FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **Sharc International Systems Inc.** (the "**Issuer**").

Trading Symbol: **SHRC**

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Unaudited condensed interim financial statements for the three and nine-month period ended September 30, 2026, as filed with the securities regulatory authorities, are attached to this form as Appendix I.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
(b) A description of the transaction(s), including those for which no amount has been recorded.
(c) The recorded amount of the transactions classified by financial statement category.
(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
(e) Contractual obligations with Related Persons, separate from other contractual obligations.
(f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in the Issuer's financial statements for the three and nine-month period ended September 30, 2026. Please refer to Note 5 to the unaudited condensed interim consolidated financial statements for the three and nine-month period ended September 30, 2026 attached hereto as Appendix I (the "Financial Statements"). For information supplementary to that contained in the notes to the Financial Statements with respect to related party transactions, please refer to the Management Discussion and Analysis ("MD&A") for the three and nine-month period ended September 30, 2026, as filed with the securities regulatory authorities and attached to this Form 5 as Appendix II.

2. Summary of securities issued, and options granted during the period.

All Share Capital and Convertible Debenture transactions have been disclosed in the Issuer's financial statements for the three and nine-month period ended September 30, 2026. Please refer to Notes 13 and 11 respectively to the unaudited condensed interim consolidated financial statements for the three and nine-month period ended September 30, 2026, attached hereto as Appendix I (the "Financial Statements"). For information supplementary to that contained in the notes to the Financial Statements

with respect to share capital transactions, please refer to the Management Discussion and Analysis ("MD&A") for the three and nine-month period ended September 30, 2026 as filed with the securities regulatory authorities and attached to this Form 5 as Appendix II.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
		None				

3. Summary of securities as at the end of the reporting period.

A summary of securities as at the end of the reporting period have been disclosed in the Issuer's Financial Statements, attached hereto as Appendix I.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

(b) number and recorded value for shares issued and outstanding,

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position
Peter Busby	Director
Shane Dungey	Interim CEO and Executive Vice Chairman
Kevin Hydes	Director
Dermot Sweeny	Director
Fred Andriano	Interim CFO, Executive Chairman of the Board, Secretary and Treasurer
Michael Albertson	President

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

See MD&A, attached hereto as Appendix II.

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Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated October 30, 2026.

Shane Dungey
Name of Director or Senior Officer

"Shane Dungey"
Signature

Chief Executive Officer
Official Capacity

Issuer Details Name of Issuer Sharc International Systems Inc.	For Quarter Ended September 30, 2026	Date of Report YY/MM/D 26/10/30
Issuer Address 1443 Spitfire Place Port Coquitlam, BC V3C 6L4		
City/Province/Postal Code 1443 Spitfire Place Port Coquitlam, BC V3C 6L4	Issuer Fax No.	Issuer Telephone No. (604)475-7710
Contact Name Shane Dungey	Contact Position CEO	Contact Telephone No. (403)389-9911
Contact Email Address Shane.dungey@sharcenergy.com	Web Site Address www.sharcenergy.com	

APPENDIX I
Financial Statements for the three and nine-months ended September 30, 2026

SHARC INTERNATIONAL SYSTEMS INC.

Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2026

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	September 30, 2026 (unaudited) $	December 31, 2025 (audited) $
ASSETS			
Current			
Cash		1,797,401	262,513
Receivables, net of bad debt allowance	4,5	232,996	227,693
Prepaid expenses		164,720	75,777
Inventory	6	572,956	1,035,687
Total current assets		**2,768,073**	**1,601,670**
Restricted cash	7	109,814	108,039
Property and equipment	8	237,140	386,786
Total assets		**3,115,027**	**2,096,495**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities	5	795,863	1,333,864
Deferred revenue	9	1,703,562	95,383
Debenture	10	160,000	160,000
Lease liabilities	12	196,253	179,441
Total current liabilities		**2,855,678**	**1,768,688**
Debenture	10	1,835,013	1,609,523
Convertible debenture	11	3,441,860	1,289,595
Warranty provisions		270,739	147,753
Lease liabilities	12	25,573	174,939
Total Liabilities		**8,428,863**	**4,990,498**
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	13	36,818,449	36,746,291
Reserves	13	5,191,623	4,872,236
Currency translation reserve		(126,101)	(12,437)
Deficit		(47,197,807)	(44,500,093)
Total shareholders' equity (deficiency)		**(5,313,836)**	**(2,894,003)**
Total liabilities and shareholders' equity (deficiency)		**3,115,027**	**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 October 27, 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)

