SHARC INTERNATIONAL SYSTEMS INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2024

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 Statement of Financial Position
(Unaudited - expressed in Canadian dollars)

	Note	March 31, 2024 (unaudited) $	December 31, 2023 (audited) $
ASSETS			
Current			
Cash		482,603	1,242,268
Receivables	4	603,283	157,956
Prepaid expenses		30,304	53,963
Inventory	5	1,445,645	1,717,488
Total current assets		**2,561,835**	**3,171,675**
Restricted cash	6	50,000	50,000
Deposits		1,200	1,200
Property and equipment	7	205,025	239,184
Total assets		**2,818,060**	**3,462,059**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities		471,343	462,247
Deferred revenue	8	35,247	81,931
Lease liabilities	10	71,290	100,638
Total current liabilities		**577,880**	**644,816**
Warranty provisions		70,699	69,322
Lease liabilities	10	38,074	40,511
Total Liabilities		**686,653**	**754,649**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	11	35,045,174	35,045,174
Reserves	11	5,007,361	4,882,983
Obligation to issue shares		77,888	77,888
Currency translation reserve		(11,799)	2,002
Deficit		(37,987,217)	(37,300,637)
Total shareholders' equity (deficiency)		**2,131,407**	**2,707,410**
Total liabilities and shareholders' equity (deficiency)		**2,818,060**	**3,462,059**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.
Nature of Operations and Going Concern [Note 1]

Approved on behalf of the Board of Directors on May 16, 2024:

/s/ Lynn Mueller
Director

/s/ Eleanor Chiu
Director

SHARC International Systems Inc.
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
(Unaudited - expressed in Canadian dollars)

	Note	Three months ended March 31, 2024 $	2023 $
Revenue		778,095	733,686
Cost of Sales		(480,174)	(428,906)
Gross Margin		**297,921**	**304,780**
Expenses			
Accounting and legal		50,527	37,743
Advertising and promotion		40,467	35,308
Consulting	12	114,255	77,857
Depreciation	7	35,513	44,907
Insurance		13,297	14,759
Interest and financing expense	9, 10	3,565	146,163
Office and miscellaneous		21,939	25,667
Regulatory and filing fees		14,684	10,879
Rent		12,000	12,000
Repairs and maintenance		3,367	2,545
Research and development		5,590	2,772
Share-based payments	11, 12	202,243	108,924
Telephone and utilities		23,782	24,002
Travel		58,833	22,218
Wages and benefits	12	480,122	479,077
		1,080,184	**1,044,821**
		(782,263)	**(740,041)**
Interest income		198	634
Foreign exchange		17,620	(15,212)
Loss before income taxes		**(764,445)**	**(754,619)**
Deferred tax recovery		-	46
Loss for the period		**(764,445)**	**(754,573)**
Other comprehensive income			
Foreign currency translation		(11,799)	1,831
Loss and comprehensive loss for the period		**(776,244)**	**(752,742)**
Basic and diluted loss per common share		**(0.00)**	**(0.01)**
Weighted average number of common shares outstanding – basic and diluted		**156,949,660**	**121,689,285**

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

SHARC International Systems Inc.
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (Deficiency)
(Unaudited - expressed in Canadian dollars)

	Common Shares		Reserves	Currency translation reserve	Obligation to issue shares	Deficit	Total
	Number	$	$	$	$	$	$
Balance, December 31, 2022	**107,499,566**	**26,324,022**	**5,125,413**	**1,727**	**-**	**(33,397,147)**	**(1,945,985)**
Warrants exercise	7,645,000	1,529,000	-	-	-	-	**1,529,000**
Fair value increment of warrants exercised	-	181,925	(181,925)	-	-	-	**-**
Share issue cost	-	-	160	-	-	-	**160**
Conversion of convertible debt	15,695,000	1,756,826	(191,259)	-	-	-	**1,565,567**
Share-based payments	-	-	108,924	-	-	-	**108,924**
Currency translation adjustment	-	-	-	104	-	-	**104**
Loss for the period	-	-	-	-	-	(754,573)	**(754,573)**
Balance, March 31, 2023	**130,839,566**	**29,791,773**	**4,861,313**	**1,831**	**-**	**(34,151,720)**	**503,197**
Warrants exercise	8,953,428	2,238,327	-	-	-	-	**2,238,327**
Fair value increment of warrants exercised	-	331,337	(331,337)	-	-	-	**-**
Share issue cost	-	(203,960)	(160)	-	-	-	**(204,120)**
Issuance of convertible debt	-	-	160	-	-	-	**160**
Conversion of convertible debt	17,156,666	2,887,697	(314,167)	-	-	-	**2,573,530**
Share-based payments	-	-	745,062	-	-	-	**745,062**
Fair Vale of RSUs vested	-	-	(77,888)	-	77,888	-	**-**
Currency translation adjustment	-	-	-	171	-	-	**171**
Loss for the period	-	-	-	-	-	(3,148,917)	**(3,148,917)**
Balance, December 31, 2023	**156,949,660**	**35,045,174**	**4,882,983**	**2,002**	**77,888**	**(37,300,637)**	**2,707,410**
Share-based payments	-	-	202,243	-	-	-	**202,243**
Reversal of expired and forfeited options	-	-	(77,865)	-	-	77,865	**-**
Currency translation adjustment	-	-	-	(13,801)	-	-	**(13,801)**
Loss for the period	-	-	-	-	-	(764,445)	**(764,445)**
Balance, March 31, 2024	**156,949,660**	**34,045,174**	**5,007,361**	**(11,799)**	**77,888**	**(37,987,217)**	**2,131,407**

