

**SHARC INTERNATIONAL SYSTEMS INC.**  
**Condensed Consolidated Interim Financial Statements**

For the six months ended June 30, 2022

(Unaudited - Expressed in Canadian dollars)

## **SHARC INTERNATIONAL SYSTEMS INC.**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed financial statements; the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of financial information by an entity's auditor.

Management has prepared the information and representations in this interim report. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the condensed financial statements.

The company maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

**SHARC International Systems Inc.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Expressed in Canadian dollars)

		June 30,2022	December 31,2021
	Note	(unaudited)	(audited)
		\$	\$
<b>ASSETS</b>			
<b>Current</b>			
Cash		1,946,311	3,150,705
Receivables	4	640,469	1,355,196
Prepaid expenses		67,253	61,375
Inventory	5	1,038,364	962,362
<b>Total current assets</b>		<b>3,692,397</b>	<b>5,529,638</b>
Restricted cash	6	50,000	50,000
Deposits		1,200	1,200
Property and equipment	7	392,286	389,547
<b>Total assets</b>		<b>4,135,883</b>	<b>5,970,385</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	459,802	460,913
Deferred revenue	9	13,284	-
Convertible debentures	10	3,470,460	1,620,254
Lease liabilities	11	111,220	103,035
<b>Total current liabilities</b>		<b>4,054,766</b>	<b>2,184,202</b>
Warranty provisions		82,718	61,144
Convertible debentures	10	-	3,066,400
Lease liabilities	11	201,942	201,616
<b>Total liabilities</b>		<b>4,339,426</b>	<b>5,513,362</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Share capital	12	25,768,366	24,428,640
Reserves	12	3,995,976	3,855,815
Currency translation reserve		437	-
Convertible debentures - equity component	10	692,281	756,941
Deficit		(30,660,603)	(28,584,373)
<b>Total shareholders' equity (deficiency)</b>		<b>(203,543)</b>	<b>457,023</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>4,135,883</b>	<b>5,970,385</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Nature of Operations and Going Concern [Note 1]  
Subsequent Events [Note 17]

Approved on behalf of the Board of Directors on August 29, 2022:  
/s/ Lynn Mueller                      /s/ Eleanor Chiu  
Director                                      Director

# SHARC International Systems Inc.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Revenue</b>		166,768	107,022	1,050,789	297,234
<b>Cost of sales</b>		(74,118)	(51,787)	(736,159)	(172,433)
<b>Gross margin</b>		<b>92,650</b>	<b>55,235</b>	<b>314,630</b>	<b>124,801</b>
<b>Expenses</b>					
Accounting and legal		81,304	78,523	132,339	98,836
Advertising and promotion		81,452	47,222	165,003	100,932
Consulting	8	73,057	98,182	161,714	238,358
Depreciation	7	35,786	36,698	71,743	73,365
Insurance		13,243	8,918	24,427	15,961
Interest and financing expense	10,11	219,219	274,048	480,009	557,436
Office and miscellaneous		44,967	23,607	68,894	41,928
Regulatory and filing fees		34,718	26,295	53,618	41,793
Rent	11	12,000	12,000	24,000	24,000
Repairs and maintenance		8,366	(1,490)	16,414	14,591
Research and development		6,279	38,945	13,897	58,046
Share-based payments	8,12	177,304	99,864	205,636	267,427
Telephone and utilities		24,295	22,925	49,766	43,327
Travel		68,201	2,863	96,965	2,875
Wages and benefits	8	460,630	300,403	822,241	411,971
Warranty expense		15,178	6,000	20,778	6,000
		<b>(1,355,999)</b>	<b>(1,075,003)</b>	<b>(2,407,444)</b>	<b>(1,996,846)</b>
		<b>(1,263,349)</b>	<b>(1,019,768)</b>	<b>(2,092,814)</b>	<b>(1,872,045)</b>
Interest income		3,767	1,030	5,750	1,889
Foreign exchange		19,923	(4,701)	10,486	(10,321)
<b>Loss before income taxes</b>		<b>(1,239,659)</b>	<b>(1,023,439)</b>	<b>(2,076,578)</b>	<b>(1,880,477)</b>
Deferred tax recovery		-	8,760	348	15,741
<b>Loss and comprehensive loss for the period</b>		<b>(1,239,659)</b>	<b>(1,014,679)</b>	<b>(2,076,230)</b>	<b>(1,864,736)</b>
<b>Other comprehensive income</b>					
Foreign currency translation		437	-	437	-
<b>Total comprehensive loss for the period</b>		<b>(1,239,222)</b>	<b>(1,014,679)</b>	<b>(2,075,793)</b>	<b>(1,864,736)</b>
<b>Basic and diluted loss per common share</b>		<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares outstanding</b>					
		<b>103,471,779</b>	<b>91,262,205</b>	<b>102,688,652</b>	<b>87,310,177</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# SHARC International Systems Inc.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited - Expressed in Canadian dollars)

