

SHARC INTERNATIONAL SYSTEMS INC.
1443 Spitfire Place
Port Coquitlam, British Columbia Canada V3C 6L4

Form 51-102F6V

Statement of Executive Compensation – Venture Issuers
(for financial years ended December 31, 2019 and December 31, 2018)

GENERAL

The following information, dated as of June 26, 2020, is provided as required under Form 51-102F6V – *Statement of Executive Compensation*, for Venture Issuers (the “**Form**”), as such term is defined in National Instrument 51-102.

For the purposes of this Form:

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

“**named executive officer**” or “**NEO**” means each of the following individuals:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

Director and NEO Compensation Excluding Options and Compensation Securities

During financial year ended December 31, 2019, based on the definition above, the NEOs of the Company were: Lynn Mueller, Chairman, Chief Executive Officer and Director, Russ Burton, former Chief Operating Officer, Hanspaul Pannu, Chief Financial Officer and Corporate Secretary and former Interim CFO and Corporate Secretary, David Alexander, former Chief Financial Officer and Corporate Secretary and Jas Sahota, former Senior Vice President of Finance.

The directors of the Company who were not NEOs during the financial year ended December 31, 2019 were Daryle Anderson, former director Mark McCooley, Sasko Despotovski, Michael Franklin (Mike) Harcourt, former director Olga Ilich, former director Eleanor Chiu, and former director Mark McCooley.

Mark McCooley resigned as director on September 27, 2019. Olga Ilich served as a Director from May 2, 2019 to September 30, 2019 and Eleanor Chiu served as a Director from May 6, 2019 to June 29, 2019.

Matthew Engelhardt, Eleanor Chiu and Alan G. Saurette were appointed Directors of the Company on February 26, 2020.

David Alexander served as CFO and Corporate Secretary from May 8, 2017 to July 6, 2018. Hanspaul Pannu served as Interim CFO and Corporate Secretary from July 6, 2018 to July 9, 2019. Hanspaul Pannu was appointed Chief Financial Officer and Corporate Secretary on July 9, 2019. Jas Sahota served as Senior Vice President of Finance from December 10, 2018 to July 9, 2019.

During financial year ended December 31, 2018, based on the definition above, the NEOs of the Company were: Lynn Mueller, Chairman, Chief Executive Officer and Director, Hanspaul Pannu, Interim Chief Financial Officer and Corporate Secretary, David Alexander, former Chief Financial Officer and Corporate Secretary and Russ Burton, Chief Operating Officer. The directors of the Company who were not NEOs during the financial year ended December 31, 2018 were Daryle Anderson, Mark McCooley, Sasko Despotovski and Mike Harcourt.

Yaron Conforti resigned as Chief Financial Officer, Corporate Secretary and a director of the Company on May 3, 2017.

**Table of Compensation, Excluding Compensation Securities in Financial Years ended
December 31, 2019 and December 31, 2018**

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation paid by the Company to NEOs and directors of the Company for the two completed financial years ended December 31, 2019 and December 31, 2018. Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” in this Form.

Table of compensation excluding compensation securities (in Canadian dollars)							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total Compensation (\$)
Lynn Mueller Chairman, CEO and director	2019	200,000	Nil	Nil	Nil	Nil	200,000
	2018	Nil	Nil	Nil	Nil	Nil	162,955
Hanspaul Pannu ⁽²⁾ CFO and Corporate Secretary	2019	102,000	Nil	Nil	Nil	Nil	102,000
	2018	30,000	Nil	Nil	Nil	Nil	30,000
David Alexander ⁽³⁾ former CFO and Corporate Secretary	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	35,000	Nil	Nil	Nil	Nil	35,000
Yaron Conforti former CFO, Corporate Secretary and former director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Mark McCooley ⁽⁵⁾ former director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Daryle Anderson ⁽⁶⁾ director	2019	90,000	Nil	Nil	Nil	Nil	90,000
	2018	90,000	Nil	Nil	Nil	Nil	90,000
Sasko Despotovski director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Mike Harcourt director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Olga Ilich former director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Eleanor Chiu former director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Russ Burton Chief Operating Officer	2019	230,781	Nil	Nil	Nil	Nil	230,781
	2018	178,181	Nil	Nil	Nil	Nil	178,181
Jas Sahota former Senior VP of Finance	2019	203,900	Nil	Nil	Nil	Nil	203,900
	2018	10,200	Nil	Nil	Nil	Nil	10,200

Employment, consulting and management agreements

The Company entered into an employment agreement with Lynn Mueller dated January 1, 2019. Pursuant to the terms of the agreement, Mr. Mueller is entitled to receive an annual base salary of \$200,000. From time to time, the Company, in its sole discretion, may pay Mr. Mueller performance bonuses. The Company also agrees to provide Mr. Mueller with the same medical, dental, life, extended health and disability insurance benefits that are made available to the Company’s senior executive employees and to maintain directors’ and officers’ liability insurance in favour of Mr. Mueller. The agreement provides for an indefinite term, subject to earlier termination. Mr. Mueller has mutually agreed to defer \$44,000

in salary for a period of 12 months. If salary is deferred for longer than 12 months, the Company agrees to pay monthly interest at the current prime rate +1%.

