SHARC INTERNATIONAL SYSTEMS INC.
Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2026

Unaudited
Expressed in Canadian dollars

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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	June 30, 2026 (unaudited) $	December 31, 2025 (audited) $
ASSETS			
Current			
Cash		1,396,539	262,513
Receivables, net of bad debt allowance	4,5	259,974	227,693
Prepaid expenses		163,215	75,777
Inventory	6	814,437	1,035,687
Total current assets		**2,634,165**	**1,601,670**
Restricted cash	7	109,674	108,039
Property and equipment	8	287,740	386,786
Total assets		**3,031,579**	**2,096,495**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	5	869,015	1,333,864
Deferred revenue	9	849,930	95,383
Debenture	10	160,000	160,000
Lease liabilities	12	190,481	179,441
Total current liabilities		**2,069,426**	**1,768,688**
Debenture	10	1,756,825	1,609,523
Convertible debenture	11	3,308,626	1,289,595
Warranty provisions		256,870	147,753
Lease liabilities	12	76,855	174,939
Total Liabilities		**7,468,602**	**4,990,498**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	13	36,818,449	36,746,291
Reserves	13	5,191,488	4,872,236
Currency translation reserve		(118,920)	(12,437)
Deficit		(46,328,042)	(44,500,093)
Total shareholders' equity (deficiency)		**(4,437,023)**	**(2,894,003)**
Total liabilities and shareholders' equity (deficiency)		**3,031,579**	**2,096,495**

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 18]

Approved on behalf of the Board of Directors on August 25, 2026:

/s/ Shane Dungey — Director

/s/Felix Fred Andriano — Director

SHARC International Systems Inc.

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss

(Unaudited - expressed in Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
		2026	**2025**	**2026**	**2025**
	Note	**$**	**$**	**$**	**$**
Revenue	17	269,173	848,183	761,882	1,861,119
Cost of Sales		(157,697)	(474,913)	(495,144)	(1,172,158)
Gross Margin		**111,476**	**373,270**	**266,738**	**688,961**
Expenses					
Accounting and legal		60,314	50,160	118,678	112,354
Advertising and promotion		33,383	19,192	81,279	65,086
Consulting	5	104,607	114,891	206,938	249,604
Depreciation	8	50,600	51,800	100,866	103,599
Insurance		10,738	10,705	21,386	25,006
Interest and financing expense	10,11,12	180,620	126,749	321,059	210,176
Office and miscellaneous		33,936	27,720	66,740	61,877
Regulatory and filing fees		13,645	10,213	24,741	27,509
Rent		17,225	17,225	34,450	34,450
Repairs and maintenance		7,312	3,956	12,891	7,367
Research and development		12,746	1,805	(6,736)	42,305
Share-based payments	13	4,576	59,743	15,916	192,547
Telephone and utilities		16,747	24,916	46,918	53,720
Travel		37,880	37,666	79,437	76,712
Wages and benefits		502,539	513,172	1,002,228	1,039,467
Warranty expense		70,087	33,590	131,427	33,590
		1,156,955	**1,103,503**	**2,258,218**	**2,335,369**
		(1,045,479)	**(730,233)**	**(1,991,480)**	**(1,646,408)**
Interest income		8	11	22	591
Foreign exchange		42,351	(89,628)	70,385	(89,541)
Loss on debt settlement		5,000	—	5,000	—
Loss before income taxes		**(998,120)**	**(819,850)**	**(1,916,073)**	**(1,735,358)**
Deferred tax recovery		77,549	—	88,124	—
Loss for the period		**(920,571)**	**(819,850)**	**(1,827,949)**	**(1,735,358)**
Other comprehensive income					
Foreign currency translation		(62,346)	117,516	(106,483)	96,645
Loss and comprehensive loss for the period		**(982,917)**	**(702,334)**	**(1,934,432)**	**(1,638,713)**
Basic and diluted loss per common share		**(0.01)**	**(0.01)**	**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding – basic and diluted		**164,687,454**	**162,609,033**	**164,625,639**	**162,357,950**

