with sales of its AMBC (All Membrane Brine Concentrator) made in both markets and Forward Osmosis technology sold into China for desalination and Landfill Leachate treatment. New partnership in Africa provides further opportunities for AMBC

Monitoring revenue is growing at over 20% p.a. with a maintained gross margin of 50% and in Gibraltar revenue has been received under an Advance Work Contract



Two Distinct Divisions





2018 First Half Results

Record H1

- Revenue +22%
- Gross Profit +38%
- Overhead Flat
- Cash burn -22%

Sunup's Strategic Stake in MWG

- Sunup invested £552k at 11p to take a 5% stake in Modern Water
- They were also granted 1:1 warrants at 13p exercisable for 12 months
- If exercised in full, Sunup's total investment in Modern Water will be £1.2m

AMBC Joint Venture in China

- MW & Sunup will form a JV; Encyclo Water Technology (Zhejiang) Co., Ltd.
- Encyclo will sell MW's AMBC (All Membrane Brine Concentrator) Technology in China
- Licensing and engineering fees will flow back to Modern Water UK from the JV

Open offer to existing shareholders

- Modern Water will offer all existing shareholders 1 new share for every 10 held
- Shareholders will also be able to apply for an over-allotment of new shares
- The offer is open until 25th October and is being supported by Sunup



Monitoring Division

China

- 2017 change in sales strategy is bearing fruit, with sales up strongly YTD
- Fundamentally we are closer to the end market so seeing more opportunities
- Will need more China content in products as we move forward
- Trump trade war an irritant and we are reviewing manufacturing options in China

Microtox LX

- Project to redesign and upgrade the best selling M500 product is almost complete
- Initial 'alpha' units are now on the bench being tested in our Delaware laboratory
- The new product is expected to start shipping around year end
- As well as new sales, there is an existing base of over 1,000 old M500s to target
- These tests are written into environmental legislation in France, Spain, Italy, Canada, Taiwan and Mexico

Also...

- USA performing very strongly, especially SRB, environmental test kits and Polymers
- Potential partnership for Polymer testing in discussion
- Should be cash neutral for the full year, despite over \$600k spent on product development and upgrades



Monitoring - The Microtox LX

The Microtox M500.....

- *30 years old and still a best seller*
- *Components becoming obsolete*
- *Connectivity difficult*
- *No local screen*

...becomes the Microtox LX

- *Same legislated testing process*
- *Shared core components with DX*
- *Bluetooth & Wifi as standard*
- *Touch screen tablet control*





Membrane Division

India

- Full scale AMBC plant now operational at a Bodal Chemical textile dyeing plant
- Pilot plant has been successfully trialed at other potential customer sites
- At least one more AMBC order expected this year from a multinational group

China

- AMBC for FGD has been factory commissioned and has now been moved to site
- Full commissioning due Nov and a further order for a pilot plant is expected
- Licence sold for FO technology for use in seawater desalination
- Licence sold to FO technology to trial use in treat Landfill Leachate

Africa

- Agreement signed with WEC Projects to market AMBC across Africa
- WEC Projects has delivered water projects in 12 African Countries

Middle East

- Aquapak order expected following some consultancy work earlier in the year

Elsewhere

- Potential new partners being evaluated regularly across many regions
- Discussions ongoing for global licence partner



Gibraltar

Advance Works Contract is progressing

- Awarded in Jan-18 to carry out all remaining preparatory work ahead of main contract
- Site preparation, environmental surveys, overall design and planning application
- Hoardings up around the site, EIA and planning approval process is underway
- Regular payments received from HM Gov of Gibraltar

Government fully committed

- Chief Minister publicly backed the project in his budget speech
- Environment minister also covered it in his budget speech
- Project manager, technical adviser and legal team are all in place

Main Contract

- Legal teams from HMGoG, MWG and NWG are working on the main contract
- Commercial negotiations (revalidating the £22m tender price) the next step



Chinese Partner: Sunup



Hangzhou Sunup background

History

- Founded in 2013 it now has over 100 employees and is owned by management
- It has 30 water technology patents pending and 10 granted.
- HQ and factory in Hangzhou, plus branches in Beijing, Hong Kong and Qingdao
- New factory (20,000sqm) opening in Changxing
- MW first started working with Sunup's founders in 2012

