

FORM 7

MONTHLY PROGRESS REPORT

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

Trading Symbol: **SHRC**

Number of Outstanding Listed Securities: **90,978,401**

Date: **May 6, 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 April 22, 2021, the Issuer ("SHARC Energy") shipped its PIRANHA wastewater energy recovery system to the ELLA development in Vancouver, B.C., the latest multi-family residential building seeking to reduce its energy costs and carbon footprint while future proofing against rising carbon tax. The 45-suite unit ELLA project is built by Trillium Projects Management Ltd.

(“TRILLIUM”) on behalf of GN Holdings Limited Partnership (“GN HOLDINGS”). GN Holdings is an example of a forward-looking sustainable developer getting ahead of the City of Vancouver Climate Emergency Action Plan and specifically “Big Move 4: Zero Emissions Space and Water Heating”. By 2030, the city would like to reduce carbon pollution from buildings by half from its 2007 levels. By 2025, all new and replacement heating and hot water systems will be mandated to be zero emissions. Under Big Move 4, the plan outlines regulations will be implemented to reduce the carbon from existing buildings, starting with a first phase in 2025. If these “carbon caps” are not met by buildings, building owners will be charged fees or a municipal carbon tax annually. The City of Vancouver anticipates this to be \$15M-\$20M of revenue a year starting in 2025. As this plan was originally announced pre-COVID, there is potential this carbon cap is implemented sooner. The PIRANHA T10 HC will recover the thermal energy from the water that goes down the drain in the complex daily providing heating and an estimated 524 tonnes of CO2 emissions reduction over its lifespan. At the same time the unit is providing up to 100% of the hot water production, it will be providing some air conditioning to help improve cooling efficiencies. “We are very proud of this latest project, which shows SHARC Energy’s wastewater energy recovery technology can provide small and medium-size residential buildings significant energy savings and reduced carbon emissions,” said SHARC Energy CEO Lynn Mueller. “We are also encouraged by the support of CleanBC, the province’s program that assists those trying to reduce carbon emissions to meet B.C. and Canada’s GHG reduction goals.” The ELLA installation is a result of the builder’s initial investment and the assistance of the CleanBC Custom-Lite Program, which subsidizes building owners and operators wishing to install technologies that reduce greenhouse gas (GHG) emissions. CleanBC Custom Programs are funded by the Province of British Columbia and the Government of Canada and is administered by BC Hydro. There are now eleven SHARC Energy systems installed — or scheduled to be installed — in the Lower Mainland, including the False Creek Neighbourhood Energy Utility.

On April 29, 2021, the Issuer announced it has filed its financial results for the fourth quarter and fiscal year ended December 31, 2020. For complete financial information for the fourth quarter and fiscal year ended December 31, 2020, please see the Audited Consolidated Financial Statements and Management Discussion and Analysis filed on SEDAR at www.sedar.com. All figures are in Canadian Dollars unless otherwise stated and in accordance with IFRS.

Fourth Quarter and Fiscal Year Highlights:

- **Revenue for the three months ended December 31, 2020 (“Q4 2020”) and year ended December 31, 2020 (“Fiscal 2020”) was \$0.04M and \$0.63M, respectively, representing an increase of \$0.02M and \$0.49M from the three months ended December 31, 2019 (“Q4 2019”) and year ended December 31, 2020 (“Fiscal 2019”).**

- Loss from continuing operations for Q4 2020 is \$0.95M compared to \$0.62M for Q4 2019, an increase of \$0.33M. Loss from continuing operations for Fiscal 2020 is \$2.89M compared to \$3.29M for YTD 2019, a decrease of \$0.4M.
- Adjusted EBITDA¹ Loss of \$0.55M in Q4 2020 compared to \$0.58M in Q4 2019, a decrease of \$0.03M and \$1.86M in Fiscal 2020 compared to \$2.23M in Fiscal 2019, a decrease of 0.37M.
- As of April 29, 2021, the Issuer has Sales Pipeline² of \$2.76M and Sales Order Backlog³ of \$1.24M.
- The Issuer has \$3.3M of working capital as of December 31, 2020.

