SHARC Energy Announces 2022 Year End Financial Results

VANCOUVER, British Columbia, May 01, 2023 -- **SHARC International Systems Inc. (CSE: SHRC) (FSE: IWIA) (OTCQB: INTWF) ("SHARC Energy" or the "Company")** announces it has filed financial results for the year ended December 31, 2022. All figures are in Canadian Dollars and in accordance with IFRS unless otherwise stated.

Fourth Quarter and Year End Financial Highlights:

- As of April 28, 2023, the Company has an aggregate Sales Pipeline[1] and Sales Order Backlog[2] 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 EBITDA[3] 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.

Hanspaul Pannu, CFO of SHARC Energy, said, "As we continue to pioneer the growth of the Wastewater Energy Transfer industry, our focus on a sales distribution model has driven significant market awareness and penetration across North America. Our strategic efforts are reflected in the remarkable 46% growth in our sales pipeline and sales order backlog since November 2022, reaching $16.16M. This demonstrates the accelerating momentum behind our WET projects and the increasing demand for sustainable energy solutions."

Pannu added, "We remain committed to our objective of building a strong sales pipeline. We have strategically balanced spending and working capital, acknowledging the initial volatility in our revenue from 2021 to 2022. As our sales pipeline matures and we diversify our revenue-generating opportunities, we anticipate the volatility to smooth out."

He continued, "With our strategic partnerships, such as with Subterra Renewables and Salas O'Brien, and emerging policy, such as the Inflation Reduction Act in the US and the Clean Technology Investment Tax Credit announced in the 2023 Federal Budget in Canada, and our strong representative network, our sales pipeline has been augmented for incremental growth. As a result of these factors and where our current sales pipeline sits, we expect 2023 to be the largest revenue year in the company's history and we remain confident we have created the pathway to profitability in the years to come."

Pannu concluded, "Since going public in 2015, SHARC Energy has invested less than $35 million to create an industry and our products remain the premier scalable solutions for the Wastewater Energy Transfer market. We are proud of our progress and look forward to accelerating our growth in the coming years.

YE 2022 Highlights and Subsequent Events

- **False Creek Neighbourhood Energy Utility ("NEU") Expansion.** During Q4 2023, the Company commenced work on the supply and maintenance agreement with the City of Vancouver for the provision and maintenance of five SHARC systems for the False Creek NEU Expansion. This project is expected to increase the capacity of the current 3.2MW WET system to 9.8MW, making it the largest operating WET project in North America upon completion, with an additional carbon emission reduction of an estimated 4,400 tonnes per year. The project is expected to be completed in Q2/Q3 2023.

- **Snowmass Base Village, Colorado installs PIRANHA.** A PIRANHA T15 WET system will be installed in Aura's 21 slope-side residences, powered 100% by renewable energy resources within the residential building. Aura's team is led by East West Partners, a developer of high-end mountain resort communities, and supported by SHARC Energy's Colorado distributor, LONG Building Technologies. It is anticipated this unit will ship in Q2 2023.

- **PIRANHAs in Canada's Capital.** HTS Ontario**,** a representative of SHARC Energy products, has been selected to

supply two PIRANHA T15 WET systems to be installed in Ottawa. This deal is a key milestone as it marks the beginning of HTS's growing SHARC Energy pipeline turning over and it validates the Company's strategy to support and leverage its representative network to help grow awareness and sales for its products in key markets. These units shipped in Q1 2023.

- **Partnership with Salas O'Brien**. The Company has entered into an agreement with Salas O'Brien, an employee-owned engineering firm with 55 offices, 1,600+ team members and more than 360 registered professionals. Together, the companies intend to establish and cultivate a collaborative and strategic relationship that will support the market with turnkey solutions tailored to carbon reduction and energy efficiency goals. SHARC Energy anticipates that this relationship will help accelerate the growth of the WET industry and accordingly, generate accretive pipeline growth of SHARC Energy WET products.