Focus is on the treatment of water using Membrane separation

- Zero Liquid Discharge: No liquid discharged from an industrial process
- Leachate Treatment: Landfill sites, Waste transfer stations, cooking waste
- Water demineralisation: Projects ranging from 30 - 7,200 m³/day
- Water re-use: Recycling of industrial waster water, projects from 130 - 20,000 m³/day
- Material Separation: Extraction of useful solids from wastewater
- Seawater Desalination: Reverse Osmosis plants with projects 200-16,000 m³/day

All Membrane Brine Concentration (AMBC)

- Purchased AMBC licence in late 2017 and has fabricated one plant
- JV will sell into Sunup's projects/customers as well as to 3rd parties in China



Strategic Stake & Open Offer

Sunup subscribed to 5m new shares at 11p in July

- Investment of £552k giving it 5% of the enlarged capital
- The price represented a premium of c.30% to the 30 and 90 day VWAP at issue

Sunup Warrants

- Sunup was also granted 1 warrant for each share purchased (5,021,353)
- These are exercisable until Aug-18 at a price of 13p
- This represented a premium of c.50% over the 30 and 90 day VWAP at issue

1 for 10 Open offer to existing shareholders

- The open offer will launch as soon as practicable after the H1 results announcement
- Shareholders will also be able to apply for an overallotment of new shares
- Sunup has signed an irrevocable undertaking to subscribe to its entitlement
- Sunup will also apply for further shares in the over allotment process



The Joint Venture

Encyclo Water Technology (Zhejiang) Co., Ltd

- Owned 49% Modern Water and 51% Sunup.
- Local Government incentives available; grants, office space and reduced tax rates
- 5 year exclusive licence to sell AMBC technology in China

Modern Water will contribute

- IP licence
- Engineering services
- Key equipment supply chain
- Process warranty

Sunup will contribute

- Detailed design
- Supply of equipment
- Construction of AMBC plant
- O&M, if required

Modern Water (in the UK) will receive payments as it does now for

- Project licence fees
- Project engineering fees
- Supply of Membranes
- Commissioning supervision



Indian Partner: Advent Envirocare



Advent Envirocare Technology Pvt.

Background

- Established in 1996 as a joint venture with the USA's Advent Corporation
- Technology driven Environmental EPCC company based in Gujarat
- Partnered with Modern Water in March 2016
- Built the first AMBC pilot plant in December 2016
- Built the World's first full-scale AMBC plant for Bodal Chemicals, completed June 2018
- <https://www.adventenvirocare.com/>

Focus Areas

- Effluent Treatment
- Cluster based – Common Effluent Treatment
- Effluent Recycling systems
- RO Based desalination
- Raw Water Treatment
- Sewerage Treatment



African Partner: WEC Projects



WEC Projects

Will promote Modern Water's AMBC Technology across Africa

Background

- Established in 2002 and based in Johannesburg, South Africa
- Experienced EPC contractor in the water and wastewater treatment industry
- Projects completed across 12 African countries
- <https://www.wecprojects.com/>

Focus Areas

- Water Treatment
- Sewerage Treatment
- Nereda installations (Large scale sewerage treatment technology)
- Sludge Beneficiation
- Renewable Energy