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

SHARC International Systems Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Common Shares		Reserves	Currency translation reserve	Obligation to issue shares	Deficit	Total
	Number	$	$	$	$	$	$
Balance, December 31, 2024	**161,262,422**	**35,956,154**	**5,133,412**	**(97,446)**	**50,782**	**(41,019,495)**	**23,407**
Stock options exercised	950,000	83,750	-	-	-	-	**83,750**
Fair value of stock options exercised	-	67,654	(67,654)	-	-	-	**-**
Issuance of convertible debt	-	-	127,114	-	-	-	**127,114**
Fair value of finder's warrants	-	-	35,521	-	-	-	**35,521**
Settlement of RSU Units	2,351,402	638,733	(587,951)	-	(50,782)	-	**-**
Options issued for loan	-	-	40,035	-	-	-	**40,035**
Currency translation adjustment	-	-	-	85,009	-	-	**85,009**
Share-based payments	-	-	191,759	-	-	-	**191,759**
Loss for the year	-	-	-	-	-	(3,480,598)	**(3,480,598)**
Balance, December 31, 2025	**164,563,824**	**36,746,291**	**4,872,236**	**(12,437)**	**-**	**(44,500,093)**	**(2,894,003)**
Issuance of convertible debt	-	-	202,591	-	-	-	**202,591**
Share issue cost	-	-	106,410	-	-	-	**106,410**
Conversion of convertible debt	596,835	72,158	(5,665)				**66,493**
Currency translation adjustment	-	-	-	(106,483)	-	-	**(106,483)**
Share-based payments	-	-	15,916	-	-	-	**15,916**
Loss for the year	-	-	-	-	-	(1,827,949)	**(1,827,949)**
Balance, June 30, 2026	**165,160,659**	**36,818,449**	**5,191,488**	**(118,920)**	**-**	**(46,328,042)**	**4,437,023**

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)

	Six months ended June 30, 2026	2025
	$	$
OPERATING ACTIVITIES		
Loss for the period	(1,827,949)	(1,735,358)
Add: Items not affecting cash		
Depreciation	100,866	103,599
Unrealized foreign exchange	(108,118)	97,377
Share based payments	15,916	192,547
Accrued interest expense	318,013	210,176
Deferred tax recovery	(88,124)	—
Changes in non-cash working capital items:		
Receivables	(32,281)	(145,931)
Prepaid expenses and deposits	(87,438)	93,214
Inventory	221,250	(501,819)
Accounts payable and accrued liabilities	(468,049)	970,776
Deferred revenue	754,547	(501,911)
Warranty provisions	109,117	33,101
Cash used in operating activities	**(1,092,250)**	**(1,184,230)**
INVESTING ACTIVITY		
Purchase of Property and equipment	(1,819)	—
Transfer of restricted cash	—	50,000
Cash used in investing activity	(1,819)	**50,000**
FINANCING ACTIVITIES		
Proceeds on exercise of stock options	—	83,750
Loan funds received, net of costs	—	430,000
Proceeds from issuance of convertible debentures	2,333,200	—
Payment of lease liabilities	(105,104)	(105,104)
Cash provided by (used in) financing activities	**2,228,096**	**408,646**
Increase (decrease) in cash	1,134,027	(725,584)
Cash, beginning of the period	262,513	818,259
Cash, end of the period	**1,396,540**	**92,675**

Supplemental disclosure with respect to cash flow (Note 16)
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 June 30th, 2026, the Company has an accumulated deficit of $46,328,040 and working capital of $564,739. 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 has sufficient working capital to fund operations for the next 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, 2025, which have been prepared with International Financial Reporting Standards ("IFRS"). These Financial Statements were approved by the Company's Board of Directors on April 30, 2026.

[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:

Company	Location	Ownership % as at June 30, 2026	December 31, 2025
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.

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:

2. BASIS OF PRESENTATION (CONTINUED)

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 custom specifications whereby the product has no alternative use. Revenue associated with these products are recognized over the time of production of the unit. Judgement is made when utilizing the cost-based input method and determining the revenue and associated cumulative cost-plus estimated margin to recognized at the end of each reporting period.

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.

(Unaudited - expressed in Canadian dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION

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, 2025.