The Company entered into a consulting service agreement with 1002349 B.C. Ltd. and Hanspaul Pannu (collectively the “**Consultant**”) dated June 1, 2019. Pursuant to the terms of the agreement, Consultant is entitled to receive an annual salary of \$132,000. The agreement provides for an indefinite term. Please refer to the table headed “Stock Options and Other Compensation Securities” below.

The Company entered into a consulting service agreement with CIR Mechanical Ltd and Daryle Anderson (collectively the “**Consultant**”) dated October 27, 2015. Pursuant to the terms of the agreement, Consultant is entitled to receive an annual salary of \$90,000. The agreement provides for a term of five years, without being subject to earlier termination. Please refer to the table headed “Stock Options and Other Compensation Securities” below.

The Company entered into an employment agreement with Jas Sahota dated December 10, 2018. Pursuant to the terms of the agreement, Mr. Sahota is entitled to receive an annual base salary of \$200,000. From time to time, the Company, in its sole discretion, may pay Mr. Sahota performance bonuses. The Company also agrees to provide Mr. Sahota with the same medical, dental, life, extended health and disability insurance benefits that are made available to the Company’s senior executive employees and to maintain directors’ and officers’ liability insurance in favor of Mr. Sahota. The agreement provides for an indefinite term, subject to earlier termination. Mr. Sahota has mutually agreed with the Company to defer \$44,000 in salary for a period of 12 months. If salary is deferred for longer than 12 months, the Company agrees to pay monthly interest at the current prime rate +1%.

Other than as stated in this Form, there were no written compensatory plans or arrangements in place with an NEO or director of the Company during financial year ended December 31, 2019.

Stock Option Plan and Other Compensation Plans

10% Rolling Stock Option Plan (Option-Based Awards)

On November 1, 2011, the Company’s board of directors (the “**Board**”) adopted a 10% rolling stock option plan dated for reference November 1, 2011 (the “**Plan**”). The Plan was approved by shareholders at the Company’s annual general meeting held on November 14, 2012. The Plan was established to provide incentive to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The Plan is administered by the Board, or a committee appointed by the Board. The Plan also provides that the number of Common Shares issuable under the Plan, together with all of the Company’s other previously established or proposed share compensation arrangements, may not exceed 10% of the total number of issued and outstanding Common Shares.

The Plan is subject to the following restrictions:

- (a) the maximum number of Options which may be granted to any one option holder under the Plan within any 12-month period shall be 5% of the outstanding issue (unless the Company has obtained disinterested shareholder approval if required by regulatory rules);
- (b) if required by regulatory rules, disinterested shareholder approval is required to the grant to insiders, within a 12-month period, of a number of Options which, when added to the number of outstanding incentive stock options granted to insiders within the previous 12 months, exceed 10% of the issued shares;
- (c) the Expiry Date of an Option shall be no later than the tenth anniversary of the Grant Date of such Option;
- (d) the maximum number of Options which may be granted to any one Consultant within any 12-month period must not exceed 2% of the outstanding issue; and
- (e) the maximum number of Options which may be granted within any 12-month period to employees or consultants engaged in investor relations activities must not exceed 2% of the outstanding issue and such options must vest in stages over 12 months with no more than 25% of the Options vesting in any three-month period, and such limitation will not be an amendment to the Plan requiring the option holders consent under the Plan.

The following is a summary of the material terms of the Plan:

- (a) persons who are consultants to the Company or its affiliates, or who are providing services to the Company or its affiliates, are eligible to receive grants of options under the Plan;
- (b) options granted under the Plan are non-assignable, and non-transferable;

- (c) an option granted to any consultants will expire within 30 days after the date the Optionee ceases to be employed by or provide services to the Company;
- (d) if an Optionee dies, any vested option held by him or her at the date of death will become exercisable by the Optionee's lawful personal representatives, heirs or executors until the earlier of one year following the date of death and the applicable expiry date;
- (e) the exercise price of each option will be set by the Board on the effective date of the option and will not be less than the Market Value (as defined in the Plan);
- (f) the vesting schedule for an option, if any, shall be determined by the Board and shall be set out in the Option Certificate issued in respect of the option; and
- (g) the Board reserves the right in its absolute discretion to amend, suspend, terminate or discontinue the Plan with respect to all Plan shares in respect of options which have not yet been granted under the Plan.

Stock Options and Other Compensation Securities

The following table sets forth incentive stock options (option-based awards) pursuant to the Company's share option plan that were outstanding to NEOs and directors of the Company who were not NEOs during financial year ended December 31, 2019.

There were no share-based awards issued during financial year ended December 31, 2019.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant (dd/mm/yy)	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry date (dd/mm/yy)
Yaron Conforti former Chief Financial Officer	Options	100,000 16%	12/07/16	\$1.05	\$1.05	\$0.07	12/07/21
Jas Sahota former Senior VP of Financial	Options	100,000 16%	06/05/19	\$1.05	\$1.05	\$0.07	15/02/20

Notes:

- (1) Percentage of class represents % of compensation securities granted over the total number of compensation securities of the Company outstanding as of December 31, 2019.
- (2) Closing price of the Issuer's common shares as at December 31, 2019.

