

# FORM 7

## **MONTHLY PROGRESS REPORT**

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

Trading Symbol: **SHRC** \_\_\_\_\_

Number of Outstanding Listed Securities: **95,202,507** \_\_\_\_\_

Date: **September 3, 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 August 16, 2021, the Issuer announced its involvement in Ielərn, a master planned community in the University Endowment Lands developed by Musqueam Capital Corporation. The development's heating and cooling needs will be met by utilizing a SHARC low-carbon wastewater energy exchange system as part of a centralized energy facility. The project's**

wastewater will collect and pass through the SHARC system, allowing for the reuse of thermal energy that would otherwise be lost to the sewer lines. By using wastewater as an energy source, the project will significantly improve the energy efficiency and reduce the carbon emissions of the community for its lifetime. Situated on the western edge of the City of Vancouver, the 22-acre Ieləm development is bounded by the University Golf Course, Pacific Spirit Park, and the University of British Columbia. Ieləm, meaning home in həŋqəmiŋəm, the language of Musqueam people, reunites the north and south of Pacific Spirit Park with a new forest heart, a brand-new community centre for the University Endowment Lands, a daycare centre and a contemporary village set amidst towering trees and walking trails, weaving multi-family living and a retail and gathering hub into a natural landscape. The development is consistent with the recommendations of the United Nations Environment Programme (UNEP) which has identified low carbon district energy systems as a best practice to addressing the global climate challenge. The report states a transition to such systems, combined with energy efficiency measures, could contribute as much as 58 per cent of the carbon dioxide (CO<sub>2</sub>) emission reductions required in the energy sector by 2050 to keep global temperature rise to within 2-3 degrees Celsius. District energy systems utilizing wastewater energy like the Ieləm project will benefit from significant carbon savings, energy efficiency and freshwater savings compared to current standards. As witnessed by the recent heat waves in British Columbia, balancing both heating and cooling loads globally is critical. Wastewater based district energy systems have the ability to provide consistent year-round environmental and operating efficiencies to both heating and cooling loads. The system is anticipated to be delivered and installed in Q1 2022.

On August 22, 2021, the Issuer announced it has filed its financial results for the second quarter and the six months ended June 30, 2021. For complete financial information for the second quarter and the six months ended June 30, 2021, please see the Interim Financial Statements and Management Discussion and Analysis (“MD&A”) filed on SEDAR at [www.sedar.com](http://www.sedar.com). All figures are in Canadian Dollars unless otherwise stated and in accordance with IFRS. Second Quarter and Year to date Highlights:

- As of August 20, 2021, the Issuer has Sales Pipeline 1 of \$3.77M and Sales Order Backlog<sup>2</sup> of \$2.82M. This represents a cumulative growth of \$2.1M or 47% from previous disclosure on May 28, 2021.
- Revenue for the three months ended June 30, 2021 (“Q2 2021”) and six months ended June 30, 2021 (“YTD 2021”) was \$0.11M and \$0.3M, representing a decrease of \$0.01M from the three months ended June 30, 2020 (“Q2 2020”) and an increase of \$0.13M from the six months ended June 30, 2020 (“YTD 2020”).
- Loss for Q2 2021 and YTD 2021 was \$1.01M and \$1.86M, representing an increase of \$0.78M from Q2 2020 and an increase of \$0.76M from YTD 2020.

- Adjusted EBITDA3 Loss of \$0.58M in Q2 2021 and \$1.09M in YTD 2021 compared to \$0.42M in Q2 2020 and \$0.89M in YTD 2020, representing an increase of \$0.16M from Q2 2020 and an increase of \$0.20M from YTD 2020.
  - The Issuer has \$2.6M of working capital as of June 30, 2021. Management anticipates it has sufficient working capital to maintain its activities for the subsequent 12 months. YTD 2021 Highlights and Subsequent Events
  - \$2.12 Million (M) raised through capital markets and security exercises. Since the beginning of 2021 to the date of the MD&A, the Issuer raised \$0.45M (gross) through non-brokered equity and equity unit private placements, \$1.43M through the exercise of stock options and warrants and 0.24M through the exercise of debenture warrants.
  - WashOut Laundry Retrofit. The Issuer completed a retrofit installation of a PIRANHA T15 into WashOut Laundry, representing the first PIRANHA retrofit approved under the FortisBC Custom Performance Program. WashOut is projected to save over 2,100 gigajoules per year of natural gas, saving 105 tonnes of greenhouse gas emissions annually.
  - 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.
  - ELLA. A 45-suite multi-family residential project in Vancouver, B.C. seeking to reduce its energy costs and carbon footprint, while future proofing against rising carbon tax, has installed a PIRANHA T10 HC. The unit is estimated to save the project 524 tonnes of CO2 emissions reduction over its lifespan.
  - Ielóm. A 1,200 residential unit master planned development's heating and cooling needs will be met by utilizing a SHARC Energy low-carbon wastewater energy exchange system as part of a centralized energy facility. The system is expected to ship and install in Q1 2022.
  - Conversion of Convertible Debt Face Value of \$1.28M. During YTD 2021 and subsequently to date, the Issuer has converted \$1.28M of convertible debt.
- The aforementioned news releases and 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)).

2. Provide a general overview and discussion of the activities of management.  
**During the month of August 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 Issuer 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 August 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 August 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 August 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 August 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 August 2021.**
8. Describe the acquisition of new customers or loss of customers.  
**None to report during the month of August 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 August 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 August 2021.**

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

**None to report during the month of August 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 August 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 August 2021.**

14. 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	99,990	Shares were issued on August 19, 2021, pursuant to warrant exercise at \$0.25 per share.	The net proceeds will be used for general working capital purposes
Common Shares	175,715	Shares were issued on August 20, 2021, pursuant to warrant exercise at \$0.25 per share.	The net proceeds will be used for general working capital purposes

*(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 August 2021.**

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

**None to report during the month of August 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 six months ended**

June 30, 2021, dated August 20, 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](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 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 3, 2021.

Hanspaul Pannu  
Name of Director or Senior  
Officer

"Hanspaul Pannu"  
Signature

CFO and Corporate Secretary  
Official Capacity

<b><i>Issuer Details</i></b> Name of Issuer <b>SHARC International Systems Inc.</b>	For Month End <b>August 2021</b>	Date of Report YY/MM/D <b>21/09/3</b>
Issuer Address <b>1443 Spitfire Place</b>		
City/Province/Postal Code <b>Port Coquitlam, BC, V3C 6L4</b>	Issuer Fax No. <b>(778) 262-0120</b>	Issuer Telephone No. <b>(604) 475-7710</b>
Contact Name <b>Hanspaul Pannu</b>	Contact Position <b>CFO</b>	Contact Telephone No. <b>(604) 475-7710</b>
Contact Email Address <b>info@sharcenergy.com</b>	Web Site Address <b>http://www.sharcenergy.com</b>	