	Common Shares		Reserves	Currency translation reserve	Convertible debenture	Deficit	Total
	Number	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2020</b>	<b>78,406,348</b>	<b>18,952,467</b>	<b>4,241,450</b>	-	<b>907,036</b>	<b>(25,539,385)</b>	<b>(1,438,432)</b>
Common shares issued	1,500,000	450,000	-	-	-	-	<b>450,000</b>
Share issue cost	-	(61,326)	37,768	-	-	-	<b>(23,558)</b>
Stock options exercised	518,125	50,703	-	-	-	-	<b>50,703</b>
Fair value of stock options exercised	-	40,986	(40,986)	-	-	-	-
Warrants exercised	4,344,728	1,331,146	-	-	-	-	<b>1,331,146</b>
Fair value of warrants exercised	-	714,273	(714,273)	-	-	-	-
Issuance of convertible debt	-	-	19,938	-	22,621	-	<b>42,559</b>
Conversion of convertible debt	7,709,167	1,055,475	-	-	(120,017)	-	<b>935,458</b>
Shares for services	155,113	68,250	-	-	-	-	<b>68,250</b>
Share-based payments	-	-	267,427	-	-	-	<b>267,427</b>
Loss for the period	-	-	-	-	-	(1,864,736)	<b>(1,864,736)</b>
<b>Balance, June 30, 2021</b>	<b>92,633,481</b>	<b>22,601,974</b>	<b>3,811,324</b>	-	<b>809,640</b>	<b>(27,404,121)</b>	<b>(181,183)</b>
Stock options exercised	30,000	2,250	-	-	-	-	<b>2,250</b>
Fair value of stock options exercised	-	1,814	(1,814)	-	-	-	-
Warrants exercised	4,585,672	1,154,454	-	-	-	-	<b>1,154,454</b>
Fair value of warrants exercised	-	64,350	(64,350)	-	-	-	-
Issuance of convertible debt	-	-	4,035	-	3,833	-	<b>7,868</b>
Conversion of convertible debt	3,456,039	603,798	-	-	(56,532)	-	<b>547,266</b>
Share-based payments	-	-	106,620	-	-	-	<b>106,620</b>
Loss for the period	-	-	-	-	-	(1,180,252)	<b>(1,180,252)</b>
<b>Balance, December 31, 2021</b>	<b>100,705,192</b>	<b>24,428,640</b>	<b>3,855,815</b>	-	<b>756,941</b>	<b>(28,584,373)</b>	<b>457,023</b>
Warrants exercised	1,695,714	422,179	-	-	-	-	<b>422,179</b>
Fair value of warrants exercised	-	65,864	(65,864)	-	-	-	-
Issuance of convertible debt	-	-	389	-	552	-	<b>941</b>
Conversion of convertible debt	2,660,625	851,683	-	-	(65,212)	-	<b>786,471</b>
Share-based payments	-	-	205,636	-	-	-	<b>205,636</b>
Currency translation adjustment	-	-	-	437	-	-	<b>437</b>
Loss for the period	-	-	-	-	-	(2,076,230)	<b>(2,076,230)</b>
<b>Balance, June 30, 2022</b>	<b>105,061,531</b>	<b>25,768,366</b>	<b>3,995,976</b>	<b>437</b>	<b>692,281</b>	<b>(30,660,603)</b>	<b>(203,543)</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**SHARC International Systems Inc.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
(Unaudited - Expressed in Canadian dollars)

	<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Loss for the period	(2,076,230)	(1,864,736)
Add items not affecting cash:		
Depreciation	71,743	73,365
Unrealized foreign exchange	437	
Share-based payments	205,636	267,427
Shares for services	-	10,833
Accrued interest expense	480,009	557,436
Deferred tax recovery	(348)	(15,741)
Changes in non-cash working capital items:		
Receivables	768,299	(190,453)
Prepaid expenses	7,122	7,730
Inventory	(76,002)	(365,373)
Accounts payable and accrued liabilities	8,670	222,276
Deferred revenue	13,284	93,377
Warranty provisions	21,574	6,000
<b>Cash used in operating activities</b>	<b>(575,806)</b>	<b>(1,197,859)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(36,491)	(35,023)
<b>Cash used in investing activities</b>	<b>(36,491)</b>	<b>(35,023)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds on exercise of stock options	-	50,703
Proceeds on exercise of warrants	368,609	1,331,146
Proceeds on exercise of debenture warrants	7,000	206,000
Proceeds on private placement, net of costs	-	426,442
Repayment of convertible debenture	(898,578)	(124,286)
Payment of lease liabilities	(69,128)	(75,939)
<b>Cash provided by (used in) financing activities</b>	<b>(592,097)</b>	<b>1,814,066</b>
<b>Increase (decrease) in cash</b>	<b>(1,204,394)</b>	<b>581,184</b>
Cash, beginning of period	3,150,705	3,101,267
<b>Cash, end of the period</b>	<b>1,946,311</b>	<b>3,682,451</b>

Supplemental disclosure with respect to cash flow (Note 15)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

SHARC International Systems Inc. (the “**Company**” or “**SHARC Energy**”) was incorporated under the *Business Corporations Act* (British Columbia) on February 4, 2011. The Company’s shares are listed on the Canadian Securities Exchange (the “**CSE**”) under the trading symbol “**SHRC**”, Frankfurt Stock Exchange (the “**FSE**”) under the trading symbol “**IWIA**” and the OTC under the symbol “**INTWF**”. The Company is engaged in providing wastewater heat exchange expertise and products that service commercial, industrial, public utilities and residential development projects objectives of reducing their carbon footprint while saving on energy costs. The Company’s registered and records office is located at 1443 Spitfire Place, Port Coquitlam, British Columbia, Canada, V3C 6L4.