Fiscal 2020 Highlights and Subsequent Events

- **\$11.13 Million (M) raised through capital markets and security exercises.** Since the beginning of 2020 to current day, the Issuer raised \$4.74M (gross) through the issuance of 2% convertible debt, \$4.1M through non-brokered equity and equity unit private placements and \$2.29M through the exercise of stock options and warrants.
- **Convertible Debt Settlement.** On May 29, 2020, the Issuer settled with all holders (“Debenture holders”) of the Issuer’s \$1.3M and \$1M 12% unsecured, convertible debentures which were set to mature on May 30, 2020 and June 29, 2020 (the “Maturing Debentures”). This resulted in a gain on debt settlement of \$0.59M.
- **Significant Growth of Representative Network.** The Issuer revamped its distribution network for SHARC Energy products in 2020 by adding 10 manufacturer representatives (“Representative” or “Rep”) that provide the Issuer sales coverage across most Canadian provinces and American states. As at December 31, 2020, 75% of deals in our pipeline will be fulfilled through these Representatives.
- **Successful Incubatenergy Labs Challenge.** On October 14th, 2020, utilities, municipalities and private sector investors in the United States were shown results achieved during a three-month demonstration of the PIRANHA HC at the Electrical Power Research Institute (“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.
- **National Western Center.** The National Western Center is pioneering the largest scale wastewater district-energy innovation in North America to date. The National Western Center will rely on two SHARC™ wastewater recovery

systems placed in the heart of its 3.8-megawatt (MW) district energy system, creating a low-carbon campus that is sustainable and regenerative. The first phase of development is expected to recover the thermal energy from 3,000 gallons of wastewater that would otherwise be wasted and go down the drain every minute which will prevent 2,600 metric tons of carbon dioxide from being emitted into the atmosphere.

- **Congresswoman Marcy Kaptur visit to DC Water.** U.S. House Representative Marcy Kaptur, Chairwoman of the House Appropriations Subcommittee on Energy and Water Development, toured the U.S. capital's DC Water Headquarters ("DC Water HQ") on March 9, 2021. "I have never seen a technology that could have as positive of an impact on energy as what I have seen at the DC Water HQ," said Congresswoman Kaptur after her visit.

- **Conversion of Convertible Debt Face Value of \$2.21M.** During Fiscal 2020 and subsequently to date, the Issuer has converted \$2.21M of convertible debt.

The aforementioned news releases 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 April 2021, the management of the Issuer continues to focus on North American sales, which entails the manufacturing and sale of its wastewater energy products, which are low carbon and energy efficient solutions for heating and cooling. The Company is focusing investment in sales and marketing activities for the SHARC™ system , Piranha™ and Piranha™ HC Heat pump systems.

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 April 2021.

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 April 2021.

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 April 2021.

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 April 2021.

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 April 2021.

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

None to report during the month of April 2021.

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 April 2021.

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 April 2021.

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

None to report during the month of April 2021.

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 April 2021.

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 April 2021.

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

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
Common Shares	100,000	Shares were issued on April 5, 2021, pursuant to warrant exercise at \$0.35 per share.	The net proceeds will be used for general working capital purposes

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
Common Shares	15,000	Shares were issued on April 12, 2021, pursuant to warrant exercise at \$0.20 per share.	The net proceeds will be used for general working capital purposes.
Common Shares	303,125	Shares were issued on April 28, 2021, pursuant to stock option and warrant exercise at \$0.075, \$0.10, and \$0.345 per share.	The net proceeds will be used for general working capital purposes.
Common Shares	80,000	Shares were issued on April 30, 2021, pursuant to 8 debenture compensation units being exercised at \$1,000 per unit. The debenture was converted into shares at \$0.10 per common share.	The net proceeds will be used for general working capital purposes.
Warrants	40,000	Warrants were issued on April 30, 2021 pursuant to the 8 debenture compensation units exercised (above). The warrants have an exercise price of \$0.20	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 April 2021.

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

None to report during the month of April 2021.

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

Governments around the world are implementing aggressive climate action plan to drive policy and incentives around switching from carbon emitting and inefficient technologies to clean energy, energy efficient and low carbon 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 year ended December 31, 2020, dated April 29, 2021 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 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 May 6, 2021.

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 April 2021	Date of Report YY/MM/D 21/05/06
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	