

## FORM 7

### MONTHLY PROGRESS REPORT

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

Trading Symbol: **SHRC**

Number of Outstanding Listed Securities: **64,820,348**

Date: **September 4, 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 August 28, 2020 the Issuer (or "SHARC Energy") announced that it has filed its financial results for the second quarter ended June 30, 2020 and provided Second Quarter and Year to date Financial Highlights:**

- Loss from continuing operations for the three months ended June 30, 2020 (“Q2 2020”) is \$0.034M compared to \$1.018M for the three months ended June 30, 2019 (“Q1 2019”), a decrease of \$0.984M. Loss from continuing operations for the six months ended June 30, 2020 (“YTD 2020”) is \$0.906M compared to \$1.772M for the six months ended June 30, 2019 (“YTD 2019”), a decrease of \$0.866M.

- Adjusted EBITDA1 Loss of \$0.416M in Q2 2020 compared to \$0.592M in Q2 2019 and \$0.891M YTD 2020 compared to \$1.17M YTD 2019. The improvement was due to effective cost containment initiatives and reallocation of internal resources as well as increased revenue.

- Revenue growth of 106% or an increase of \$0.06M in Q2 2020 compared to Q1 2020. Q2 2020 revenue increased \$0.096M and YTD 2020 revenue increased \$0.122 from the comparative periods, respectively.

- The Issuer has \$1.111M of working capital as at June 30, 2020. This is the first reporting quarter since September 30, 2018 with a positive working capital balance.

#### **Q2 2020 Accomplishments**

- On May 29, 2020, the Issuer settled with all holders (“Debentureholders”) of the Issuer’s \$1,320,000 and \$1,023,000 12% unsecured, convertible debentures which were set to mature on May 30, 2020 and June 29, 2020 (the “Maturing Debentures”). The Debentureholders have entered into settlement agreements with the Issuer (the “Settlement Agreements”) pursuant to which the Debentureholders accepted 75% cash payout of the outstanding principal amount of the Maturing Debentures, the payout of any accrued and unpaid interest up to the date of maturity and the amendment of 1,673,571 common share purchase warrants (the “Warrants”) in consideration for the cancellation of the Maturing Debentures and a release of the Issuer’s obligations under the Maturing Debentures.

- On May 29 and June 12, 2020, the Issuer issued unsecured convertible debenture units with total principal amounts of \$2,000,000 and \$700,000 respectively. The debentures mature on May 29 and June 12, 2023, respectively, and bear interest at an annual rate of 2% due semi-annually.

- On June 1, 2020, SHARC Energy commenced the pilot project funded by the Electric Power Research Institute (“EPRI”) after presenting at the Incubatenergy© Labs Challenge. The Issuer is working with EPRI, Ameren Corporation, Con Edison, Southern California Edison and Tennessee Valley Authority to install and demo a PIRANHA™ HC, a PIRANHA model that provides some air conditioning capabilities along with hot water production. The results will be presented at the Incubatenergy Labs “Demo Day” currently scheduled for October 14, 2020 in St Louis, Missouri and hosted by Ameren Corporation.

**Subsequent events:**

- On July 16, 2020, the Issuer hired Matt Engelhardt as its Chief Operating Officer.
- On July 29, 2020, the Issuer announced it has accelerated the expiry of 2,972,404 common share purchase warrants with an exercise price of \$0.10. These warrants have been exercised in full providing proceeds of \$0.297M.

The aforementioned news release 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 August 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 August 19, 2020 the Issuer filed management proxy materials in connection with the Annual General Meeting of Shareholders of the Issuer to be held on Tuesday, September 15, 2020 at 2:00 PM Pacific Time.

In addition, during the month of August 2020, management of the Issuer worked to complete its Condensed Consolidated Interim Financial Statements for the six months ended June 30, 2020. In this regard, on August 28, 2020, the Issuer filed the financial statements and the accompanying Management Discussion and Analysis for the period ended June 30, 2020 (the "Financial Statements").

The aforementioned management proxy materials and the Financial Statements 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 August 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 August 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.

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

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 August 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 August 2020.**

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

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

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

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

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

14. **None to report during the month of August 2020.**

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

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	5,300,000	Common Shares were issued on August 4, 2020 in connection with convertible debt	\$530,000 (Extinguishment of debt obligation)
Common Shares	259,217	Common Shares were issued on August 6, 2020 in connection with warrant exercise	\$36,636 General working capital purposes
Common Shares	1,353,846	Common Shares were issued on August 18, 2020 in connection with warrant exercise	\$135,385 General working capital purposes
Common Shares	1,230,769	Common Shares were issued on August 24, 2020 in connection with warrant exercise	\$123,077 General working capital purposes

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

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

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

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

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

18. 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 six months ended June 30, 2020, dated August 28, 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 September 4, 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> Name of Issuer	For Month End	Date of Report YY/MM/D
<b>SHARC International Systems Inc.</b>	<b>August 2020</b>	<b>20/09/04</b>
Issuer Address <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- 0120</b>	<b>(604) 475-7710</b>
Contact Name	Contact Position	Contact Telephone No.
<b>Hanspaul Pannu</b>	<b>CFO</b>	<b>(604) 475-7710</b>
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