4. RECEIVABLES

	As at June 30, 2026 $	As at December 31, 2025 $
GST recoverable	15,410	25,543
Other receivables	32,194	42,925
Trade receivables, net of expected credit losses	212,371	159,225
Total	**259,975**	**227,693**

5. 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 June 30,		Six months ended June 30,	
	2026	2025	2026	2025
	$	$	$	$
Consulting Fees [i]	56,915	55,609	113,748	111,829
Wages and Benefits [ii]	139,715	141,703	279,874	288,825
Share-based payments [iii]	4,575	44,567	12,286	117,063
	201,205	**241,879**	**405,908**	**517,717**

i. The Company paid consulting fees to a company controlled by the Chief Financial Officer and former Chief Operating Officer and to the Chairman of the Board.

ii. The Company paid wages and benefits to the Chief Executive Officer and to the Vice President of Business Development & Vice-Chairman of the Board.

iii. Share-based payments were recognized in connection with the vesting of options granted to director and officers of the Company.

Included in receivables is $32,194 (December 31, 2025 - $42,925) due from related parties.

Included in accounts payable and accrued liabilities is $234,465 (December 31, 2025 - $185,031) due to related parties.

(Unaudited - expressed in Canadian dollars)

6. INVENTORY

	As at June 30, 2026 $	As at December 31, 2025 $
Materials and supplies	666,848	666,848
Work-in-progress	147,589	321,797
Finished goods	-	47,042
Total	**814,437**	**1,035,687**

7. RESTRICTED CASH

The restricted cash balance of $109,674 (December 31, 2025 - $108,039) is comprised of a bank lien, in the form of an interest bearing GIC, on funds held as collateral for the Company's corporate credit card limits.

8. PROPERTY AND EQUIPMENT

	Equipment, Furniture & Fixtures $	Computer Hardware $	Leasehold Improvements $	Right-of-use assets $	Total $
COST:					
Balance, December 31, 2024	**145,506**	**126,832**	**76,314**	**1,106,824**	**1,455,476**
Additions	3,784	666	—	—	4,450
Balance, December 31, 2025	**149,290**	**127,498**	**76,314**	**1,106,824**	**1,459,926**
Additions	1,820	—	—	—	1,820
Balance, June 30, 2026	**151,110**	**127,498**	**76,314**	**1,106,824**	**1,461,747**
ACCUMULATED DEPRECIATION:					
Balance, December 31, 2024	**86,963**	**106,149**	**55,321**	**616,851**	**865,283**
Depreciation expense	12,186	9,381	10,555	175,736	207,858
Balance, December 31, 2025	**99,149**	**115,529**	**65,876**	**792,587**	**1,073,141**
Depreciation expense	5,013	3,624	4,359	87,868	100,864
Balance, June 30, 2026	**104,162**	**119,153**	**70,235**	**880,455**	**1,174,005**
NET BOOK VALUE:					
Balance, December 31, 2025	**50,141**	**11,969**	**10,439**	**314,236**	**386,786**
Balance, June 30, 2026	**46,948**	**8,345**	**6,080**	**226,368**	**287,740**

9. 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 June 30, 2026, the balance was $849,930 (December 31, 2025 - $95,383).

10. DEBENTURE

On July 8, 2024, the Company issued 2,000 unsecured debenture units with a total principal amount of $2,000,000. The debenture matures on July 8, 2027, and bears interest at an annual rate of 8% due annually. The debenture, including any accrued and unpaid interest, will be repayable in part or in full on any one or more occasions without penalty at any time prior to the maturity date at the option of the Company.

Each debenture unit consists of a $1,000 principal amount of 8.0% unsecured debenture of the Company; and 5,000 common share purchase warrants of the Company. Each warrant will entitle the holder to acquire one common share in the capital of the Company at an exercise price of $0.20 per share for a period of 36 months from the date of issuance.

Total finders' fee of $160,000 in cash, 800,000 finder's warrants valued at $57,368, and regulatory fees of $540 were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.20 per share for a period of three years following the date of issuance. The fair value of $57,368 was assigned to the 800,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 63.66% which is based on historical volatility, risk-free rate of return of 3.47% and an expected maturity of three years.

