

Form 7

MONTHLY PROGRESS REPORT

January 2019

Name of CSE Issuer: **Sharc International Systems Inc.** (the "Issuer" or "Company")
Trading Symbol: **SHRC**
Number of Outstanding Listed Securities: **38,720,176 common shares**
Date: **February 8, 2019**

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

On January 15, 2019, the Company announced a strategic financing relationship with Partners Capital Group Inc. ("Partners") as an equipment finance partner for direct lending of equipment loans and leases

On January 28, 2019, the Company announced it has entered into an agreement for a brokered private placement led by Echelon Wealth Partners Inc. ("Echelon" or the "Agent") as lead agent and sole book runner for the sale of up to 4,000 convertible debenture units ("Unit") at a price of \$1,000 per unit for aggregate gross proceeds of up to \$4,000,000 ("Offering"). Each Unit will consist of i) 1,000 principal amount of 8.0% unsecured convertible debentures and ii) 1,563 warrants. The Company will use the net proceeds of the Offering for the development of the Company's projects in the United Kingdom, and general working capital purposes.

The Company has granted Echelon Wealth Partners an option, exercisable in whole or in part at any time until 48 hours of the closing of the offering, for the purchase of up to additional 600 Units for aggregate gross proceeds of up to \$4.6M if the Agent's option is exercised in full.

The Debentures will bear interest from their issue date at 8.0% per annum, payable semi-annually in arrears on June 30, 2019, and thereafter semi-annually on the last day of June and December in each year and will mature three years following the Closing Date (the "Maturity Date"). The Debentures are unsecured and will rank pari passu in right of payment of principal and interest with all the existing and future unsecured indebtedness of the Company.

The Debentures, (including any accrued and unpaid interest) will be convertible at the option of the holder into common shares of the Company (the "Common

Shares”) at any time after the first anniversary of the Closing Date and prior to the close of business on the last business day prior to the Maturity Date at a conversion price of \$0.32 per Common Share (the “Conversion Price”). If after the first anniversary of the Closing Date the closing price of the Common Shares on the Canadian Securities Exchange (the “CSE”) is \$0.64 or greater for 20 consecutive trading days, the Company may, at its option, convert the Debentures (including any accrued and unpaid interest) into Common Shares by disseminating a press release, in which case the Debentures shall be converted into Common Shares on the second business day after dissemination of such press release.

Each Warrant will be exercisable to acquire one Common Share (a “Warrant Share”) at an exercise price of \$0.40 per Warrant Share for a period of three years following the Closing Date.

2. Provide a general overview and discussion of the activities of management.

See Item 1 above.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

None.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

None.

5. Describe any new business relationships entered into between the Issuer, the Issuer’s affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

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6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

None

8. Describe the acquisition of new customers or loss of customers.

None.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

None.

10. Report on any employee hiring, terminations or lay-offs with details of anticipated length of lay-offs.

None

11. Report on any labour disputes and resolutions of those disputes if applicable.

None.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

None

14. Provide details of any securities issued and options or warrants granted.

Please see Question 1. Issuance of securities has not closed as of end of January 2019.

15. Provide details of any loans to or by Related Persons.

None

16. Provide details of any changes in directors, officers or committee members.

None

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

None.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CSE that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CSE Requirements (as defined in CSE Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: **February 8, 2019**

Hanspaul Pannu

Name of Director or Senior Officer

"Hanspaul Pannu"

Signature

Chief Financial Officer

Official Capacity

<i>Issuer Details</i>		
Name of Issuer: Sharc International Systems Inc.	For Month End January 2019	Date of Report: YYYYMMDD 2019/02/08
Issuer Address: 1443 Spitfire Place		

City/Province/Postal Code: Port Coquitlam BC V3C 6L4	Issuer Fax No.: 778.262.0120	Issuer Telephone No. 604.475.7710
Contact Name: Hanspaul Pannu	Contact Position: CFO	Contact Telephone No. 604.475.7710
Contact Email Address: Hanspaul.pannu@sharcenergy.com	Web Site Address www.sharcenergy.com	