These condensed consolidated interim financial statements (the “**Financial Statements**”) have been prepared under the assumption that the Company will continue as a going concern. The going concern basis of presentation assumes that the Company will be able to meet its obligations and continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Realization values may be substantially different from the carrying values as shown, and these Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern. As at June 30, 2022, the Company has an accumulated deficit of \$30,660,603 and negative working capital of \$362,369. The Company will continue to pursue opportunities to raise additional capital through equity markets and/or debt to fund its operating activities. Management anticipates it will have sufficient working capital to maintain its activities for the subsequent 12 months. These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company’s business or ability to raise funds.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
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**2. BASIS OF PRESENTATION**

**[a] Statement of compliance**

These Financial Statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the fiscal year ended December 31, 2021, which have been prepared with International Financial Reporting Standards (“IFRS”). These Financial Statements were approved by the Company’s Board of Directors on August 29, 2022.

**[b] Basis of measurement and consolidation**

These Financial Statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities measured at fair value.

These Financial Statements include the accounts of the Company’s subsidiaries:

Company	Location	June 30, 2022 Ownership %	December 31, 2021 Ownership %
SHARC Energy Systems Inc. (“SES”)	Canada	100	100
2336882 Ontario Inc. <sup>(1)</sup>	Canada	100	100
SHARC Energy (US) Systems Inc. (“SES US”)	USA	100	—

<sup>(1)</sup>The subsidiary is inactive.

The Company includes assets, liabilities and operations of subsidiaries from the date of acquisition to the date of disposal.

All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Certain comparative figures on the statements of loss and comprehensive loss have been reclassified to conform to the current years presentation.

**[c] Functional and presentation currency**

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiaries.



**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
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**2. BASIS OF PRESENTATION (CONTINUED)**

**[d] Significant accounting estimates and judgments**

The preparation of these Financial Statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These Financial Statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the Financial Statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company reviews its estimates and underlying assumptions on an ongoing basis.

***Critical Judgments***

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

- i. Research costs are recognized as an expense when incurred but development costs may be capitalized as intangible assets if certain conditions are met as described in IAS 38, *Intangible Assets*. Management has determined that development costs do not meet the conditions for capitalization under IAS 38 and all research and development costs have been expensed.
- ii. The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
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**2. BASIS OF PRESENTATION (CONTINUED)**

**[d] Significant accounting estimates and judgments (continued)**

*Estimation Uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- i. Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.
- ii. Warranty provisions are recognized for the future obligations to provide services for the repairs and maintenance of products sold to its customers. The Company assesses its warranty provision based on experience. Actual costs incurred may differ from those amounts estimated.
- iii. The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market drive changes that may reduce future selling prices.
- iv. The Company has service agreements with regards to some of its product sales which requires management to make judgments regarding the timing and allocation of revenue. Specifically, installation is generally not assumed to have stand-alone value and is often recognized on the same basis as the remainder of the services fees. However, the Company defers the recognition of revenue associated with fees for services agreements or warranty costs that are built in to the original sales price and recognizes the associated revenue evenly over the term of the service.
- v. The equity component of the convertible debenture is calculated using a discounted cash flow method which requires management to make an estimate on an appropriate discount rate.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended December 31, 2021.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
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**4. RECEIVABLES**

	<b>As at June 30, 2022 \$</b>	<b>As at December 31, 2021 \$</b>
GST recoverable	42,042	74,221
Other receivables	114,924	15,415
Interest receivable	3,167	617
Trade receivables	480,335	1,264,943
<b>Total</b>	<b>640,469</b>	<b>1,355,196</b>

**5. INVENTORY**

	<b>As at June 30, 2022 \$</b>	<b>As at December 31, 2021 \$</b>
Materials and supplies	95,753	92,853
Work-in-progress	778,909	705,807
Finished goods	163,702	163,702
<b>Total</b>	<b>1,038,364</b>	<b>962,362</b>

**6. RESTRICTED CASH**

The restricted cash balance of \$50,000 (December 31, 2021 - \$50,000) is comprised of a bank lien on funds held as collateral for the Company's corporate credit card limits.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
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**7. PROPERTY AND EQUIPMENT**

	Equipment, furniture and fixtures \$	Demo units \$	Computer hardware \$	Leasehold improvements \$	Right-of-use assets \$	Total \$
<b>Cost:</b>						
<b>Balance, December 31, 2020</b>	50,776	337,547	40,545	23,541	548,680	1,001,089
Additions	72,126	-	39,061	9,181	-	120,368
<b>Balance, December 31, 2021</b>	122,902	337,547	79,606	32,722	548,680	1,121,457
Additions	-	-	13,709	-	61,873	75,582
Disposition	-	-	-	-	(1,100)	(1,100)
<b>Balance, June 30, 2022</b>	122,902	337,547	93,315	32,722	609,453	1,195,939
<b>Accumulated depreciation:</b>						
<b>Balance, December 31, 2020</b>	35,577	322,441	31,176	19,025	166,354	574,573
Depreciation	10,252	15,106	15,895	2,739	113,345	157,337
<b>Balance, December 31, 2021</b>	45,829	337,547	47,071	21,764	279,699	731,910
Depreciation	7,708	-	10,318	1,096	52,621	71,743
<b>Balance, June 30, 2022</b>	53,537	337,547	57,389	22,860	332,320	803,653
<b>Net book value:</b>						
Balance, December 31, 2021	77,073	-	32,535	10,958	268,981	389,547
<b>Balance, June 30, 2022</b>	69,365	-	35,926	9,862	277,133	392,286