The 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 12%, being management's best estimate of the rate that a debenture without warrants with similar terms would bear. The equity component consists of the warrants. The value attributed to the warrants was based on the relative fair value approach.

On initial recognition, the liability component was $1,786,856 ($1,592,147 net of transaction costs) and the warrants were $189,921 ($132,373 net of tax effect).

Accretion charges, included in interest and financing expense on the statements of loss and comprehensive loss, attributable to the debentures for the period ended June 30, 2026 was $75,123 (June 30, 2025 - $69,810) of which $nil relates to interest paid.

(Unaudited - expressed in Canadian dollars)

10. DEBENTURE (CONTINUED)

Balance, December 31, 2024	**1,642,513**
Accretion expense	287,010
Interest payable	(160,000)
Balance, December 31, 2025	**1,769,523**
Accretion expense	147,302
Interest payable	—
Balance, June 30, 2026	**1,916,825**

11. CONVERTIBLE DEBENTURE

i. Debenture #1 – August 15, 2025

On August 15th, 2025, the Company issued unsecured debentures with a total principal amount of $1,570,000. The debenture matures on August 15, 2028, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $125,600 in cash, 1,004,800 finder's warrants valued at $35,521, and regulatory & legal fees of $11,321 were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $35,521 was assigned to the 1,004,800 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 76.64% which is based on historical volatility, risk-free rate of return of 2.72% and an expected maturity of three years.

The 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 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $1,365,031 ($1,215,102 net of transaction costs) and the equity portion were $204,969 ($127,114 net of transaction costs and tax effect).

During the six months ended June 30, 2026, $70,000 of debentures plus $4604.44 worth of interest were converted to 596,835 common shares.

ii. Debenture #2A – February 23, 2026

On February 23rd, 2026, the Company issued unsecured debentures with a total principal amount of $300,000. The debenture matures on February 23, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

11. CONVERTIBLE DEBENTURE (CONTINUED)

Total finders' fee of $24,000 in cash, 192,000 finder's warrants valued at $11,616, and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $11,616 was assigned to the 192,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The 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 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $260,834 ($229,868 net of transaction costs) and the equity portion were $39,166 ($23,941 net of transaction costs and tax effect).

iii. Debenture #2B – April 28, 2026

On April 28th, 2026, the Company issued unsecured debentures with a total principal amount of $300,000. The debenture matures on April 28, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $8,000 in cash, 64,000 finder's warrants valued at $3,003, and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $3,003 was assigned to the 64,000 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The 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 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $260,834 ($251,267 net of transaction costs) and the equity portion were $39,166 ($27,155 net of transaction costs and tax effect).

11. CONVERTIBLE DEBENTURE (CONTINUED)

iv. Debenture #2C – May 22, 2026

On May 22nd, 2026, the Company issued unsecured debentures with a total principal amount of $1,471,000. The debenture matures on May 22, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $117,680 in cash, 941,440 finder's warrants valued at $85,196 and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $85,196 was assigned to the 941,440 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The 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 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

On initial recognition, the liability component was $1,278,955 ($1,102,566 net of transaction costs) and the equity portion were $192,045 ($113,706 net of transaction costs and tax effect).

v. Debenture #2D – May 28, 2026

On May 28th, 2026, the Company issued unsecured debentures with a total principal amount of $429,000. The debenture matures on May 28, 2029, and bears interest at an annual rate of 8%. The debenture, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company at a price of $0.125 per Common Share at the option of the holder.

Total finders' fee of $17,120 in cash, 72,960 finder's warrants valued at $6,595 and regulatory & legal fees of $nil were incurred on issuance. Each finder's warrant is exercisable into one common share of the Company at $0.125 per share for a period of three years following the date of issuance. The fair value of $6,595 was assigned to the 72,960 finders' warrants using the Black-Scholes valuation model with the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 89.66% which is based on historical volatility, risk-free rate of return of 2.37% and an expected maturity of three years.

The 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 12%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity component consists of the equity conversion feature. The value attributed to the equity conversion feature was based on the relative fair value approach.