Exercise of Compensation Securities by NEOs and Directors

There were no compensation securities exercised by NEOs and directors of the Company who were not NEOs during financial year ended December 31, 2019.

Oversight and Description of Director and NEO Compensation

The Board as a whole assumes responsibility for reviewing and monitoring compensation for the Company's senior management and directors, and as part of that mandate determines the compensation of the Company's CEO and CFO.

The Company has limited financial resources to ensure that funds are available to complete its business objectives. As a result, the Board must consider not only the financial situation of the Company at the time of the determination of executive compensation, but also the estimated financial situation of the Company both in the mid-term and the long-term. Because stock options do not require cash disbursement by the Company they are an important element of executive compensation. Additional information about the Company and its operations is available in the Company's consolidated financial statements and related management's discussion & analysis for the financial year ended December 31, 2019 which have been filed with regulators and are available for review under the Company's profile at www.sedar.com.

The Board has assessed the Company's compensation plans and programs for its executive officers to ensure alignment with the Company's business plan and to evaluate the potential risks associated with those plans and programs. The Board

has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Company. The Board considers the risks associated with executive compensation and corporate incentive plans when designing and reviewing such plans and programs.

The Company has not adopted a policy restricting its executive officers or directors from purchasing financial instruments that are designated to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by its executive officers or directors. To the knowledge of the Company, none of the executive officers or directors has purchased such financial instruments.

Philosophy and Objectives

Compensation for senior management of the Company is designed to ensure that the level and form of compensation achieves certain objectives, which are:

- to attract and retain qualified and effective executives;
- to motivate the short and long-term performance of these executives; and
- to align their interests with those of the Company’s shareholders.

In compensating its senior management, the Company has employed a combination of base salary and equity participation through its stock option plan.

Equity Participation

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Equity participation is accomplished through the Company’s stock option plan. Stock options are granted to senior executives and employees taking into account a number of factors, including the amount and term of options previously granted, base salary and bonuses and competitive factors. Options, which vest immediately, are generally granted to senior executives and Board members.

Compensation of Board Members and Named Executive Officers

Compensation for each of the Board members and each of the NEOs is approved by the Board as a whole. Base cash compensation and variable cash compensation levels are based, in part, on market survey data provided to the Board by independent consultants.

Compensation Review Process

Base Salary or Consulting Fees

In the Board’s view, paying base salaries which are competitive in the markets in which the Company operates is a first step to attracting and retaining talented, qualified and effective executives. Competitive salary information on companies earning comparable revenues in a similar industry has been reviewed and compared over a variety of sources.

Financial Year ended December 31, 2019

During the year ended December 31, 2019, the Company entered into the following transactions with related parties.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors.

		Year Ended December 31, 2019		Year Ended December 31, 2018
Consulting Fees ⁽¹⁾	\$	267,726	\$	94,516
Wages and Benefits ⁽²⁾		558,955		392,898
Share-based payments ⁽³⁾		(391,488)		186,974
Inventory/Cost of Sales ⁽⁴⁾		166,994		32,202
		602,187		706,590

Notes:

(1) The Company paid consulting fees to companies controlled by the Chief Financial Officer, former Senior Vice President of Finance, former Chief Operating Officer and a former Director of Sharc UK.

- (2) The Company paid wages and benefits to the Chief Executive Officer and Director, a Director, the former Chief Operating Officer and former Senior Vice President of Finance.
- (3) Share-based payments was recognized in connection with the vesting of options granted to directors and officers of the Company in the amount of \$124,090. Furthermore, options were terminated and cancelled during the year which resulted in reversal of \$515,578.
- (4) The Company paid consulting fees to companies controlled by the former Chief Operating Officer and a former Director of Share UK that were capitalized to inventory costs and expensed to cost of sales.

Included in accounts payable is \$672,587 (December 31, 2018 – \$252,025) due to related parties.

Other than set out in this Form, there were no other arrangements under which directors were compensated by the Company and its subsidiaries during the completed financial years ended December 31, 2019 and December 31, 2018 for their services in their capacity as directors or consultants, other than the granting of options to purchase Common Shares.

Risks Associated with the Company's Compensation Practices

The Board has assessed the Company's compensation plans and programs for its executive officers to ensure alignment with the Company's business plan and to evaluate the potential risks associated with those plans and programs. The Board has concluded that the compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on the Company. The Board considers the risks associated with executive compensation and corporate incentive plans when designing such plans and programs.

To the knowledge of the Company, none of the executive officers or directors have purchased such financial instruments.

Benefits and Perquisites

In general, the Company will provide a specific benefit or perquisite only when it provides competitive value and promotes retention of executives, or when the perquisite provides shareholder value, such as ensuring the health of executives. Limited perquisites the Company provides its executives may include a parking allowance or a fee for each Board or Audit Committee meeting attended, to assist with their out-of-pocket expenses.

Pension Plan Benefits

The Company has no pension plan arrangements or benefits with respect to any of its NEOs, directors or employees.