- **Partnership with Subterra Renewables.** The Company and Subterra Capital Partners Inc. ("**Subterra Renewables**"), a leading full-service geothermal drilling provider with a proprietary Energy-as-a-Service ("**EaaS**") model known as **Aura™**, announced on April 27, 2023, a strategic partnership to revolutionize the renewable thermal energy transfer landscape across North America. By combining SHARC Energy's innovative WET technology with Subterra's geothermal exchange systems, the partnership aims to bring unparalleled solutions to the market, capturing a greater share for both companies.

- **First Bite of the Big Apple.** SHARC Energy is supporting Egg Geo, LLC**,** a global leader in geothermal, in the first proposed combined WET and geothermal system in the world. This innovative and groundbreaking system will utilize thermal energy transfer from the ground and wastewater to provide 100 percent of the heating, hot water and cooling load for 316 affordable housing units in two - 20 story multi-family towers. This one-of-a-kind project will be located in the Bronx, New York.

- **New York State Leverages SHARC.** New York State Governor Kathy Hochul's recent announcement that construction has begun for the transformative $1.2 billion redevelopment of the former 27-acre Brooklyn Developmental Center property in Brooklyn's East New York neighborhood. The initial $373 million phase will create 576 affordable homes, a new 15,000-square-foot outpatient medical clinic, and 7,000 square feet of ground floor retail space. The initial phase of the development is comprised of two buildings with the current design having one featuring a SHARC WET System and the other a PIRANHA WET System.

- **Sustainable Living Innovations ("SLI").** SHARC Energy's PIRANHA and PIRANHA HC T5, T10 and T15 WET Systems have been selected by SLI for six new projects in design or under construction. The Company has received a purchase order from California-Columbia Hydronics Corporation ("**CHC**") for the first of six projects, which is a PIRANHA T5 HC for SLI's new project in Seattle at 8601 Aurora Avenue. This was shipped in Q4 2022. The remaining five projects currently in the design phase are anticipated to use a mix of 7 PIRANHA and PIRANHA HC T10 and T15's for the various project's heating and cooling needs and have expected shipment dates in 2024.

- **Seattle SHARC WET System.** SHARC Energy has received a purchase order from CHC for a SHARC WET system that will be installed in the heart of Seattle, a few minutes from the Space Needle, marking the first SHARC WET system showcasing the power of wastewater in the heart of the Pacific Northwest USA. The system shipped in Q4 2023.

- **National Western Center.** The National Western Center in Denver, Colorado, is pioneering the largest-scale wastewater district-energy innovation operating 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 every minute, preventing 2,600 metric tons of carbon dioxide annually from being emitted into the atmosphere. The project was commissioned in Q1 2022.

- **lələ́m̓.** A Vancouver, B.C. 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 installation and commissioning completed in Q1 2022.

Wastewater Energy Transfer Industry Supporting Policy

The outlook for the Wastewater Energy Transfer industry is experiencing signs of scale-up due to new supportive regulations and funding in several key markets across North America.

Both the United States, under the Inflation Reduction Act, and Canadian government, under the Federal budget, have created investment tax credits allowing for a 30% tax credit on the capital cost of a number of renewable energy technologies including Wastewater Energy Transfer systems.

Also, the Washington State Building code will be the 1st state building code in the US that requires all new residential buildings over 3 stories and all commercial buildings are proposed to require all electric space heating and a minimum of 50% electric hot water heating. The code takes effect on July 1, 2023.

Furthermore, the King County Wastewater Heat Recovery Pilot Project program being pioneered by the King County Wastewater Treatment Division is a first-of-its-kind initiative in North America that allows for private parties to utilize the

thermal energy in publicly-owned wastewater infrastructure for 3 years free of Wastewater Energy Transfer ("WET") Fees in exchange for the operational data of the WET systems used for heating and cooling buildings. Currently, SHARC Energy is listed on 1 of a possible 3 projects with 2 project spaces remaining available. After the launch of this pilot program, both the City of Toronto and the State of New York implemented similar but varying programmes of their own.