(Unaudited - expressed in Canadian dollars)

11. CONVERTIBLE DEBENTURE (CONTINUED)

On initial recognition, the liability component was $372,922 ($352,374 net of transaction costs) and the equity portion were $56,008 ($37,790 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 all the convertible debentures for the period ended June 30, 2026 was $149,450 of which $nil relates to interest paid. (June 30, 2025 was $nil, of which $nil relates to interest paid)

	Note 11 [i] $	Note 11 [ii] $	Note 11 [iii] $	Note 11 [iv] $	Note 11[v] $	TOTAL $
Balance, December 31, 2024	-	-	-	-	-	-
Principal	1,570,000	-	-	-	-	1,570,000
Warrant component	(204,969)	-	-	-	-	(204,969)
Transaction costs	(172,442)	-	-	-	-	(172,442)
Accretion expense	74,493	-	-	-	-	74,493
Interest payment	-	-	-	-	-	-
Conversion of debt	-	-	-	-	-	-
Balance, December 31, 2025	**1,289,595**	**-**	**-**	**-**	**-**	**1,289,595**
Principal	-	300,000	300,000	1,471,000	429,000	2,500,000
Warrant component	-	(34,616)	(37,730)	(165,558)	(52,911)	(290,715)
Transaction costs	-	(35,616)	(11,003)	(202,876)	(23,715)	(273,210)
Accretion expense	105,331	13,315	5,843	20,452	4,509	149,450
Interest payment	(4,604)	-	-	-	-	(4,604)
Conversion of debt	(61,888)	-	-	-	-	(61,888)
Balance, June 30, 2026	**1,328,434**	**243,183**	**257,110**	**1,123,018**	**356,883**	**3,308,628**

12. 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 June 30, 2026 $	As at December 31, 2025 $
Balance, beginning of year	**354,379**	**513,625**
Additions	—	---
Interest	18,061	50,963
Lease payments	(105,104)	(210,209)
Balance, end of year	**267,336**	**354,379**
Less: non-current portion	(76,855)	(174,938)
Balance, current portion	**190,481**	**179,441**

Undiscounted lease payments	**$**
Not later than one year	210,209
Later than one year and not later than 5 years	78,451
June 30, 2026	**288,660**

(Unaudited - expressed in Canadian dollars)

12. LEASE LIABILITIES (CONTINUED)

For the six months ended June 30, 2026, $34,450 of variable lease payments (six months ended June 30, 2025 - $34,450) were included in rent expense on the statements of loss and comprehensive loss.

13. 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, 2025

[i] issued 950,000 common shares pursuant to the exercise of stock options for aggregate gross proceeds of $83,750. The fair value increment adjustment of the options of $67,654 was transferred from reserves to share capital.

[ii] issued 2,351,402 common shares pursuant to the vesting of employee restricted share units.

The Company had the following share capital transactions during the six months ended June 30, 2026

[i] issued 596,835 shares upon conversion of $70,000 of debentures and $4,604 interest at a conversion price of $0.125 per share

[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 $
Balance, December 31, 2024	**14,573,585**	**0.22**
Issued	1,004,800	0.125
Forfeited	(3,773,585)	0.265
Balance, December 31, 2025	**11,804,800**	**0.19**
Issued	1,270,400	0.125
Balance, June 30, 2026	**13,075,200**	**0.19**

(Unaudited - expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

Date of Expiry	Exercise price $	Warrants outstanding	Warrants exercisable
July 8, 2027	0.200	10,800,000	10,800,000
August 15, 2028	0.125	1,004,800	1,004,800
February 23, 2029	0.125	192,000	192,000
April 28, 2029	0.125	64,000	64,000
May 22, 2029	0.125	941,440	941,440
May 28, 2029	0.125	72,960	72,960
Balance, June 30, 2026		**13,075,200**	**13,075,200**

[d] Stock options

On August 7, 2020 and as amended on August 10, 2023, 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 period ended June 30, 2026, the Company recorded share-based payment expense of $4,575 (June 30, 2025 - $192,547) directly related to stock options.