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
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**8. RELATED PARTY DISCLOSURE**

**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.

The Company incurred the following charges with key management personnel:

	<b>Three months Ended June 30, 2022</b>	<b>Three months Ended June 30, 2021</b>	<b>Six months Ended June 30, 2022</b>	<b>Six months Ended June 30, 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Consulting fees <sup>[i]</sup>	39,000	38,000	78,000	71,000
Wages and benefits <sup>[ii]</sup>	151,232	88,542	240,282	174,542
Share-based payments <sup>[iii]</sup>	162,779	82,055	184,532	216,914
	<b>353,011</b>	<b>208,597</b>	<b>502,814</b>	<b>462,456</b>

- [i] The Company paid consulting fees to companies controlled by the Chief Financial Officer.
- [ii] The Company paid wages and benefits to the Chief Executive Officer and Director, and the former Chief Operating Officer.
- [iii] Share-based payments was recognized in connection with the vesting of options granted to directors and officers of the Company in the amount of \$162,779 and \$184,532 during the three and six months ended June 30, 2022 (June 30, 2021 - \$82,055 and \$216,914).

Included in accounts payable is \$52,067 (December 31, 2021 – \$5) due to related parties.

**9. DEFERRED REVENUE**

Deferred revenue relates to on-going projects and service agreements at year end. Revenue will be recognized on completion and sale of projects and over the length of term for the service agreements. As at June 30, 2022 the balance was \$13,284 (December 31, 2021 - \$Nil).

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

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**10. CONVERTIBLE DEBENTURES**

[i] On March 8, 2019, May 9, 2019 and June 28, 2019, the Company issued three tranches of unsecured convertible debenture units with total principal amounts of \$810,000, \$1,330,000 and \$550,000 respectively. The debentures mature on March 8, 2022, May 9, 2022 and June 28, 2022, respectively, and bear interest at an annual rate of 8% due semi-annually. The debentures are convertible, in whole or in part, at the option of the holder at any time after the first anniversary of the date of issuance and prior to the maturity date into common shares of the Company at a conversion price of \$0.32 per common share.

Each debenture unit consisted of one \$1,000 principal amount unsecured convertible debenture and 1,563 share purchase warrants, each exercisable into one common share of the Company at \$0.40 per share three years from issuance.

If at any time after the first year anniversary of the closing date the closing price of the common shares of the Company is \$0.64 or greater for 20 consecutive trading days, the Company may, at its option, convert the debenture and any accrued and unpaid interest thereon into common shares by disseminating a press release, in which case the debentures shall be converted into common shares on the second business day after dissemination of such press release. The warrants will not be subject to acceleration.

Total finders' fee of \$161,400 in cash and 162 debenture warrants, with a nominal value, were incurred on the issuances. Each debenture warrant is exercisable into one debenture unit of the Company at \$1,000 per unit three years from issuance under the same terms as the units in the placement. The Company incurred legal, regulatory and other share issuance costs of \$238,117.

The convertible debentures are compound financial instruments with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debentures by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the warrants and the equity conversion feature. The values attributed to each was based on the relative fair value approach.

On initial recognition, the liability components were \$2,022,861 (\$1,722,363 net of transaction costs), the warrants were \$333,569 (\$193,996 net of transaction costs and tax effect) and the residual equity components were \$333,569 (\$193,996 net of transaction costs and tax effect).

Accretion charges, included in interest and financing expense on the statements of loss and comprehensive loss, attributable to the debentures for the three and six months ended June 30, 2022 was \$39,063 and \$126,677, of which \$43,524 (June 30, 2021 - \$105,527 and \$216,696, of which \$79,447) relates to accrued interest.

During the year ended December 31, 2021, \$878,000 of principal amount was converted into 2,743,750 common shares. Upon conversion, the present value of the liability of \$757,917 and the residual equity reserve value of \$59,420 was transferred to share capital.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

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**10. CONVERTIBLE DEBENTURES (CONTINUED)**

During the year ended December 31, 2021, 49 debenture warrants issued under this financing were exercised for proceeds of \$49,000. On initial recognition, the liability component was \$45,880, the warrants were \$1,892 (\$1,381 net of transaction costs and tax effect) and the residual equity components were \$1,228 (\$896 net of transaction costs and tax effect). The \$49,000 principal was immediately converted into 153,125 common shares (Note 12). Upon conversion, the liability and equity components were transferred to share capital.

During the six months ended June 30, 2022, \$765,000 of principal amount was converted into 2,390,625 common shares. Upon conversion, the present value of the liability of \$763,775 and the residual equity reserve value of \$62,113 was transferred to share capital. Furthermore, \$815,000 of principal value matured and repaid in full including interest.