The City of Toronto has launched the Wastewater Energy Transfer ("WET") Program. WET projects involve a connection to City wastewater (sewer) infrastructure for the noncontact exchange of renewable thermal energy to displace fossil fuel use in buildings, which is Toronto's largest source of greenhouse gas (GHG) emissions. Enabling WET projects is therefore a key part of implementing the TransformTO Net Zero Strategy. Toronto's sanitary trunk sewer network is estimated to have the capacity to potentially support well over twenty WET projects. Once in operation, these projects would reduce approximately 200,000 tonnes of GHG emissions annually while unlocking value for the City through the sale of thermal energy.

On July 5, 2022, New York Governor Kathy Hochul signed three bills including legislation A.10493/S.9422, which allows utilities to own, operate, and manage thermal energy networks, as well as supply distributed thermal energy, with Public Service Commission (PSC) oversight. Heating and cooling networks – also referred to as community thermal or district energy systems – are a resilient, energy efficient, and clean solution that can also help New York State meet its ambitious climate goals. By leveraging multiple sources of existing waste heat (such as water, **wastewater**, and geothermal, among others) and connecting a diverse set of building types on a shared loop, thermal energy networks can provide significant operating and energy cost savings when compared to more traditional heating and cooling methods, while also reducing demand on the electric grid.

This legislation will promote the development of thermal energy networks throughout the State, providing benefits by reducing fossil fuel usage for heating and cooling through community-scale infrastructure solutions, along with employment opportunities for existing utility workers and new workers. The enabling legislation will build on the progress of, and complement, NYSERDA's active community thermal program, which to-date has funded feasibility studies, detailed design studies, and other advanced project construction incentives to more than three dozen sites across the state.

Finally, New York City has voted to pass Local Law 154 that will prevent building developers from installing fuel-burning systems in new buildings and most gut renovations starting in 2024, forcing them to instead design buildings with all electric heating, hot water and cooking appliances. This will, starting in 2024, affect small buildings (buildings of 7 stories or less) and starting in 2027, buildings of 7 stories or more.

These policies along with the growing number of cities across North America implementing natural gas bans are conducive to the continued adoption and market share of SHARC Energy WET products.

For complete financial information for the year ended December 31, 2022, please see the Audited Financial Statements and Management Discussion and Analysis ("**MD&A**") filed on SEDAR at www.sedar.com.

About SHARC Energy

SHARC International Systems Inc. is a world leader in energy recovery from the wastewater we send down the drain every day. SHARC Energy's systems recycle thermal energy from wastewater, generating one of the most energy-efficient and economical systems for heating, cooling & hot water production for commercial, residential and industrial buildings.

SHARC Energy is publicly traded in Canada (CSE: SHRC), the United States (OTCQB: INTWF) and Germany (Frankfurt: IWIA) and you can find out more on our SEDAR profile.

Learn more about SHARC Energy: Website | Investor Page | LinkedIn | YouTube | PIRANHA | SHARC

ON BEHALF OF THE BOARD

Lynn Mueller
Chairman and Chief Executive Officer

For investor inquiries, please contact:
Hanspaul Pannu
Chief Financial Officer
SHARC Energy
Telephone: (604) 475-7710 ext. 4
Email: hanspaul.pannu@sharcenergy.com

For media inquiries, please contact:
Mike Tanyi
Director of Marketing & IT
SHARC Energy
Telephone: 778-846-5406
Email:mike.tanyi@sharcenergy.com

Forward-Looking Statements

Certain statements contained in this news release may constitute forward-looking information. Forward-looking information is often, but not always, identified using words such as "anticipate", "plan", "estimate", "expect", "may", "will", "intend", "should", and similar expressions. Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. SHARC Energy's actual results could differ materially from those anticipated in this forward-looking information as a result of

regulatory decisions, competitive factors in the industries in which the Company operates, prevailing economic conditions, and other factors, many of which are beyond the control of the Company. SHARC Energy believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking information should not be unduly relied upon. Any forward-looking information contained in this news release represents the Company's expectations as of the date hereof and is subject to change after such date. The Company disclaims any intention or obligation to update or revise any forward-looking information whether because of new information, future events or otherwise, except as required by applicable securities legislation.

---

[1] Sales Pipeline is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the YE 2022 MD&A.

[2] Sales Order Backlog is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the YE 2022 MD&A.

[3] Adjusted EBITDA is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the YE 2022 MD&A.