

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: **SHARC International Systems Inc.** (the "Issuer").

Trading Symbol: **SHRC**

Number of Outstanding Listed Securities: **56,676,516**

Date: **August 5, 2020**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **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 July 2, 2020 the Issuer (or "SHARC Energy") announced it would be represented in the United States by LONG Building Technologies, Inc. ("LONG"), one of the United States most progressive integrators of sustainable technology in buildings. Established in 1965, LONG has entered into a Manufacturer's Representative Agreement with SHARC Energy to**

become a representative (“Representative”) of SHARC™ waste water energy innovations in the US. It will be presenting the SHARC waste water energy systems PIRANHA™, PIRANHA HC and the SHARC system in the U.S. states of Colorado, Montana, Utah and Wyoming.

On July 10, 2020 the Issuer announced it has signed HTS New England (“HTS”), North America’s largest independent built-to-order commercial and industrial full-service HVAC distributor, to a Manufacturer’s Representative Agreement.

HTS will become a representative (“Representative”) of SHARC™ products such as the PIRANHA™, PIRANHA HC and SHARC systems in this key market of approximately 15-million people, further expanding the Issuer’s sales and commercialization network in the United States. HTS New England offers energy solutions to building owners in a sales territory that includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

The addition of HTS advances SHARC Energy’s global sales network to commercialize its waste-water-to-energy systems in Canada, the United States, as well as Europe and Australia. The HTS New England branch has been fully trained as a Representative, having completed all appropriate SHARC Energy product & service certifications. The New England region has implemented a series of public policy targets to accelerate their move to clean energy, as evidenced by their commitments & investments in low-carbon energy initiatives, such as New England Clean Energy Connect (NECEC). HTS New England has played a major role in these energy-efficiency initiatives, helping building owners select, design, purchase, install & maintain HVAC systems. The Issuer will now assist its existing and new customers in designing, planning and sizing SHARC and PIRANHA projects to advance low-carbon targets.

On July 16, 2020 the Issuer announced that it has hired Matt Engelhardt as its Chief Operating Officer. In connection with his appointment as Chief Operating Officer, Mr. Engelhardt will be stepping down from his position with the Board of Directors. Furthermore, the Issuer announced it has granted 700,000 stock options at an exercise price of \$0.25. The stock options will be exercisable for 5 years.

On July 28, 2020 the Issuer announced that Colorado’s first Net-Zero-Energy building for commercial lease and rent was taking delivery of the Issuer’s wastewater energy system, to meet the development’s ground-breaking approach to reducing energy use in leased buildings.

The SHARC Energy system, called PIRANHA™, is crucial to that objective by capturing the heat in wastewater and reusing the energy. The PIRANHA has been shipped and will now be installed in the Boulder Commons development, one of the United States’ premier projects projected to achieve Net-Zero-Energy (“NZE”) and Net Zero Carbon goals.

SHARC Energy's PIRANHA system, which is designed for a variety of industrial, commercial and multi-family residential building applications, will capture the heat in the residential building's wastewater and then use it to heat the hot water for showers and sinks. This will reduce energy use and energy costs for owners, tenants and residents of the Boulder Commons complex.

The PIRANHA will be installed in 3200 Bluff Street, the second phase of Boulder Commons, which involves two-building consisting of 98,000 square feet. One building will consist primarily of offices and the second building will be a multi-family residential building. There will also be retail space on the first floor of both buildings.

Aside from the PIRANHA and PIRANHA HC, which provides water heating and water heating and air conditioning, respectively, the Issuer also has the SHARC™ system, which is a wastewater energy recovery system for projects with access to wastewater flow rates ranging from 100 gallons per minute (gpm) to 4500 (gpm). These flow rates are typically seen in industrial applications and larger developments, or projects with access to sewer lines.

On July 29, 2020 the Issuer announced that it has elected to exercise its right under the terms and conditions (the "Warrant Terms") of the common share purchase warrants of the Issuer issued on February 11, 2020 (the "Warrants") to accelerate the expiry date of the Warrants.

Pursuant to the Warrant Terms, the Issuer may accelerate the expiry of these Warrants at any time prior to February 11, 2022, if the volume weighted average closing price of the common shares of the Issuer (the "Shares") on the Canadian Securities Exchange (the "CSE") is for a period of 10 consecutive trading days equal to or greater than \$0.25 (the "Trigger Event") by providing written notice to the warrant holders (the "Holder"). The Warrants will, unless exercised, expire on the 30th day after the Company provides notice.

As of the close of markets on July 28, 2020, the volume weighted average closing price of the Shares on the CSE equalled or exceeded \$0.25 for more than 10 consecutive days. Accordingly, the expiry date for the Warrants is accelerated to August 27, 2020.

As of July 27, 2020, a total of 2,772,404 out of 2,972,404 Warrants originally issued have yet to be exercised. Each Warrant is exercisable to acquire one Share at an exercise price of \$0.10. If all Warrants are exercised, proceeds to the Issuer will total \$277,240.