- [ii] On December 20, 2019, the Company issued unsecured convertible debenture units with total principal amount of \$1,030,000. The debenture matures on December 20, 2022, and bears interest at an annual rate of 8% due semi-annually. The debenture is convertible, in whole or in part, at the option of the holder at any time after the first anniversary of the date of issuance and prior to the maturity date into common shares of the Company at a conversion price of \$0.10 per common share. Each debenture unit consisted of one \$1,000 principal amount unsecured convertible debenture.

Total finders' fee of \$30,000 in cash and 30 debenture warrants, with a nominal value, were incurred on the issuance. Each debenture warrant is exercisable into one debenture unit of the Company at \$1,000 per unit three years from issuance under the same terms as this units in this placement. The Company incurred legal, regulatory and other share issuance costs of \$761.

The convertible debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the warrants and the equity conversion feature. The values attributed to each was based on the relative fair value approach.

During year ended December 31, 2021, 15 debenture warrants issued under this financing were exercised for proceeds of \$15,000. On initial recognition, the liability component was \$13,844 and the residual equity components were \$1,156 (\$844 net of transaction costs and tax effect). The \$15,000 principal was immediately converted into 150,000 common shares (Note 12). Upon conversion, the liability and equity components were transferred to share capital.

- [iii] On February 13 and February 24, 2020, the Company issued unsecured convertible debenture units with total principal amounts of \$1,764,000 and \$276,000 respectively. The debentures mature on February 13 and February 24, 2023, respectively, and bear interest at an annual rate of 2% due semi-annually. The debentures are convertible, in whole or in part, at the option of the holder at any time after the first anniversary of the date of issuance and prior to the maturity date into common shares of the Company at a conversion price of \$0.10 per common share.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

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**10. CONVERTIBLE DEBENTURES (CONTINUED)**

Each debenture unit consisted of one \$1,000 principal amount unsecured convertible debenture and 5,000 share purchase warrants, each exercisable into one common share of the Company at \$0.20 per share three years from issuance.

Total finders' fees of \$102,000 in cash and 203 debenture warrants were incurred on the issuances. Each debenture warrant is exercisable into one debenture unit of the Company at \$1,000 per unit three years from issuance under the same terms as the units in the placement. The Company incurred legal, regulatory and other share issuance costs of \$12,763.

The convertible debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the warrants and the equity conversion feature. The values attributed to each was based on the relative fair value approach.

On initial recognition, the liability component was \$1,268,870 (\$1,197,488 net of transaction costs), the warrants were \$385,564 (\$259,772 net of transaction costs and tax effect) and the residual equity components were \$385,564 (\$259,772 net of transaction costs and tax effect).

Accretion charges, included in interest and financing expense on the statements of loss and comprehensive loss, attributable to the debenture for the three and six months ended June 30, 2022 was \$68,184 and \$134,267 of which \$15,432 (June 30, 2021 - \$62,637 and \$ 132,824 of which \$17,910) relates to accrued interest.

During the year ended December 31, 2021, \$484,500 of principal amount was converted into 4,845,000 common shares. Upon conversion, the present value of the liability of \$348,279 and the residual equity reserve value of \$61,684 was transferred to share capital.

During the year ended December 31, 2021, 91 debenture warrants issued under this financing were exercised for proceeds of \$91,000. On initial recognition, the liability component was \$62,956, the warrants were \$13,433 (\$9,806 net of transaction costs and tax effect) and the residual equity components were \$14,611 (\$10,664 net of transaction costs and tax effect). The \$91,000 principal was immediately converted into 910,000 common shares (Note 12). Upon conversion, the liability and equity components were transferred to share capital.

During the six months ended June 30, 2022, \$20,000 of principal amount was converted into 200,000 common shares. Upon conversion, the present value of the liability of \$16,985 and the residual equity reserve value of \$2,547 was transferred to share capital.

During the six months ended June 30, 2022, 7 debenture warrants issued under this financing were exercised for proceeds of \$7,000. On initial recognition, the liability component was \$5,711, the warrants were \$533 (\$389 net of transaction costs and tax effect) and the residual equity components were \$756 (\$552 net of transaction costs and tax effect). The \$7,000 principal was immediately converted into 70,000 common shares (Note 12). Upon conversion, the liability and equity components were transferred to share capital.



**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

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**10. CONVERTIBLE DEBENTURES (CONTINUED)**

[iv] On May 29, 2020 and June 12, 2020, the Company issued unsecured convertible debenture units with total principal amounts of \$2,000,000 and \$700,000 respectively. The debentures mature on May 29 and June 12, 2023, respectively, and bear interest at an annual rate of 2% due semi-annually. The debentures are convertible, in whole or in part, at the option of the holder at any time after the first anniversary of the date of issuance and prior to the maturity date into common shares of the Company at a conversion price of \$0.15 per common share.

Each debenture unit consisted of one \$1,000 principal amount unsecured convertible debenture and 3,333 share purchase warrants, each exercisable into one common share of the Company at \$0.25 per share three years from issuance.

Total finders' fee of \$134,475 in cash and 269 debenture warrants, with a nominal value, were incurred on the issuances. Each debenture warrant is exercisable into one debenture unit of the Company at \$1,000 per unit three years from issuance under the same terms as the units in the placement.

