

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: **SHRC**

Number of Outstanding Listed Securities: **65,545,348**

Date: **December 1, 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 November 19, 2020 the Issuer ("SHARC Energy") announced it was proceeding with its plan to apply its wastewater energy recovery technology to the King County sewer system, the 12thmost populous county in the US, which includes the city of Seattle. SHARC Energy participated in the opportunity that King County provided for public consultation with regards

to the development of the template contract that could be used for agreements with private parties (users) for sewer heat recovery. On September 15, King County Council unanimously approved legislation allowing three wastewater heat recovery projects.

The approved program proposes up to three pilot projects in King County, including Seattle, which will operate without paying the energy transfer fee for three years in exchange for sharing data with King County Water Treatment Division (“King County WTD”), which provides wastewater treatment services to 17 cities, 17 local sewer districts and more than 1.8 million residents across a 420-square-mile area in King, Snohomish and Pierce counties, including Seattle. SHARC Energy’s system has been accepted by a US national developer which has a Seattle project that is potentially one of the pilot King County wastewater recovery projects. Details of the application involving SHARC Energy are being withheld for commercial reasons. Final development applications for one or potentially more of the pilot project proposals closes December 18, 2020. This initiative highlights one of two opportunities for “Smart Cities”, municipalities, wastewater authorities and other owners of city wastewater and sewer infrastructure to monetize a previously forgotten resource and cost center while helping achieve the goals of government climate action plans.

On November 23, 2020, the Issuer announced that it has been selected to be part of a Canadian government Clean Tech Accelerator program that will market Canada’s leading clean-technology companies to global markets.

Only nine Canadian companies were selected for a five-month Canadian Technology Accelerator (“CTA”) program, which will focus on business opportunities in Southeast Asia through a series of virtual meetings. Led by the Canadian Trade Office in Singapore, the CTA program allows chosen companies to access potential investments, pilot projects, partnerships and long-term sales in Singapore, Vietnam, Malaysia, and the Philippines, four of the ten Association of Southeast Asian Nations countries.

On November 26, 2020 the Issuer announced its participation in a virtual trade mission focused on selling its wastewater technology in Brazil’s public and private sectors. Hosted by Global Affairs Canada’s Trade Commissioner Service based out of the Consulate General of Canada in São Paulo, Brazil, the virtual trade mission commenced on November 16 and provided a briefing session for the Canadian delegation and a B2B matchmaking program with Brazilian companies and organizations in the public and private sector focused on water and wastewater treatment.

On November 30, 2020, the Issuer filed its financial results for the third quarter ended September 30, 2020 and reported on Q3 2020 results:

- Revenue for the three months ended September 30, 2020 (“Q3 2020”) and the nine months ended September 30, 2020 (“YTD 2020”) was \$0.426M and \$0.594M, respectively, representing an increase of \$0.348M and \$0.470M from the three months ended September 30, 2019 (“Q3 2019”) and nine

months ended September 30, 2020 (“YTD 2019”). This represented the largest revenue quarter for the Issuer in the past 8 most recent quarters and its largest since the quarter ended March 31, 2018.

- Loss from continuing operations for Q3 2020 is \$1.042M compared to \$0.907M for Q3 2019, an increase of \$0.135M. Loss from continuing operations for YTD 2020 is \$1.948M compared to \$2.679M for YTD 2019, a decrease of \$0.731M.

- Adjusted EBITDA¹ Loss of \$0.422M in Q3 2020 compared to \$0.482M in Q2 2019 and \$1.312M YTD 2020 compared to \$1.652M YTD 2019.

- As of November 30, 2020, the Issuer has Sales Pipeline² of \$3.9M and Sales Order Backlog³ of \$0.161M.

- The Issuer has \$0.913M of working capital as of September 30, 2020.

Q3 2020 Accomplishments

- During Q3 2020, the Issuer delivered 2 PIRANHA units, representing the first PIRANHA shipment to the US and 2nd to Australia which is the 1st unit to be installed in a senior’s living facility. The Issuer also delivered and installed wastewater holding tanks to a site for a district energy project expected to commence and be fulfilled in 2021.

- 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 and additional warrants have been exercised providing proceeds of \$0.315M.

- On September 15, King County Council unanimously approved legislation allowing three wastewater heat recovery projects. SHARC Energy participated in the opportunity that King County provided for public consultation with regards to the development of the template contract that could be used for agreements with private parties (users) for sewer heat recovery. This is significant development for the industry of wastewater energy recovery in North America.

- During Q3 2020, the Issuer saw the conversion of \$580,000 of convertible debt into 5.8M common shares.

Subsequent Accomplishments

- On October 14th, 2020, utilities, municipalities and private sector investors in the United States were shown results achieved during a three-month demonstration of a unique wastewater thermal recovery technology PIRANHA HC at the EPRI sponsored Incubatenergy Labs and Ameren Accelerator Demo Day. Key results of the demonstration included:

- 61 per cent energy savings reported by building management.

- **99 per cent GHG reduction from gas boiler use.**◦**Production of 100% of the hot water at 140°F, completely offsetting the use of gas boilers.**
 - **An average Co-efficiency of Performance (“COP”) for hot-water production of over 3.5 over the project term and peak COP of over 5.**
 - **Reduction of thermal water pollution. PIRANHA HC removes the heat from wastewater, so that it reduces impact on ambient water temperature in rivers, lakes, and oceans when it is released.**
- **SHARC Energy has been selected to participate in two programs through Global Affairs Canada Trade Commissioners Service. The Issuer will be participating in the Canadian Technology Accelerator focused on promoting Canadian Cleantech companies in Southeast Asia and more specifically, the ASEAN region. The Issuer is also participating in a B2B matchmaking Virtual Trade Mission for Canadian Water and Wastewater companies and Brazilian companies and organization in the public and private sector.**

¹ **Adjusted EBITDA is a Non-IFRS measure. Please see discussion and reconciliation of Alternative Performance Measures and Non-IFRS measures in the Q3 2020 Management Discussion and Analysis (“MD&A”).**

² **Sales Pipeline is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the Q3 2020 MD&A.**

³ **Sales Order Backlog is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the Q3 2020 MD&A.**

The aforementioned news releases and financial statements can be viewed under the Issuer’s profile on SEDAR (www.sedar.com) and on the Issuer’s Disclosure Page on the Canadian Securities Exchange’s website (www.thecse.ca).

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

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.

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 November 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 November 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 November 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 November 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 November 2020.

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

None to report during the month of November 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 November 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 November 2020.

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

None to report during the month of November 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 November 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 November 2020.

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

None to report during the month of November 2020.

Security	Number Issued	Details of Issuance	Use of Proceeds⁽¹⁾

(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 November 2020.

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

None to report during the month of November 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 and nine months ended September 30, 2020, dated November 30, 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) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website (www.thecse.ca).

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 December 1, 2020.

Hanspaul Pannu
Name of Director or Senior
Officer

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

<i>Issuer Details</i> Name of Issuer SHARC International Systems Inc.	For Month End November 2020	Date of Report YY/MM/D 20/12/1
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
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