The aforementioned news releases can be viewed under the Issuer's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website ([www.thecse.ca](http://www.thecse.ca)).

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

During the month of July 2020, the management of the Issuer continues to pursue its strategic plan to improve all facets of the business. Included in this strategic plan is working towards a capital raise to support its OEM sales model. The Issuer has secured funding and is poised to build on its sales and marketing infrastructure.

The Issuer continues to focus on the North American operations, which entails the manufacturing and sale of its wastewater heat recovery products, focusing investment in sales and marketing activities for the SHARC™ wastewater filtration unit, Piranha™ and Piranha™ HC units.

On July 22, 2020 the management of the Issuer filed Notice of the Meeting and Record date. The Record Date for the Annual General Meeting of the shareholders of the Issuer is August 7, 2020 and the Annual General Meeting will be held on September 15, 2020.

The aforementioned notice can be viewed under the Issuer's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website ([www.thecse.ca](http://www.thecse.ca)).

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 to report during the month of July 2020.**

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 to report during the month of July 2020.**

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.

**On July 2, 2020 LONG Building Technologies, Inc., not a Related Person of the Issuer, has entered into a Manufacturer's Representative Agreement with the Issuer to become a representative of SHARC™ waste water energy innovations in the US.**

**On July 10, 2020 HTC New England, not a Related Person of the Issuer, and the Issuer have signed a Manufacturer's Representative Agreement.**

**For more information on abovementioned agreements refer to the Item 1.**

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 to report during the month of July 2020.**

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 to report during the month of July 2020.**

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

**None to report during the month of July 2020.**

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 to report during the month of July 2020.**

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

**None to report during the month of July 2020.**

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

**None to report during the month of July 2020.**

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 to report during the month of July 2020.**

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

**None to report during the month of July 2020.**

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

| <b>Security</b> | <b>Number Issued</b> | <b>Details of Issuance</b>  | <b>Use of Proceeds<sup>(1)</sup></b>          |
|-----------------|----------------------|---|---|
| Common Shares   | 200,000              | Common Shares were issued on July 8, 2020 in connection with warrant exercise                   | \$20,000 for General working capital purposes |
| Stock Options   | 700,000              | Stock options were granted to an Officer of the Issuer on July 15, 2020 at an exercise price of | Not Applicable.                               |

|  |  |  |  |
|--|--|--|--|
|  |  | \$0.25. The stock options will be exercisable for 5 years. |  |
|--|--|--|--|

(1) *State aggregate proceeds and intended allocation of proceeds.*

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

**None to report during the month of July 2020.**

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

**Matt Engelhardt stepped down as a director of the Issuer on July 15, 2020 and was appointed as its Chief Operating Officer effective July 16, 2020.**

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

**The trend impacting all facets of business globally is the COVID-19 pandemic. The Issuer is reviewing its options but business is continuing as usual outside of restrictions imposed by the pandemic. Through technology, the Issuer is actively engaging with sales leads and customers.**

**The Government of BC has implemented a program called EfficiencyBC. The program is setup to promote the access to information, incentives and support for homeowners and businesses in reducing energy use and greenhouse gas emissions in new and existing homes and buildings.**

**Governments around the world are implementing aggressive incentive programs to drive policy towards switching from carbon emitting technologies to clean energy alternatives.**

**The Issuer is poised to position itself within this program as a key driver in the fight against reducing greenhouse gas emissions.**

**Trends and risks which are likely to impact the Issuer are described in the Issuer's Management Discussion and Analysis for the three months ended March 31, 2020, dated June 12, 2020 and on pages 23 to 28 in section "Risk Factors" of the Issuer's Form 2A Listing Statement dated October 14, 2015, available under the Issuer's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website ([www.thecse.ca](http://www.thecse.ca)).**

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## 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 were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange 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 Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated August 5, 2020.

Hanspaul Pannu  
Name of Director or Senior  
Officer

"Hanspaul Pannu"  
Signature  
Chief Financial Officer and  
Corporate Secretary  
Official Capacity

|  |                                   |                           |
|--|-----------------------------------|---------------------------|
| <b><i>Issuer Details</i></b><br>Name of Issuer | For Month<br>End                  | Date of Report<br>YY/MM/D |
| <b>SHARC International Systems Inc.</b>        | <b>July 2020</b>                  | <b>20/08/05</b>           |
| Issuer Address<br><b>1443 Spitfire Place</b>   |                                   |                           |
| City/Province/Postal Code                      | Issuer Fax No.                    | Issuer Telephone No.      |
| <b>Port Coquitlam, BC, V3C 6L4</b>             | <b>(778) 262-<br/>0120</b>        | <b>(604) 475-7710</b>     |
| Contact Name                                   | Contact<br>Position               | Contact Telephone No.     |
| <b>Hanspaul Pannu</b>                          | <b>CFO</b>                        | <b>(604) 475-7710</b>     |
| Contact Email Address                          | Web Site Address                  |                           |
| <b>info@sharcenergy.com</b>                    | <b>http://www.sharcenergy.com</b> |                           |