The convertible debenture is a compound financial instrument with the equity component being the residual value after accounting for the debt component. The Company valued the debt component of the debenture by calculating the present value of the principal and interest payments, discounted at a rate of 20%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the warrants and the equity conversion feature. The values attributed to each was based on the relative fair value approach.

On initial recognition, the liability component was \$1,679,650 (\$1,595,994 net of transaction costs), the warrants were \$510,175 (\$347,018 net of transaction costs and tax effect) and the residual equity components were \$510,175 (\$347,018 net of transaction costs and tax effect).

Accretion charges, included in interest and financing expense on the statements of loss and comprehensive loss, attributable to the debenture for the three and six months ended June 30, 2022 was \$103,628 and \$202,200 of which \$24,745 (June 30, 2021 - \$95,032 and \$185,424, of which \$27,000) relates to accrued interest.

During the year ended December 31, 2021, \$225,500 of principal amount was converted into 1,503,331 common shares. Upon conversion, the present value of the liability of \$161,607 and the residual equity reserve value of \$28,991 was transferred to share capital.

During the year ended December 31, 2021, 129 debenture warrants issued under this financing were exercised for proceeds of \$129,000. On initial recognition, the liability component was \$92,240 the warrants were \$17,514 (\$12,786 net of transaction costs and tax effect) and the residual equity components were \$19,246 (\$14,049 net of transaction costs and tax effect). The \$129,000 principal was immediately converted into 860,000 common shares (Note 13). Upon conversion, the liability and equity components were transferred to share capital.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

**10. CONVERTIBLE DEBENTURES (CONTINUED)**

Convertible debenture transactions and the amount of convertible debentures outstanding are summarized below:

	Note 10 i \$	Note 10 ii \$	Note 10 iii \$	Note 10 iv \$	Total \$
<b>Cost:</b>					
<b>Balance, December 31, 2020</b>	<b>1,980,668</b>	-	<b>1,393,258</b>	<b>1,761,009</b>	<b>5,134,935</b>
Principal	49,000	15,000	91,000	129,000	284,000
Equity component	(1,228)	(1,156)	(14,611)	(19,246)	(36,241)
Warrant component	(1,892)	-	(13,433)	(17,514)	(32,839)
Accretion expense	421,447	-	259,215	373,193	1,053,855
Interest payment	(148,700)	-	(33,669)	(51,963)	(234,332)
Conversion of debt	(803,797)	(13,844)	(411,236)	(253,847)	(1,482,724)
<b>Balance, December 31, 2021</b>	<b>1,495,498</b>	-	<b>1,270,524</b>	<b>1,920,632</b>	<b>4,686,654</b>
Principal	-	-	7,000	-	7,000
Equity component	-	-	(756)	-	(756)
Warrant component	-	-	(533)	-	(533)
Accretion expense	126,677	-	134,267	202,200	463,144
Interest payment	(43,400)	-	(15,432)	(24,746)	(83,578)
Principal payment	(815,000)	-	-	-	(815,000)
Conversion of debt	(763,775)	-	(22,696)	-	(786,471)
<b>Balance, June 30, 2022</b>	<b>-</b>	<b>-</b>	<b>1,372,374</b>	<b>2,098,086</b>	<b>3,470,460</b>

Of the total convertible debentures payable, the current amount is \$3,470,461 (December 31, 2021 - \$1,620,254).

Debenture warrant transactions and the number of debenture warrants outstanding are summarized below:

	Number	Weighted Average Exercise Price \$
<b>Balance, December 31, 2020</b>	<b>664</b>	<b>1,000</b>
Issued	(284)	1,000
<b>Balance, December 31, 2021</b>	<b>380</b>	<b>1,000</b>
Exercised	(7)	1,000
Expired	(113)	1,000
<b>Balance, June 30, 2022</b>	<b>260</b>	<b>1,000</b>

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

**10. CONVERTIBLE DEBENTURES (CONTINUED)**

	Exercise Price \$	Number of Warrants Outstanding
December 20, 2022	1,000	15
February 13, 2023	1,000	93
February 24, 2023	1,000	12
May 29, 2023	1,000	100
June 12, 2013	1,000	40
<b>Balance, June 30, 2022</b>	<b>1,000</b>	<b>260</b>

Payments required over the next five years are as follows:

	Feb. 13, 2023 \$	Feb.24, 2023 \$	May 29, 2023 \$	June 12, 2023 \$	Total \$
2022	13,815	1,540	18,950	5,795	40,100
2023	1,385,714	154,828	1,911,031	585,198	4,036,771
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
	<b>1,399,529</b>	<b>156,368</b>	<b>1,929,981</b>	<b>590,993</b>	<b>4,076,871</b>

**11. LEASE LIABILITIES**

*Lease liabilities*

The Company leases vehicles and office space in Canada. The lease liabilities were measured at the present value of the remaining lease payments as of January 1, 2019 and are discounted using an incremental borrowing rate of 12%.