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

SHARC International Systems Inc.
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited - expressed in Canadian dollars)

	Three months ended March 31, 2024	2023
	$	$
OPERATING ACTIVITIES		
Loss for the period	(764,445)	(754,573)
Add: Items not affecting cash		
Depreciation	35,513	44,907
Unrealized foreign exchange	(13,801)	104
Share based payments	202,243	108,924
Accrued interest expense	3,565	146,162
Deferred tax recovery	-	(47)
Changes in non-cash working capital items:		
Receivables	(445,327)	463,016
Prepaid expenses and deposits	23,659	38,664
Inventory	377,793	181,055
Accounts payable and accrued liabilities	(96,854)	(598,272)
Deferred revenue	(46,684)	(317)
Warranty provisions	1,377	-
Cash used in operating activities	**(722,961)**	**(370,377)**
INVESTING ACTIVITY		
Purchase of property and equipment	(1,354)	(1,664)
Cash used in investing activity	**(1,354)**	**(1,664)**
FINANCING ACTIVITIES		
Proceeds on:		
exercise of warrants, net of costs	-	1,529,000
exercise of debenture warrants	-	79,000
Repayment of convertible debentures	-	(3,225)
Payment of lease liabilities	(35,350)	(35,350)
Cash provided by (used in) financing activities	**(35,350)**	**1,569,425**
Increase (decrease) in cash	(759,665)	1,197,384
Cash, beginning of the period	1,242,268	1,069,813
Cash, end of the period	**482,603**	**2,267,197**

Supplemental disclosure with respect to cash flow (Note 15)

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

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 Energy Transfer ("**WET**") 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 March 31, 2024, the Company has an accumulated deficit of $37,987,217 and positive working capital of $1,983,955. 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 can maintain operating 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.

There are many external factors that can adversely affect general workforces, economies, and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and their effects on the Company's business or ability to raise funds.

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, 2023, which have been prepared with International Financial Reporting Standards ("IFRS"). These Financial Statements were approved by the Company's Board of Directors on May 16, 2024.

[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:

2. BASIS OF PRESENTATION (CONTINUED)

[b] Basis of measurement and consolidation (continued)

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

		Ownership % as at	
Company	**Location**	**March 31, 2024**	**December 31, 2023**
SHARC Energy Systems Inc. ("**SES**")	Canada	100	100
SHARC Energy (US) Systems Inc. (**"SHARC US"**)	United States	100	100

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.

[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 subsidiary SES. The functional currency of its subsidiary, SHARC US is US dollars. The results of SHARC US have been converted and are reflected in Canadian dollars within these Financial Statements.

[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.

2. BASIS OF PRESENTATION (CONTINUED)

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.

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, considering 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 may enter into contracts for product sales with multiple performance obligations which are typically satisfied over time. Judgement is applied regarding the timing and allocation of revenue based on management’s estimate of the extent of progress towards completion of the performance obligation.

(Unaudited - expressed in Canadian dollars)

2. BASIS OF PRESENTATION (CONTINUED)

[d] Significant accounting estimates and judgments (continued)

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.

vi. The fair value of share purchase warrants with non-market vesting conditions requires the Company to estimate probability of vesting conditions occurring which may be affected by several factors that may be highly speculative. Changes in these assumptions can materially affect the fair value estimate. Management is required to reassess the probability assigned at each period end.

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, 2023.

