

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: SHRC

Number of Outstanding Listed Securities: 78,406,348

Date: January 7, 2021

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 December 2, 2020, the Issuer ("SHARC Energy") announced its wastewater energy recovery technology will be placed in what is expected to be Seattle's greenest apartment tower.

Sustainable Living Innovations, LLC (“SLI”), a world leader in advanced panelized building design and construction, has agreed to purchase one of SHARC Energy’s PIRANHA T15 units, which will recover the thermal energy from the water that will go down the drains of the 303 Battery project (“303 Battery”). The unit is expected to ship in the first quarter of 2021.

On December 21, 2020, the Issuer announced it has completed the sale of 10,001,000 common shares (each, a “Share”) on a non-brokered private placement basis at a price of \$0.30 per Share for gross proceeds of \$3,000,300 (the “Offering”). Insiders of the Issuer invested \$186,000 in the Offering. The proceeds from the fully subscribed private placement will be used for general working capital purposes in support of its sales and marketing efforts.

During the month of December to date, the Issuer has raised an additional \$529,500 through stock option (“Options”) and common share purchase warrant (“Warrants”) exercises in addition to the Offering. SHARC Energy does not anticipate any additional financings required to fund operations in 2021. With a healthy balance sheet entering the 2021 fiscal year, the Issuer is focused on creating shareholder value through the commercialization of SHARC and PIRANHA systems in North America and globally.

In connection with the Offering, the Issuer paid eligible finders an aggregate cash fee of \$150,015 and issued 1,000,100 compensation warrants to eligible finders (the “Compensation Warrants”). Each Compensation Warrant entitles the holder thereof to purchase one Share of the Issuer at an exercise price of \$0.45 for a period of two years following the date of issuance.

All securities issued in the Offering will be subject to a statutory hold period lasting four months and one day following the issue date of the applicable Share.

The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Certain directors and/or officers of the Issuer participated in the Offering (the “Insider Issuance”). The Insider Issuance constitutes a "related party transaction" under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“MI 61-101”). The Insider Issuance was approved by all non-interested directors of the Issuer, and the interested directors abstained from approval of the same. The

Issuer is relying on Section 5.5(a) of MI 61-101 for an exemption from the formal valuation requirement and Section 5.7(1)(a) of MI 61-101 for an exemption from the minority shareholder approval requirement of MI 61-101 because the fair market value of the Insider Issuance is less than 25% of the market capitalization of the Issuer. All issuances are subject to applicable regulatory (including the Canadian Securities Exchange) approvals.

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.

During the month of December 2020, the management of the Issuer continues to pursue its strategic plan to improve all facets of the business. 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.

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 December 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 December 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 December 2, 2020, the Issuer announced that Sustainable Living Innovations, LLC ("SLI") has agreed to purchase one of SHARC Energy's PIRANHA T15 units. SLI is not a Related Person of the Issuer.

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 December 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 December 2020.

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

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

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

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

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

Security	Number Issued	Details of Issuance	Use of Proceeds⁽¹⁾
Common Shares	60,000	Shares were issued pursuant to a stock option exercise on December 3, 2020 at \$0.075 per share	General working capital purposes
Common Shares	2,125,000	Shares were issued pursuant to a warrant exercise on December 3, 2020 at \$0.20 per share	General working capital purposes

Common Shares	500,000	Shares were issued pursuant to a stock option exercise on December 4, 2020 at 0.075 per share	General working capital purposes
Common Shares	10,001,000	Shares were issued pursuant to closing of the private placement financing on December 18, 2020. For more information refer to item 1.	The net proceeds from the private placement will be used for the general working capital purposes in support of sales and marketing.
Common Shares	75,000	Shares were issued pursuant to a stock option exercise on December 22, 2020 at 0.09 per share	General working capital purposes
Common Shares	100,000	Shares were issued pursuant to a stock option exercise on December 30, 2020 at 0.14 per share	General working capital purposes
Stock Options	1,225,000	Stock options were granted on December 20, 2020 at \$0.345 per share, exercisable until December 20, 2025.	Not applicable

(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 December 2020.

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

None to report during the month of December 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 the 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).

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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 January 7, 2021.

Hanspaul Pannu
Name of Director or Senior
Officer

Signature
Chief Financial Officer and
Corporate Secretary
Official Capacity

<i>Issuer Details</i> Name of Issuer SHARC International Systems Inc.	For Month End December 2020	Date of Report YY/MM/D 21/1/7
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 info@sharcenergy.com	Web Site Address http://www.sharcenergy.com	