



## SHARC Energy Announces Q2 2023 Financial Results

VANCOUVER, British Columbia, Aug. 29, 2023 -- [SHARC International Systems Inc. \(CSE: SHRC\) \(FSE: IWIA\) \(OTCQB: INTWF\)](#) ("SHARC Energy" or the "Company") announces it has filed financial results for the six months ended June 30, 2023. All figures are in Canadian Dollars and in accordance with IFRS unless otherwise stated.

### Second Quarter and Year-to-date Financial Highlights:

- As of August 29, 2023, the Company has a Sales Pipeline<sup>1</sup> of 16.7 million (M) and Sales Order Backlog<sup>2</sup> of \$1.3M. This represents minor growth in Sales Pipeline and a 20% increase in Sales Order Backlog. The increase in Sales Order Backlog is due to the completion of submittals and receiving purchase orders on deals previously disclosed in Sales Pipeline.
- Working capital of \$4.2M, which includes \$3.1M of cash, as of June 30, 2023. The Company no longer holds any debt, except for standard operating payables and liabilities, due to the 100% conversion to equity of \$3.95M in maturing convertible debt during the six months ended June 30, 2023 ("YTD 2023").
- During the three months ended June 30, 2023 ("Q2 2023"), the Company reported revenues of \$0.45M, a loss of \$1.64M and an Adjusted EBITDA<sup>3</sup> loss of \$0.52M. Revenue increased 173% over revenue during the three months ended June 30, 2022 ("Q2 2022") of \$0.17M, the loss increased 32% over comparative in 2022 of \$1.24M and Adjusted EBITDA loss improved by 31% over Q2 2022 comparative of an Adjusted EBITDA earnings of \$0.76M.
- During YTD 2023, the Company reported revenues of \$1.19M, a loss of \$2.39M and an Adjusted EBITDA loss of \$0.96M. Revenue increased 13% over revenue during the six months ended June 30, 2022 ("YTD 2022") of \$1.05M, the loss and comprehensive loss increased 15% over comparative YTD 2022 of \$2.08M and Adjusted EBITDA loss improved 33% over 2022 comparative of \$1.27M.
- Gross margin for YTD 2023 was 44.5% compared with gross margin of 29.9% for YTD 2022. In YTD 2023, the Company returned to a supply and service revenue mix whereas during YTD 2022, the Company earned lower margin on general contracting revenue earned.

Hanspaul Pannu, CFO and COO of SHARC Energy, said, "The second quarter saw some key achievements. We completed the full extinguishment of \$3.95 million in maturing convertible debt resulting in the Company becoming debt free. This combined with the nearly \$4 million raised through security exercises during YTD 2023 has put SHARC Energy in a strong financial position with balance sheet flexibility going forward."

He added, "The addition of forty-year thermal energy expert Michael Albertson, who joins us with a history of success scaling sales and operations with one of the largest geothermal heat pump and hydronic equipment companies in North America, comes at a strategic time. While SHARC Energy is incredibly excited about his addition, the wisdom, knowledge and expertise gained, and the access granted to his vast network of industry insiders, it is equally encouraging that Michael chose to join the Company for the significant opportunity the Wastewater Energy Transfer industry brings. We remain steadfast in our belief SHARC Energy is well-positioned for success."

### YTD 2023 Highlights and Subsequent Events

- [Appointment of Michael Albertson as SHARC US President.](#) The Company announced the strategic addition of 40+ year industry veteran Michael Albertson to its executive team as the President of SHARC US. Albertson, with his extensive experience and proven track record as a renewable thermal energy expert with a focus on Thermal Energy Networks ("TENS") and district energy networks, is set to play a pivotal role in driving the Company's growth and revenue generation.
- [False Creek Neighbourhood Energy Utility \("NEU"\) Expansion.](#) During Q4 2022, 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 Q3/Q4 2023.
- [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**<sup>™</sup>, announced on April 27, 2023, a \$200M 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.
- [Purchase Order Received for Phase 1 of transformative \\$1.2B development to create 2,400 affordable homes, a medical clinic, and retail in Brooklyn, New York.](#) The Company has completed the final submittal process with its New York State representative HIGHMARK and has received a purchase order for a SHARC 660 WET system to be included in the first phase of a transformative \$1.2 billion redevelopment in Brooklyn's East New York neighborhood led

by Apex Building Company, L+M Development Partners, RiseBoro Community Partnership, and Services for the Underserved. It is anticipated that the system will ship in Q1 2024.

- [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. This unit shipped 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.
- **\$3.98M raised through security exercises**. Since the beginning of 2023 to the date of the MD&A, the Company raised gross proceeds of \$3.77M through the exercise of warrants and \$0.21M through the exercise of debenture warrants.
- **Conversion of Convertible Debt Face Value of \$3.95M**. From the beginning of 2023 to the date of the MD&A, the Company has converted \$3.95M of convertible debt. This represents 100% of convertible debt previously held on the balance sheet resulting in the Company becoming debt-free outside of standard operating payables and liabilities.

### 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 1<sup>st</sup> 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.

Then, 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.

Finally, New York State announced the All-Electric Building Act (Senate Bill S562A) which prohibits the use of fossil fuels being used for power, heating and cooking in new buildings constructed in the state and closely mirrors Local Law 154.

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 growth of SHARC Energy WET products.

For complete financial information for the three months ended March 31, 2023, please see the Condensed Consolidated Interim Financial Statements and Management Discussion and Analysis (“MD&A”) filed on SEDAR at [www.sedar.com](http://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](http://CSE:SHRC)), the United States ([OTCQB: INTWE](http://OTCQB:INTWE)) and Germany ([Frankfurt: IWIA](http://Frankfurt:IWIA)) and you can find out more on our [SEDAR](http://SEDAR) profile.

Learn more about SHARC Energy: [Website](http://Website) | [Investor Page](http://Investor Page) | [LinkedIn](http://LinkedIn) | [YouTube](http://YouTube) | [PIRANHA](http://PIRANHA) | [SHARC](http://SHARC)

## ON BEHALF OF THE BOARD

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## Forward-Looking Statements

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<sup>1</sup> Sales Pipeline is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the Q2 2023 MD&A.

<sup>2</sup> Sales Order Backlog is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the Q2 2023 MD&A.

<sup>3</sup> Adjusted EBITDA is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the Q2 2023 MD&A.