	As at June 30, 2022 \$	As at December 31, 2021 \$
<b>Balance, beginning of period</b>	<b>304,651</b>	<b>410,071</b>
Addition	61,874	—
Interest	16,865	41,867
Lease payments	(70,228)	(147,287)
<b>Balance, end of period</b>	<b>313,162</b>	<b>304,651</b>
Less: non-current portion	(201,942)	(201,616)
	<b>111,220</b>	<b>103,035</b>

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

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**11. LEASE LIABILITIES**

<b>Undiscounted lease payments</b>	
Not later than one year	<b>141,400</b>
Later than one year and not later than 5 years	229,432
<b>June 30, 2022</b>	<b>370,832</b>

The Company has elected not to apply the lease standard to short term leases with an initial term of 12 months or less but rather to recognise the lease expense on a straight line basis. For the three and six months ended June 30, 2022, \$12,000 and \$24,000 of variable lease payments (June 30, 2021 - \$12,000 and \$24,000) were included in rent expense on the statements of loss and comprehensive loss.

**12. SHARE CAPITAL**

**[a] Authorized Share Capital**

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

**[b] Common shares**

The Company had the following share capital transactions during the year ended December 31, 2021:

- [i] On January 26, 2021, the Company issued 1,500,000 common shares at a price of \$0.30 for gross proceeds of \$450,000 pursuant to a non-brokered private placement. Total finders' fees of \$22,500 in cash and 150,000 compensation warrants valued at \$67,500 were incurred in the issuance. Each compensation warrant is exercisable into one common share of the Company at \$0.45 per common share for a period of two years following the date of the issuance. The Company incurred legal, regulatory and other share issuance costs of \$1,058.
- [ii] On June 8, 2021, the Company issued 155,113 common shares valued at \$68,250 pursuant to a debt settlement agreement for consulting services.
- [iii] During the year ended December 31, 2021, the Company issued 548,125 common shares pursuant to the exercise of stock options for aggregate gross proceeds of \$52,953. The fair value of the options of \$42,800 was transferred from reserves to share capital.
- [iv] During the year ended December 31, 2021, the Company issued 8,930,400 common shares pursuant to the exercise of warrants for aggregate gross proceeds of \$2,485,600. The fair value of the warrants of \$778,623 was transferred from reserves to share capital.
- [v] During the year ended December 31, 2021, the Company issued 9,092,081 common shares pursuant to the conversion of \$1,588,000 of convertible debt. The fair value of the convertible debt liability at the time of conversion is \$1,267,804 and the convertible debt equity portion is \$150,095 for a total value of \$1,417,899 transferred to share capital (Note 10[i] [iii] and [iv]).

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

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**12. SHARE CAPITAL (CONTINUED)**

**[b] Common shares (continued)**

[vi] During the year ended December 31, 2021, 284 debenture warrants were exercised for total proceeds of \$284,000. Upon issuance, the debentures were immediately converted into 2,073,125 common shares (Note 10[i],[ii], [iii] and [iv]).

The Company had the following share capital transactions during the six months ended June 30, 2022:

[i] During the six months ended June 30, 2022, the Company issued 1,695,715 common shares pursuant to the exercise of warrants for aggregate gross proceeds of \$422,179. The fair value of the warrants of \$65,864 was transferred from reserves to share capital.

[ii] During the six months ended June 30, 2022, the Company issued 2,590,625 common shares pursuant to the conversion of \$785,000 of convertible debt. The fair value of the convertible debt liability at the time of conversion is \$780,760 and the convertible debt equity portion is \$64,660 for a total value of \$845,420 transferred to share capital (Note 10[i] and [iii]).

[iii] During the six months ended June 30, 2022, 7 debenture warrants were exercised for total proceeds of \$7,000. Upon issuance, the debentures were immediately converted into 70,000 common shares (Note 10[iii]).

**[c] Common share purchase warrants**

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number	Weighted Average \$
<b>Balance, December 31, 2020</b>	<b>34,697,689</b>	<b>0.29</b>
Issued	1,111,544	0.27
Exercised	(8,930,400)	(0.28)
Expired	(914,286)	(0.35)
<b>Balance, December 31, 2021</b>	<b>25,964,547</b>	<b>0.29</b>
Issued	35,000	0.20
Exercised	(1,695,714)	(0.25)
Expired	(6,289,629)	(0.35)
<b>Balance, June 30, 2022</b>	<b>18,014,204</b>	<b>0.27</b>

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

**12. SHARE CAPITAL (CONTINUED)**

Date of Expiry	Exercise Price \$	Number of Warrants Outstanding
December 18, 2022	0.45	1,000,100
December 23, 2022	1.00	700,000
January 26, 2023	0.45	150,000
February 13, 2023	0.20	5,945,000
February 24, 2023	0.20	1,420,000
May 29, 2023	0.25	6,565,997
June 12, 2023	0.25	2,233,107
<b>Balance, June 30, 2022</b>		<b>18,014,204</b>

**[d] Stock options**

During the three and six months ended June 30, 2022, the Company recorded share-based payments of \$177,304 and \$205,636 (June 31, 2021 - \$99,864 and \$267,427). The fair values of share options granted during the six months ended June 30, 2022 and 2021 are estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2022	2021
Risk-free interest rate	2.66%	Nil
Estimated annualized volatility	107.40%	Nil
Expected life	5.0 years	Nil
Expected dividend yield	0%	Nil
Exercise price	\$0.335	Nil
Fair value per option	\$0.2630	Nil
Share price	\$0.335	Nil