4. RECEIVABLES

	As at March 31, 2024	**As at December 31, 2023**
	$	**$**
GST recoverable	10,623	4,697
Other receivables	289,644	86,868
Trade receivables, net of expected credit losses	303,016	66,391
Total	**603,283**	**157,956**

5. INVENTORY

	As at March 31, 2024	**As at December 31, 2023**
	$	**$**
Materials and supplies	651,545	944,199
Work-in-progress	449,161	428,350
Finished goods	344,939	344,939
Total	**1,445,645**	**1,717,488**

6. RESTRICTED CASH

As at March, 2024 the restricted cash balance of $50,000 (year ended December 31, 2023 - $50,000) is comprised of a bank lien on funds held as collateral for the Company's corporate credit card limits.

(Unaudited - expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

	Equipment, Furniture & Fixtures	Computer Hardware	Leasehold Improvements	Right-of-use assets	Total
	$	$	$	$	$
COST:					
Balance, December 31, 2022	177,750	105,836	72,495	610,554	966,635
Additions	6,433	3,395	3,819	-	13,647
Disposals / Sales	(40,031)	-	-	-	(40,031)
Balance, December 31, 2023	**144,152**	**109,231**	**76,314**	**610,554**	**940,251**
Additions	1,354	-	-	-	(1,354)
Balance, March 31, 2024	**145,506**	**109,231**	**76,314**	**610,554**	**941,605**
ACCUMULATED DEPRECIATION:					
Balance, December 31, 2022	66,729	72,179	31,909	386,642	557,459
Depreciation expense	22,739	19,446	11,952	106,443	160,580
Dispositions	(16,972)	-	-	-	(16,972)
Balance, December 31, 2023	**72,496**	**91,625**	**43,861**	**493,085**	**701,067**
Depreciation expense	3,616	2,421	2,865	26,611	35,513
Balance, March 31, 2024	**76,112**	**94,046**	**46,726**	**519,696**	**736,580**
NET BOOK VALUE:					
Balance, December 31, 2023	71,656	17,606	32,453	117,469	239,184
Balance, March, 2024	**69,394**	**15,185**	**29,588**	**90,858**	**205,025**

8. DEFERRED REVENUE

Deferred revenue relates to on-going projects and service agreements at year end. Revenue is recognized on completion and sale of projects and over the length of term for the service agreements. As at March 31, 2024 the balance was $35,247 (December 31, 2023 - $81,831).

9. CONVERTIBLE DEBENTURES

[i] 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 matured on February 13 and February 24, 2023, respectively, and bore interest at an annual rate of 2% due semi-annually. The debentures were 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 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 months ended March 31, 2024, was $nil, of which $nil relates to accrued interest (March 31, 2023: $22,260 and $3,191).

9. CONVERTIBLE DEBENTURES (CONTINUED)

During the year ended December 31, 2023, $1,470,500 (December 31, 2022 - $85,000) of principal amount was converted into 14,705,000 (December 31, 2022 – 850,000) common shares. Upon conversion, the present value of the liability of $1,458,731 (December 31, 2022 - $106,166) and the residual equity reserve value of $187,274 (December 31, 2022 - $10,813) was transferred to share capital (Note 11).

Finders' fees included 203 debenture warrants. 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.

During the year ended December 31, 2023, the remaining 79 debenture warrants issued under this financing were exercised for proceeds of $79,000. On initial recognition, the liability component was $79,000, the warrants were $36 ($36 net of transaction costs and tax effect) and the residual equity components were $124 ($124 net of transaction costs and tax effect). The $79,000 principal was immediately converted into 790,000 common shares (Note 11). Upon conversion, the liability and equity components were transferred to share capital.

[ii] 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).

(Unaudited - expressed in Canadian dollars)

9. CONVERTIBLE DEBENTURES (CONTINUED)

Accretion charges, included in interest and financing expense on the statements of loss and comprehensive loss, attributable to the debenture for the three months ended March 31, 2024 was $nil and $nil (March 31, 2023: $116,747 and $12,963).

During the year ended December 31, 2023, $2,474,500 of principal amount was converted into 16,496,666 common shares. Upon conversion, the present value of the liability of $2,601,539 and the residual equity reserve value of $318,026 was transferred to share capital (Note 11).

Finders' fees included 269 debenture warrants. Each debenture warrant was 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.

During the year ended December 31, 2023, 129 debenture warrants issued under this financing were exercised for proceeds of $129,000. On initial recognition, the liability component was $129,000, the warrants were $nil ($nil net of transaction costs and tax effect) and the residual equity components were $nil ($nil net of transaction costs and tax effect). The $129,000 principal was immediately converted into 860,000 common shares (Note 11).

