



## SHARC ENERGY ANNOUNCES Q3 2023 FINANCIAL RESULTS

Vancouver – (November 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 nine months ended September 30, 2023. All figures are in Canadian Dollars and in accordance with IFRS unless otherwise stated.

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

- As of November 28, 2023, the Company has a Sales Pipeline<sup>1</sup> of 17.7 million (M) and Sales Order Backlog<sup>2</sup> of \$0.8M. This represents a growth of 6% in Sales Pipeline, or a \$1.0M increase, and a 38% reduction in Sales Order Backlog, or a \$0.5M reduction, for an aggregate growth of 3% or \$0.5M from the previous disclosure. Rising interest rates and the ripple effect this has caused to the real estate market has caused some developers to delay construction as they strategize delivery of their projects. However, the Company is finding new opportunities in adjacent market sectors.
- Working capital is \$3.5M, which includes \$2.0M of cash, as of September 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 nine months ended September 30, 2023 ("**YTD 2023**").
- During the three months ended September 30, 2023 ("**Q3 2023**"), the Company reported revenues of \$0.55M, a loss of \$0.91M and an Adjusted EBITDA<sup>3</sup> loss of \$0.63M. Revenue increased 567% over revenue during the three months ended September 30, 2022 ("**Q3 2022**") of \$0.08M, the loss improved 38% over comparative in 2022 of \$1.46M and Adjusted EBITDA loss improved by 6% over Q3 2022 comparative of an Adjusted EBITDA earnings of \$0.67M.
- During YTD 2023, the Company reported revenues of \$1.73M, a loss of \$3.3M and an Adjusted EBITDA loss of \$1.59M. Revenue increased 53% over revenue during the nine months ended September 30, 2022 ("**YTD 2022**") of \$1.13M, the loss and comprehensive loss improved 7% over comparative YTD 2022 of \$3.54M and Adjusted EBITDA loss improved 22% over 2022 comparative of \$1.95M.
- Gross margin for YTD 2023 was 43.0% compared with gross margin of 32.7% 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, "Wastewater Energy Transfer, or WET, is gaining momentum with increased awareness and visibility with key players within the geothermal and hydronic heating, cooling and hot water market. WET is one of the best thermal energy solutions supporting hydronic HVAC systems in the market today and we continue to see positive signs of rapidly increasing adoption across North America. SHARC Energy and WET is positioned to gain market share in both the near and long term!"

<sup>1</sup> Sales Pipeline is a Non-IFRS measure. Please see discussion of Alternative Performance Measures and Non-IFRS Measures in the Q3 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 Q3 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 Q3 2023 MD&A.



Michael Albertson, President of SHARC Energy US, added “I continue to be amazed by the response to the opportunity of WET, which has been overwhelmingly positive within our team’s network of Thermal Energy Network (TEN) experts. We continue to uncover new opportunities in adjacent market sectors to new build multi-family residential, which include but are not limited to Universities, Water Utilities, Correctional Facilities and Design & Build/Energy Service Companies (ESCOs), that will benefit from the adoption of SHARC and PIRANHA WET systems. It is hard not to be excited for the future of WET!”

#### 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.
- **[Appointment of Peter Busby to the Board of Directors.](#)** The Company announced the addition of renowned sustainable architect, Peter Busby to the Board of Directors. Mr. Busby is a principal at Perkins & Will, a global design practice founded in 1935, with over 28 offices and more than 2,500 employees. The Company will leverage Mr. Busby’s expertise to better engage with architects worldwide and grow awareness of SHARC Energy within the industry and drive lead generation for its products.
- **[Appointment of Dermot Sweeny to the Board of Directors.](#)** Mr. Sweeny was appointed to the Board of Directors on October 17, 2023. Mr. Sweeny’s firm, Sweeny & Co, has achieved numerous awards from reputable institutions, like the Canadian Green Building Council and the Urban Land Institute, for their sustainable building designs. This strategic appointment highlights SHARC Energy’s ongoing commitment to creating significant value for our shareholders by bringing together industry experts who passionately embrace our vision of advancing sustainability.
- **[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 major components of the SHARC WET systems have been delivered to site. The final milestones for the supply contract, including commissioning and field testing of the SHARC WET systems, are anticipated to complete in Q3/Q4 2024.
- **[Purchase order received for Whitney Young retrofit featured in NYSERDA Empire Building Challenge.](#)** The Company has received a purchase order for a SHARC 660 WET system for the Whitney Young Manor recapitalization project in Yonkers, New York. The Whitney Young Manor will undergo a \$22 million renovation, with nearly \$12 million allocated to the project’s decarbonization effort, inclusive of all energy efficiency measures. The retrofit project will showcase how to leverage a recapitalization opportunity to comprehensively retrofit energy systems and modernize an affordable housing complex. It is anticipated that the system will ship in Q1 2024.



- [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.
- [Partnership with Subterra Renewables.](#) The Company and Subterra Capital Partners Inc., 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 \$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.
- [PIRANHA receives North American Certification.](#) The PIRANHA WET system has successfully completed testing in compliance with CSA/UL Standards 60335-2-40, and NSF 5. The PIRANHA series will now bear the Electrical Testing Laboratories (“ETL”) listed mark indicating to distributors and customers that the product is compliant to North American standards and provides a pathway for the PIRANHA series to gain compliance in key North American markets requiring state approval.
- [\\$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.

The United States, under the Inflation Reduction Act, have created investment tax credits allowing for a 30% tax credit on the capital cost of several 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 nine months ended September 30, 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), 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

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