	Note	Three months ended September 30, 2026 $	Three months ended September 30, 2025 $	Nine months ended September 30, 2026 $	Nine months ended September 30, 2025 $
Revenue	17	833,714	829,909	1,595,596	2,691,028
Cost of Sales		(564,277)	(506,331)	(1,059,421)	(1,678,489)
Gross Margin		**269,437**	**323,578**	**536,175**	**1,012,539**
Expenses					
Accounting and legal		83,669	109,117	202,347	221,471
Advertising and promotion		18,576	26,595	99,855	91,681
Consulting	5	137,786	113,696	344,724	363,300
Depreciation	8	50,599	52,009	151,465	155,608
Insurance		14,301	10,704	35,687	35,710
Interest and financing expense	10,11,12	218,464	112,380	539,523	322,556
Office and miscellaneous		29,888	34,566	96,628	96,443
Regulatory and filing fees		17,570	13,563	42,311	41,072
Rent		17,225	17,225	51,675	51,675
Repairs and maintenance		5,464	4,920	18,355	12,287
Research and development		5,217	1,805	(1,519)	44,110
Share-based payments	13	135	11,949	16,051	204,496
Telephone and utilities		15,277	22,954	62,195	76,674
Travel		53,913	28,734	133,350	105,446
Wages and benefits		468,067	528,580	1,470,295	1,568,047
Warranty expense		13,541	60,566	144,968	94,156
		1,149,692	**1,149,363**	**3,407,910**	**3,484,732**
		(880,255)	**(825,785)**	**(2,871,735)**	**(2,472,193)**
Interest income		10	21	32	612
Foreign exchange		10,478	35,365	80,863	(54,176)
Loss on debt settlement		—	—	5,000	—
Loss before income taxes		**(869,767)**	**(790,399)**	**(2,785,840)**	**(2,525,757)**
Deferred tax recovery		—	55,342	88,124	55,342
Loss for the period		**(869,767)**	**(735,057)**	**(2,697,716)**	**(2,470,415)**
Other comprehensive income					
Foreign currency translation		(7,181)	(50,035)	(113,664)	46,610
Loss and comprehensive loss for the period		**(876,948)**	**(785,092)**	**(2,811,380)**	**(2,423,805)**
Basic and diluted loss per common share		**(0.01)**	**(0.01)**	**(0.02)**	**(0.02)**
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	-	-	-	(113,664)	-	-	**(113,664)**
Share-based payments	-	-	16,051	-	-	-	**16,051**
Loss for the year	-	-	-	-	-	(2,697,716)	**(2,697,716)**
Balance, September 30, 2026	**165,160,659**	**36,818,449**	**5,191,623**	**(126,101)**	**-**	**(47,197,809)**	**(5,313,838)**

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)

	Nine months ended September 30, 2026 $	2025 $
OPERATING ACTIVITIES		
Loss for the period	(2,697,716)	(2,470,415)
Add: Items not affecting cash		
Depreciation	151,465	155,608
Unrealized foreign exchange	(112,359)	46,091
Share based payments	16,051	204,496
Accrued interest expense	536,477	316,307
Deferred tax recovery	(88,124)	—
Changes in non-cash working capital items:		
Receivables	(5,303)	(200,853)
Prepaid expenses and deposits	(88,943)	102,725
Inventory	462,731	182,937
Accounts payable and accrued liabilities	(541,201)	635,991
Deferred revenue	1,608,179	(922,761)
Warranty provisions	119,906	39,797
Cash used in operating activities	**(638,836)**	**(1,965,419)**
INVESTING ACTIVITY		
Purchase of Property and equipment	(1,819)	(2,795)
Transfer of restricted cash	—	50,000
Cash used in investing activity	(1,819)	**47,205**
FINANCING ACTIVITIES		
Proceeds on exercise of stock options	—	83,750
Loan funds received, net of costs	—	1,433,079
Proceeds from issuance of convertible debentures	2,333,200	—
Payment of lease liabilities	(157,657)	(157,657)
Cash provided by (used in) financing activities	**2,175,543**	**1,359,172**
Increase (decrease) in cash	1,534,888	(559,042)
Cash, beginning of the period	262,513	818,259
Cash, end of the period	**1,797,401**	**259,217**

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 September 30, 2026, the Company had an accumulated deficit of $47.2 million, negative working capital of $87,605, and a loss of $2.7 million for the nine months then ended. The Company continues to fund its operations through a combination of revenues generated from operations and external financing activities.

During 2026, the Company strengthened its liquidity position through the completion of $2.5 million of unsecured convertible debenture financing and increased its cash balance to $1.8 million at September 30, 2026. In addition, the Company reported a sales order backlog of approximately $10.1 million as of October 30, 2026, providing increased visibility with respect to future revenue generation.

The Company's ability to continue meeting its obligations will depend on the successful execution of its project backlog, collection of customer receivables, management of operating expenditures, and access to financing if required. While management believes the Company is positioned to continue executing its business plan, there can be no assurance that additional financing, if required, will be available on acceptable terms or at all.