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

	Note 10 [i]	Note 10 [ii]	TOTAL
	$	$	$
Balance, December 31, 2022	**1,439,649**	**2,294,222**	**3,733,871**
Principal	79,000	129,000	208,000
Equity component	(124)	-	(124)
Warrant component	(36)	-	(36)
Accretion expense	22,260	198,957	221,217
Interest payment	(3,191)	(20,640)	(23,831)
Conversion of debt	(1,537,558)	(2,601,539)	(4,139,097)
Balance, December 31, 2023 & March 31, 2024	**-**	**-**	**-**

9. CONVERTIBLE DEBENTURES (CONTINUED)

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

	Number	Weighted Average Exercise Price
		$
Balance, December 31, 2022	**209**	**1,000**
Exercised	(208)	1,000
Expired	(1)	1,000
Balance, December 31, 2023 & March 31, 2024	**-**	**-**

(Unaudited - expressed in Canadian dollars)

10. LEASE LIABILITIES

The Company leases vehicles and office space in Canada. The lease liabilities are discounted using an incremental borrowing rate of 12%.

	As at March 31, 2024 $	As at December 31, 2023 $
Balance, beginning of year	**141,149**	**259,211**
Interest	3,565	23,338
Lease payments	(35,350)	(141,400)
Balance, end of year	**109,364**	**141,149**
Less: non-current portion	(38,074)	(40,511)
Balance, current portion	**71,290**	**100,638**

Undiscounted lease payments	**$**
Not later than one year	77,884
Later than one year and not later than 5 years	45,498
March 31, 2024	**123,382**

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 months ended March 31, 2024, $12,000 of variable lease payments (three months ended March 31, 2023 - $12,000) were included in rent expense on the statements of loss and comprehensive loss.

(Unaudited - expressed in Canadian dollars)

11. SHARE CAPITAL

[a] Authorized Share Capital

The authorized share capital consisted of an 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, 2023:

[vi] issued 16,598,428 common shares pursuant to the exercise of warrants for aggregate gross proceeds of $3,767,357. The fair value adjustment of the warrants of $513,262 was transferred from reserves to share capital. Finder's fees of $203,960 were incurred on the exercise of the warrants.

[vii] 208 debenture warrants were exercised for total proceeds of $208,000. Upon issuance, the debentures were immediately converted into 1,650,000 common shares. The fair value of the convertible debt liability at the time of conversion is $208,000 and the convertible debt equity portion is $124 for a total value of $207,876 transferred to share capital.

[viii] issued 31,201,666 common shares pursuant to the conversion of $3,945,000 of convertible debt. The fair value of the convertible debt liability at the time of conversion is $3,931,221 and the convertible debt equity portion is $505,302 for a total value of $4,436,523 transferred to share capital (Note 9 [i] and [ii]).

The Company had no share capital transactions during the three months ended March 31, 2024

[c] Common share purchase warrants

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

	Number of Shares	Weighted Average $
Balance, December 31, 2022	**21,232,434**	**0.27**
Issued	4,501,885	0.26
Exercised	(16,598,428)	(0.23)
Expired	(362,306)	0.33
Balance, December 31, 2023 & March 31, 2024	**8,773,585**	**0.34**

(Unaudited - expressed in Canadian dollars)

11. SHARE CAPITAL (CONTINUED)

[c] Common share purchase warrants (continued)

Date of Expiry	Exercise price $	Warrants outstanding	Warrants exercisable
August 16, 2024	0.400	5,000,000	5,000,000
March 1, 2028	0.265	3,773,585	-
Balance, March 31, 2024		**8,773,585**	**5,000,000**

During the year ended December 31, 2023, 3,773,585 warrants were issued as part of a geothermal systems partnership agreement (the "Partnership Agreement") with Subterra Capital Partners Inc. ("Subterra") whereby Subterra may contribute up to $100,000,000 of funding for qualifying projects. Each warrant allows the holder to purchase one common share at an exercise price of $0.265 per share. The warrants are subject to vesting conditions: 20% of warrants issued vest on each date $20,000,000 of the capital commitment is incurred, over a period of 5 years. As at March 31, 2024, management estimates the current probability of reaching the required capital commitment for vesting is assessed at nil%. As a result, the fair value of the warrants were assessed as $nil.

[d] Stock options

On November 1, 2011, the Company adopted a stock option plan for directors, officers, employees, and consultants of the Company. Under the terms of the plan, each vested option awarded entitles the option holder to receive one common share in the. The maximum number of options granted should not exceed 10% of the issued shares of the Company aggregated with all other security-based compensation arrangements.

During the three months ended March 31, 2024, the Company recorded share-based payment expense of $54,963 (March 31, 2023 - $38,140) directly related to the employee options outstanding.