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price \$
<b>Balance, December 31, 2020</b>	<b>6,538,000</b>	<b>0.17</b>
Exercised	(548,125)	(0.10)
Expired	(100,000)	(1.05)
<b>Balance, December 31, 2021</b>	<b>5,889,875</b>	<b>0.16</b>
Issued	1,104,522	0.34
Exercised	—	—
<b>Balance, June 30, 2022</b>	<b>6,994,397</b>	<b>0.19</b>

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

**12. SHARE CAPITAL (CONTINUED)**

<b>Date of Expiry</b>	<b>Exercise Price</b> <b>\$</b>	<b>Number of</b> <b>Options</b> <b>Outstanding</b>	<b>Number of</b> <b>Options</b> <b>Exercisable</b>
October 29, 2024	0.09	333,000	333,000
December 31, 2024	0.335	2,040,108	—
January 19, 2025	0.075	2,485,000	2,485,000
February 26, 2025	0.125	950,000	950,000
March 16, 2025	0.105	200,000	200,000
July 15, 2025	0.25	700,000	233,333
December 20, 2025	0.345	1,221,875	1,009,375
May 30, 2027	0.335	1,104,522	—
<b>Balance, June 30, 2022</b>	<b>0.19</b>	<b>6,994,397</b>	<b>5,210,708</b>

As of June 30, 2022, the weighted average remaining life for outstanding options was 3.15 years (December 31, 2021 – 3.31 years).

**[e] Restricted Share Units (“RSU”)**

On August 7, 2020, the Company adopted an RSU plan for directors, officers, employees and consultants of the Company. Under the terms of the plan, each vested RSU awarded entitles the RSU holder to receive, subject to adjustment as provided for in the RSU Plan, either one common share in the Company or, at the Company’s option, an equivalent cash payment. The maximum number of RSUs granted should not exceed 10% of the issued shares of the Company aggregated with all other security-based compensation arrangements.

On May 30, 2022, the Company granted 2,040,108 RSUs to directors, officers, employees and consultants of the Company.

**13. CAPITAL MANAGEMENT**

The Company’s objective when managing capital is to safeguard the Company’s ability to continue as a going concern in order to support the development of its business and maintain the necessary corporate and administration functions to facilitate these activities. The capital of the Company consists of items included in shareholders’ equity (deficiency).

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to raise new funds.

There were no changes to the Company’s approach to capital management during the period. The Company is not subject to externally imposed capital requirements.

**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

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**14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value**

IFRS 13 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 – inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and restricted cash is based on Level 1 inputs. The fair value of the Company's cash, restricted cash, receivables, accounts payable and accrued liabilities and loans payable approximate their carrying values due to the short-term to maturity. The fair value of long-term liabilities are initially recorded at fair value and subsequently carried at amortized cost using rates comparable to market interest rates.

**[a] Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. Receivables are primarily from sales. The Company believes these parties to be of sound creditworthiness, and to date, all receivables have been settled in accordance with agreed upon terms and conditions. As at June 30, 2022 the Company is exposed to credit risk arising from receivables.

**[b] Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company addresses its liquidity through debt financing. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. As at June 30, 2022, the Company is not exposed to significant liquidity risk.

**[c] Market risk**

**[i] Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at June 30, 2022 the Company is not exposed to any significant interest rate risk.



**SHARC International Systems Inc.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
For the six months ended June 30, 2022  
(Unaudited - Expressed in Canadian dollars)

**15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The following is the non-cash operating, investing and financing activities:

	Six months ended June 30, 2022 \$	Six months ended June 30, 2021 \$
Conversion of convertible debt into common shares	851,683	1,055,475
Conversion of convertible debt into shares - equity portion	64,660	—
Fair value of stock options and warrants exercised	65,864	755,259
Warrant exercise proceeds receivable	53,572	—
Finders' warrants issued as share issuance costs	—	37,768
Issuance of convertible debt – equity component	756	30,990
Issuance of convertible debt – warrant component	533	27,312
Prepaid expenses paid by common shares	—	54,167
Equipment in accounts payable and accrued liabilities	—	16,340

**16. SEGMENTED INFORMATION**

The Company has a single operating segment, the sales and marketing of Wastewater Energy Transfer (“WET”) Equipment. As at June 30, 2022 and December 31, 2021, all of the Company’s operations, assets and employees are in Canada.

**17. SUBSEQUENT EVENTS**

Subsequent to June 30, 2022:

- [a] 716,667 options were exercised for gross proceeds of \$147,917.
- [b] 349,701 fully-vested RSUs were issued into common shares.
- [c] Holders of convertible debentures converted \$15,000 of principal into 150,000 common shares
- [d] In connection with a Joint Sales and Marketing Agreement, and in consideration of the premises, covenants and agreements contained therein, the Company issued common share purchase warrants to purchase 5,000,000 common shares of the Company at an exercise price of \$0.40 CDN per share for a period of 24 months from the date of issuance, provided that and conditional upon the Agreement being in full force and effect (the “Warrants”). The Warrants will be exercisable in full without right to any partial exercise and shall be subject to accelerated expiry upon 30 day’s notice in the event that the Company’s shares trade at a price of \$0.60 CDN per share for a period of 10 consecutive trading days.
- [e] 423,756 options were cancelled.