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.

2. BASIS OF PRESENTATION (CONTINUED)

[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:

Company	Location	Ownership % as at September 30, 2026	Ownership % as at 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.

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 September 30, 2026 $	As at December 31, 2025 $
GST recoverable	21,268	25,543
Other receivables	32,194	42,925
Trade receivables, net of expected credit losses	179,535	159,225
Total	**232,997**	**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 September 30,		Nine months ended September 30,	
	2026 $	2025 $	2026 $	2025 $
Consulting Fees [i]	83,336	55,526	197,084	167,355
Wages and Benefits [ii]	107,984	140,895	387,858	429,719
Share-based payments [iii]	-	9,111	10,281	118,863
	191,320	**205,532**	**595,222**	**715,937**

i. The Company paid consulting fees to a company controlled by the Interim CEO, Interim CFO and Chairman of the Board, and includes prior fees paid to the former CFO.

ii. The Company paid wages and benefits to the President and the former 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 $255,384 (December 31, 2025 - $185,031) due to related parties.

6. INVENTORY

	As at September 30, 2026 $	As at December 31, 2025 $
Materials and supplies	463,060	666,848
Work-in-progress	109,896	321,797
Finished goods	-	47,042
Total	**572,956**	**1,035,687**

7. RESTRICTED CASH

The restricted cash balance of $109,814 (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**	**76,315**	**1,106,823**	**1,455,476**
Additions	3,784	666	—	—	4,450
Balance, December 31, 2025	**149,290**	**127,498**	**76,315**	**1,106,823**	**1,459,927**
Additions	1,820	—	—	—	1,820
Balance, September 30, 2026	**151,110**	**127,498**	**76,315**	**1,106,823**	**1,461,747**
ACCUMULATED DEPRECIATION:					
Balance, December 31, 2024	**86,963**	**106,148**	**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	7,520	5,603	6,539	131,802	151,464
Balance, September 30, 2026	**106,669**	**121,132**	**72,415**	**924,389**	**1,224,605**
NET BOOK VALUE:					
Balance, December 31, 2025	**50,141**	**11,969**	**10,439**	**314,236**	**386,786**
Balance, September 30, 2026	**44,441**	**6,366**	**3,900**	**182,434**	**237,142**

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 September 30, 2026, the balance was $1,703,562 (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.

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	225,490
Interest payable	—
Balance, September 30, 2026	**1,995,013**

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 was $204,969 ($127,114 net of transaction costs and tax effect).

During the nine months ended September 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.

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 September 30, 2026 was $238,272 of which $nil relates to interest paid. (September 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	159,552	23,261	14,383	68,523	16,963	282,682
Interest payment	(4,604)	-	-	-	-	(4,604)
Conversion of debt	(61,888)	-	-	-	-	(61,888)
Balance, September 30, 2026	**1,382,655**	**253,129**	**265,650**	**1,171,089**	**369,337**	**3,441,860**

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 September 30, 2026 $	As at December 31, 2025 $
Balance, beginning of year	**354,379**	**513,625**
Additions	—	—
Interest	25,103	50,963
Lease payments	(157,657)	(210,209)
Balance, end of year	**221,825**	**354,379**
Less: non-current portion	(25,573)	(174,938)
Balance, current portion	**196,252**	**179,441**

Undiscounted lease payments	**$**
Not later than one year	210,209
Later than one year and not later than 5 years	25,899
September 30, 2026	**236,108**

12. LEASE LIABILITIES (CONTINUED)

For the nine months ended September 30, 2026, $51,675 of variable lease payments (nine months ended September 30, 2025 - $51,675) 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, September 30, 2026	**13,075,200**	**0.19**

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, September 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 Company. 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 and nine month period ended September 30, 2026, the Company recorded share-based payment expense of $135 and $16,051 (September 30, 2025 - $11,949 and $68,308) 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 & September 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, September 30, 2026	**0.10**	**800,000**	**800,000**

As of September 30, 2026 the weighted average remaining life for outstanding options was 1.61 years (December 31, 2025: 2.37 years).

13. SHARE CAPITAL (CONTINUED)

[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 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 nine months ended September 30, 2026, the Company recorded no share-based payments expense related to the RSUs (September 30, 2025: $nil 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 & September 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;

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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, 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 September 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 September 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 September 30, 2026, the Company had US denominated current assets of US$474,014 and US denominated current liabilities of US$540,895 (December 31, 2025 - US$191,922 and US$563,159, respectively). Accordingly, a 10% change in the foreign exchange rate would result in $12,584 credit or charge to operations (December 31, 2025 - $69,984).