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

	Number	Weighted Average Exercise Price $
Balance, December 31, 2022	**5,853,974**	**0.19**
Issued	2,166,046	0.27
Exercised	—	—
Expired	(39,477)	0.34
Balance, December 31, 2023	**7,980,543**	**0.20**
Expired	(631,402)	0.24
Balance, March 31, 2024	**7,349,141**	**0.20**

(Unaudited - expressed in Canadian dollars)

11. SHARE CAPITAL (CONTINUED)

[d] Stock options (continued)

Date of Expiry	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
October 29, 2024	0.090	333,000	333,000
January 19, 2025	0.075	2,475,000	2,475,000
February 26, 2025	0.125	450,000	450,000
March 16, 2025	0.105	200,000	200,000
December 20, 2025	0.345	1,021,875	1,021,875
May 30, 2027	0.335	805,220	271,392
April 27, 2028	0.270	1,828,000	—
June 29, 2028	0.280	136,046	—
October 17, 2028	0.245	100,000	—
Balance, March 31, 2024	**0.200**	**7,349,141**	**4,751,267**

As of March 31, 2024, the weighted average remaining life for outstanding options was 2.09 years (March 31, 2023: 3.38 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.

During the three months ended March 31, 2024, the Company recorded share-based payments expense of $147,280, directly related to the RSUs (March 31, 2023: $70,784)

RSU transactions and the number of RSUs outstanding are summarized below:

	Number	Weighted Average Fair Value $
Balance, December 31, 2022	**1,690,407**	**0.34**
Issued	3,119,402	0.27
Vested	(295,992)	0.30
Forfeited	(55,075)	0.27
Balance, December 31, 2023	**4,458,772**	**0.29**
Forfeited	(69,776)	0.31
Balance, March 31, 2024	**4,388,966**	**0.29**

(Unaudited - expressed in Canadian dollars)

11. SHARE CAPITAL (CONTINUED)

[e] Restricted Share Units ("RSU") (continued)

Date Issued	Expiry	Share Price on issuance $	RSUs Outstanding
May 30, 2022	December 31, 2024	0.335	1,475,929
April 27, 2023	December 31, 2025	0.270	2,709,000
June 29, 2023	December 31, 2025	0.280	204,037
Balance March 31, 2024		**0.290**	**4,388,966**

12. RELATED PARTY DISCLOSURE

Transactions with related parties

Key management personnel are those people who have 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:

	Three months ended March 31, 2024 $	Three months ended March 31, 2023 $
Consulting Fees [i]	39,000	39,000
Wages and Benefits [ii]	134,564	55,380
Share-based payments [iii]	142,136	70,980
	315,700	**165,360**

[i] The Company paid consulting fees to a company controlled by the Chief Financial Officer & Chief Operating Officer.
[ii] The Company paid wages and benefits to the Chief Executive Officer and the President of SHARC US.
[iii] Share-based payments were recognized in connection with the vesting of options granted to directors and officers 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.

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 and accounts payable and accrued liabilities approximate their carrying values due to the short-term to maturity. The fair value of long-term liabilities is 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 creditworthiness. 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 March 31, 2024 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 March 31, 2024, the Company is not exposed to significant liquidity risk.

[c] Market 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 March 31, 2024 the Company is not exposed to any significant interest rate risk.

[d] Foreign exchange rate risk

The Company operates in Canada and the United States of America and is, therefore, exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company, and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(Unaudited - expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

[d] Foreign exchange rate risk (continued)

At March 31, 2024, the Company had US denominated current assets of US$339,026 and US denominated current liabilities of US$77,312. Accordingly, a 10% change in the foreign exchange rate would result in a $45,781 credit or charge to operations.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Three months ended March 31,	
	2024	**2023**
	$	**$**
Conversion of convertible debt into common shares	-	1,565,601
Conversion of convertible debt into shares – equity portion	-	191,135
Fair value of stock options and warrants exercised	-	181,924
Issuance of convertible debt – equity component	-	124
Issuance of convertible debt – warrant component	-	49
Reversal of expired and forfeited stock options	(77,865)	-
Inventory in accounts payable and accrued liabilities	105,950	26,171

16. SEGMENTED INFORMATION

The Company has a single operating segment, the sales and marketing of WET Equipment. As at March 31, 2024 and December 31, 2023, all of the Company's main operations, assets and employees are in Canada.

Revenues for the sales and marketing of WET equipment are detailed as follows:

	Three months ended March 31,	
	2024	**2023**
	$	**$**
Equipment rentals	3,600	30,600
Service and maintenance agreements	113,929	9,246
Product sales	660,566	693,840
Totals	**778,095**	**733,686**

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2024:

[a] 50,000 stock options were exercised for total proceeds of $4,500.