

FORM 7

MONTHLY PROGRESS REPORT

Trading Symbol: **SHRC**

Number of Outstanding Listed Securities: **150,705,563**

Date: **June 1, 2023**

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.

During the month, SHARC announced the filing of both its 2022 financial year results, as well as its 2023 Q1 financial results

2022 Fourth quarter and year end highlights:

- As of April 28, 2023, the Company has an aggregate Sales Pipeline¹ and Sales Order Backlog² of \$16.16M. This represents a **46% growth** from the previous disclosure on November 29th, 2022 and is an indication of the accelerating momentum behind Wastewater Energy Transfer (“WET”) projects.
- Revenue for the three months ended December 31, 2022 (“Q4 2022”) is \$0.81M compared to \$0.98M from the three months ended December 31, 2021 (“Q4 2021”) while Revenue for the year ended December 31, 2022 (“YE 2022”) is \$1.94M compared to \$2.7M (“YE 2021”) for the year ended December 31, 2021. It is anticipated that the volatility of Revenue will smooth out as the Company’s Sales Pipeline matures and as the Company diversifies its Revenue generating opportunities.
- Gross margin for Q4 2022 and YE 2022 was 23.5% and 28.9%, respectively. This compared with Gross margin of 26.2% and 36.8% for Q4 2021 and YE 2021, respectively. The decline in Gross margin was due to one-time inventory write offs and true ups of costs which created margin pressure in the quarter. Furthermore, the Company earned lower margin on a higher percentage of Revenue where the Company acted as a general contractor managing the installation of a SHARC WET system. SHARC Energy foresees Gross margins will improve in 2023 to YE 2021 levels.
- The Company reported an Adjusted EBITDA³ loss of \$0.77M and \$2.62M and a Loss of \$1.27M and \$4.82M for Q4 2022 and YE 2022, respectively. The Company continues to strategically balance its investment into Sales Pipeline growth, which would include increasing head count in Sales and Operations and marketing activities, while taking into consideration working capital commitments in the near term.
- **2023 1st quarter highlights:**
 - As of May 29, 2023, the Company has an aggregate Sales Pipeline^[1] and Sales Order Backlog^[2] of \$17.7M. This represents a 10% growth from the previous disclosure on April 28th, 2023 and consists of a 15% growth in Sales Pipeline and a 38% decrease in Sales Order Backlog. The decline in Sales Order Backlog is due to Revenue earned. The Company expects Sales Pipeline to continue to grow and the rate of Sales Pipeline converting to Sales Order Backlog to accelerate over the balance of the year.
 - Working Capital of \$0.23M, which includes \$2.3M of Cash, as of March 31, 2023. Subsequent to March 31, 2023, the Company received convertible debt conversions of \$1.9M and warrant exercises of \$1.64M resulting in a working capital gain of \$3.54M. Management anticipates it has sufficient working capital to maintain activities for the subsequent 12 months.
 - Revenue for the three months ended March 31, 2023 (“Q1 2023”) is \$0.73M compared to \$0.88M from the three months ended March 31, 2022 (“Q1 2022”). It is anticipated that the volatility of Revenue will smooth out as the Company’s Sales Pipeline matures and as the Company diversifies its Revenue generating opportunities.
 - Gross margin for Q1 2023 was 41.5% compared with Gross margin of 25.1% for Q1 2022. In Q1 2023, the Company returned to a supply and service Revenue mix whereas during Q1 2022, the Company earned lower margin on general contracting revenue earned.
 - The Company reported an Adjusted EBITDA^[3] loss of \$0.44M and a Loss of \$0.75M for Q1 2023 compared to \$0.51M and \$0.84M in Q1 2022. The Company continues to strategically balance its investment into Sales Pipeline growth, which includes increasing head count in sales and operations and increasing sales and marketing activity, with consideration for its maturing Sales Pipeline and realization of Revenue.

2. 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.

During the month of May 2023, the management of the Issuer continues to focus on North American sales, which entails the manufacturing and sale of its Wastewater Energy Transfer (“WET”) 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 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 May 2023.

4. 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 May 2023.

5. 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 May 2023.

6. 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 May 2023.

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

None to report during the month of May 2023.

8. 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 May 2023.

9. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

None to report during the month of May 2023.

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

None to report during the month of May 2023.

11. 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 May 2023.

12. 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 May 2023.

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

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
Common shares	9,300,000	Shares were issued on May 1, 2023 pursuant to debt conversion, converted at a value of \$0.15 per share.	n/a
Common shares	3,333,333	Shares were issued on May 25, 2023 pursuant to debt conversion, converted at a value of \$0.15 per share.	n/a
Common shares	1,666,500	Shares were issued on May 16, 2023, pursuant to an exercise of warrants, converted at a value of \$0.25 per share.	Net proceeds will be used for general working capital purposes
Common shares	4,899,497	Shares were issued on May 24, 2023, pursuant to an exercise of warrants, converted at a value of \$0.25 per share.	Net proceeds will be used for general working capital purposes
Common shares	666,667	Shares were issued on May 29, 2023 pursuant to 100 broker convertible warrants converted, at a value of \$1000.00 per unit, then the units were immediately converted to 666,666 shares at value of \$0.15 per share.	Net proceeds will be used for general working capital purposes

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

14. Provide details of any loans to or by Related Persons.
None to report during the month of May 2023.
15. Provide details of any changes in directors, officers or committee members.
None to report during the month of May 2023.
16. 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, 2022, dated April 28, 2023, and on pages 28 to 33 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 June 1, 2023.

Hanspaul Pannu
Name of Director or Senior
Officer

"Hanspaul Pannu"
Signature

CFO and Corporate Secretary
Official Capacity

Issuer Details Name of Issuer SHARC International Systems Inc.	For Month End May 2023	Date of Report YY/MM/D 01-Jun-2023
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	