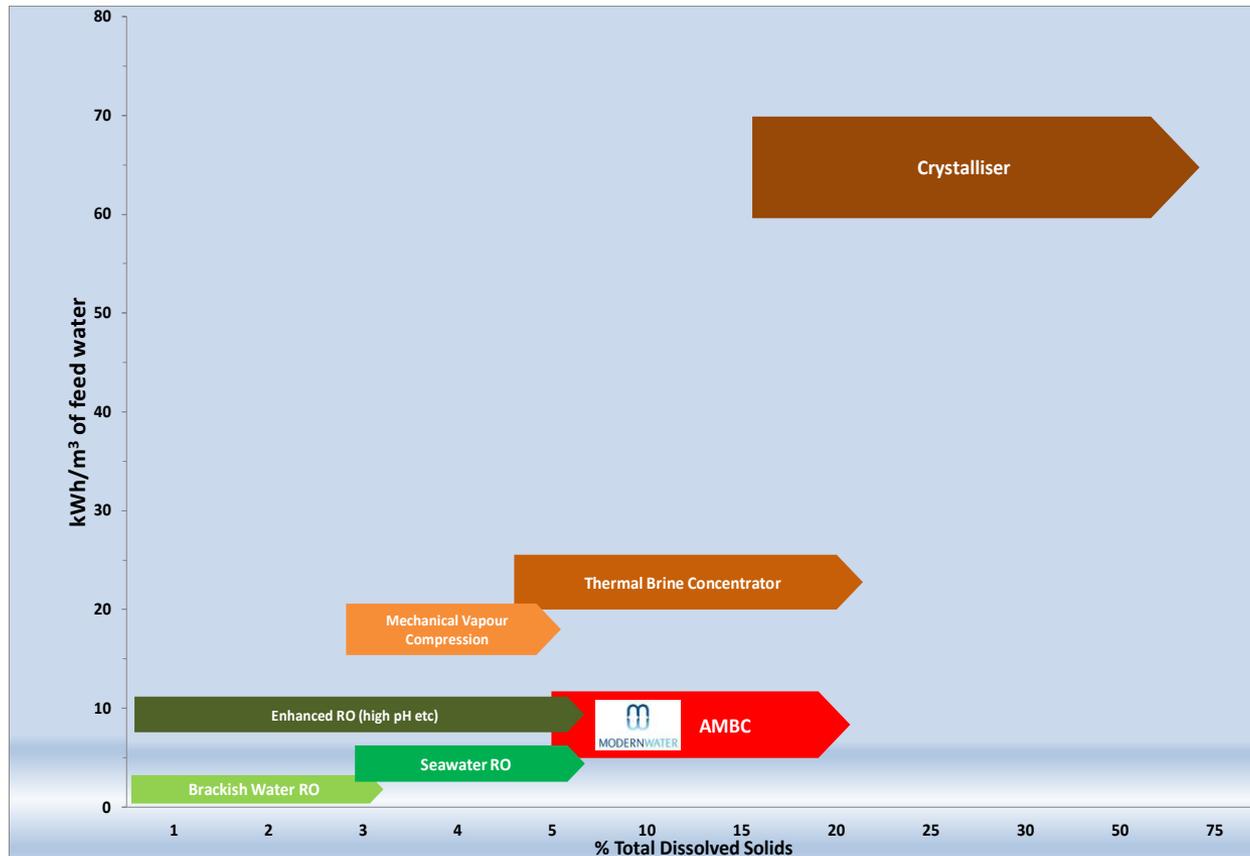
Wayne Taljaard, WEC Project's CEO said: "Modern Water's proprietary brine concentrator is an innovative solution capable of reducing waste-water treatment requirements and maximising clean-water reuse in a wide range of industrial applications, including mining, power, oil & gas and desalination plants. Southern Africa is a potentially large market for AMBC since the area is host to numerous industry sectors, all of which are increasingly subject to strict water treatment regulations due to Southern Africa's severe water shortage."



AMBC Technology



The AMBC advantage



The AMBC achieves the brine concentrations required for crystallisation at a fraction of the cost of traditional thermal methods.

Requires one third of the power needed by a thermal brine concentrator.

Capital cost is 25% that of an equivalent thermal brine concentrator

Also reduces the size of the final crystalliser required

Adapted from GWI Produced Water Report 2011 and Survey of High-Recovery and Zero Liquid Discharge Technologies for Water Utilities, Water Reuse Foundation, 2008



MODERNWATER

AMBC is not just a patent





Full-scale AMBC operational in India

4th July 2018 Announcement

British Deputy High Commissioner of Gujarat, Geoff Wain, will today open the world's first brine treatment plant based on Modern Water's all membrane brine concentration process ("AMBC"). The plant treats technically challenging waste water for Indian chemicals giant Bodal Chemicals, a major international chemicals company and one of the world's leading manufacturer of dyes and dye intermediates. This is a crucial part of an energy-efficient treatment process for a highly saline organic-laden effluent stream from dyes manufacturing operations that achieves zero liquid discharge ("ZLD"), meaning that all waste water is purified and recycled at the end of the treatment cycle.

The project was undertaken by Modern Water in conjunction with its partner in India, Advent Envirocare Technology Pvt Ltd ("Advent"), one of India's leading companies focused on the technically challenging industrial wastewater market. Modern Water's AMBC process is based on its proprietary forward osmosis and related processes. AMBC significantly reduces the cost of ZLD plants.