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

	Number	Weighted Average Exercise Price $
Balance, December 31, 2024	**4,841,141**	**0.26**
Issued	800,000	0.10
Exercised	(950,000)	0.09
Expired/Cancelled	(3,891,141)	0.30
Balance, December 31, 2025 & June 30, 2026	**800,000**	**0.10**

Date of Expiry	Exercise Price $	Number of Options Outstanding	Number of Options Exercisable
May 16, 2028	0.10	800,000	800,000
Balance, June 30, 2026	**0.10**	**800,000**	**800,000**

As of June 30, 2026 the weighted average remaining life for outstanding options was 1.87 years (December 31, 2025: 2.37 years).

[e] Restricted Share Units ("RSU")

On August 7, 2020 and as amended August 10, 2023, the Company adopted an RSU plan for directors, officers, employees and consultants of the Company. Under the terms of the plan, each vested RSU

(Unaudited - expressed in Canadian dollars)

13. SHARE CAPITAL (CONTINUED)

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 and six months ended June 30, 2026, the Company recorded share-based payments expense of $nil and $nil, directly related to the RSUs (June 30, 2025: $37,618 and $136,188)

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

	Number	Weighted Average Fair Value $
Balance, December 31, 2024	**2,913,037**	**0.27**
Exercised	(1,966,000)	0.27
Exercised	(204,037)	0.28
Forfeited/Expired	(743,000)	0.27
Balance, December 31, 2025 & June 30, 2026	**—**	**—**

14. 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 year. The Company is not subject to externally imposed capital requirements.

15. 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, deposits, accounts payable and accrued liabilities and debentures approximate their carrying values due to the short-term to maturity. The fair value of the debenture and lease 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, restricted cash and receivables are exposed to credit risk. The Company reduces its credit risk on cash and restricted 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. As at June 30, 2026 the Company is exposed to credit risk arising from receivables and recorded a loss allowance of $50,000 (December 31, 2025 - $50,000).

[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.

[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 June 30, 2026 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.

At June 30, 2026, the Company had US denominated current assets of US$176,477 and US denominated current liabilities of US$53,448 (December 31, 2025 - US$191,922 and US$563,159, respectively). Accordingly, a 10% change in the foreign exchange rate would result in $23,150 credit or charge to operations (December 31, 2025 - $69,984).

(Unaudited - expressed in Canadian dollars)

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Six months ended June 30, 2026	2025
	$	$
Fair value of stock options and RSU's exercised	—	242,884
Issuance of convertible debt— warrant component	290,715	—
Fair value of broker warrants	106,410	—

17. SEGMENTED INFORMATION

The Company has a single operating segment, the sales and marketing of Wastewater Energy Transfer ("**WET**") Equipment. As at June 30, 2026 and December 31, 2025, 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 June 30,		Six months ended June 30,	
	2026	**2025**	**2026**	**2025**
	$	**$**	**$**	**$**
Equipment rentals	3,600	3,600	7,200	7,200
Service and maintenance agreements	106,190	178,696	198,856	282,779
Product sales	159,384	665,837	555,826	1,571,140
	269,173	**848,183**	**761,883**	**1,861,119**

18. SUBSEQUENT EVENTS

Subsequent to June 30, 2026:

On August 5, 2026, the Board of Directors of SHARC International Systems Inc. approved a series of executive leadership changes as part of the Company's ongoing strategic evolution. Lynn Mueller stepped away from his day-to-day responsibilities with the Company. The Board intends to finalize a consulting agreement with Mr. Mueller focused on business development and strategic growth initiatives, subject to Board ratification.

The Company also concluded the contractual relationship with its Chief Financial Officer, Hanspaul Pannu. To ensure continuity within the finance function, the Board appointed Fred Andriano, Chairman of the Board, as Interim Chief Financial Officer, Treasurer and Corporate Secretary while it undertakes a search for a permanent Chief Financial Officer.

The Board appointed Michael Albertson as President. In this role, Mr. Albertson will continue to lead the Company's operating activities with a focus on product innovation, commercial execution, strategic partnerships and revenue growth.

18. SUBSEQUENT EVENTS (CONTINUED)

The Board also appointed Shane Dungey as Interim Chief Executive Officer and Executive Vice Chair. Mr. Dungey will work closely with the Board and executive leadership team to strengthen corporate governance, enhance operational execution and advance the Company’s strategic priorities while the Board evaluates the Company’s long-term executive leadership structure