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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

	Nine months ended September 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 September 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 September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
	$	$	$	$
Equipment rentals	3,600	3,600	10,800	10,800
Service and maintenance agreements	194,969	54,828	393,825	337,607
Product sales	635,145	771,481	1,190,971	2,342,621
	833,714	**829,909**	**1,595,596**	**2,691,028**

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2026:

[a] Grant of Options and RSU's

On October 2, 2026, the Board of Directors approved grants of stock options and restricted share units ("RSUs") pursuant to the Company's equity incentive plans.

The Company granted an aggregate of 9,590,000 stock options to directors, officers, and eligible participants. Each option is exercisable at $0.09 per common share, vests immediately, and expires on October 2, 2029, in accordance with the Company's Stock Option Plan.

The Company also granted an aggregate of 1,806,250 RSUs to non-executive employees under the Company's Restricted Share Unit Plan. The RSUs will vest four months following the date of grant.

These equity awards were approved after the reporting period and do not relate to conditions existing at the reporting date. Accordingly, they are treated as non-adjusting subsequent events under IAS 10. The

18. SUBSEQUENT EVENTS (CONTINUED)

Company will recognize the associated share-based compensation expense in future periods in accordance with IFRS 2 *Share-based Payment*.

[b] Legal Matters

The Company received two employment-related claims subsequent to the reporting date. One matter has proceeded to legal action and one matter remains at the demand stage. Management, together with external legal counsel, is assessing the claims and the appropriate response. As these matters arose after the reporting date and do not relate to conditions existing at September 30, 2026, they have been treated as non-adjusting subsequent events under IAS 10. The ultimate outcome and any potential financial impact cannot presently be determined and, accordingly, no provision has been recorded.

[c] Material Contract

The Company received a purchase order valued at over $5.0 million from the City of Surrey for the District Energy Sewer Heat Recovery Project. The purchase order represents the largest single customer order in the Company's history and includes the supply of three SHARC 880 Wastewater Energy Transfer ("WET") systems with a combined thermal capacity of approximately 6 megawatts (MW).

The project is intended to support the expansion of Surrey City Centre's district energy network and is expected to utilize municipal sewer infrastructure to provide a significant portion of the network's heating requirements. Equipment fabrication and delivery are scheduled to occur between late 2027 and early 2028. Revenue associated with the purchase order is expected to be recognized commencing in the second half of 2027 and continuing into 2028 as the Company's performance obligations are satisfied.

APPENDIX II
MD&A for the three and nine-months ended September 30, 2026

SHARC ENERGY

SHARC INTERNATIONAL SYSTEMS INC.

CSE: SHRC | OTCQB: INTWF | FSE: IWIA

MANAGEMENT'S DISCUSSION & ANALYSIS

Third Quarter 2026

For the Nine Months Ended September 30, 2026

October 30, 2026

WASTEWATER ENERGY SOLUTIONS
FOR A CLEANER, BRIGHTER WORLD.

OPERATIONAL HIGHLIGHTS

SALES ORDER BACKLOG	SALES PIPELINE	ORDERS SECURED YTD 2026
$10.1M	**$13.6M**	**$10.6M**

As reported October 30, 2026.



FALSE CREEK
VANCOUVER, BRITISH COLUMBIA

WASTEWATER ENERGY TRANSFER SOLUTIONS™

COMMERCIAL | DISTRICT ENERGY | INDUSTRIAL | MUNICIPAL

PEOPLE | PLACES | A CLEANER PLANET

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of SHARC International Systems Inc. (the "**Company**" or "**SHARC Energy**") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended September 30, 2026. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. The discussion should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2025, and 2024, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The result for the year ended December 31, 2025, are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as of October 30, 2026, unless otherwise indicated.

The unaudited consolidated financial statements for the nine months ended September 30, 2026, have been prepared using accounting policies consistent with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of SHARC Energy's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations is available on SEDAR at **www.sedar.com**.

Caution Regarding Forward-Looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause SHARC Energy's actual results, performance, or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether because of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-

looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Corporate Information

The Company was incorporated under the Business Corporations Act (British Columbia) on February 4th, 2011. SHARC Energy is publicly traded in Canada (CSE:SHRC), the United States (OTCQB:INTWF) and Germany (Frankfurt:IWIA). The head office of the Company is located at 1443 Spitfire Place, Port Coquitlam, British Columbia, V3C 6L4 and the registered and records office of the Company is located at 1443 Spitfire Place, Port Coquitlam, British Columbia, Canada, V3C 6L4.

The Company's wholly owned subsidiary, SHARC Energy Systems Inc. ("**SES**") was incorporated under the Business Corporations Act (British Columbia) on May 30, 2011. On October 27, 2015, the Company completed the acquisition (the "**Acquisition**") of SES pursuant to a share exchange agreement dated September 4, 2015. The Acquisition constituted a reverse takeover ("**RTO**").

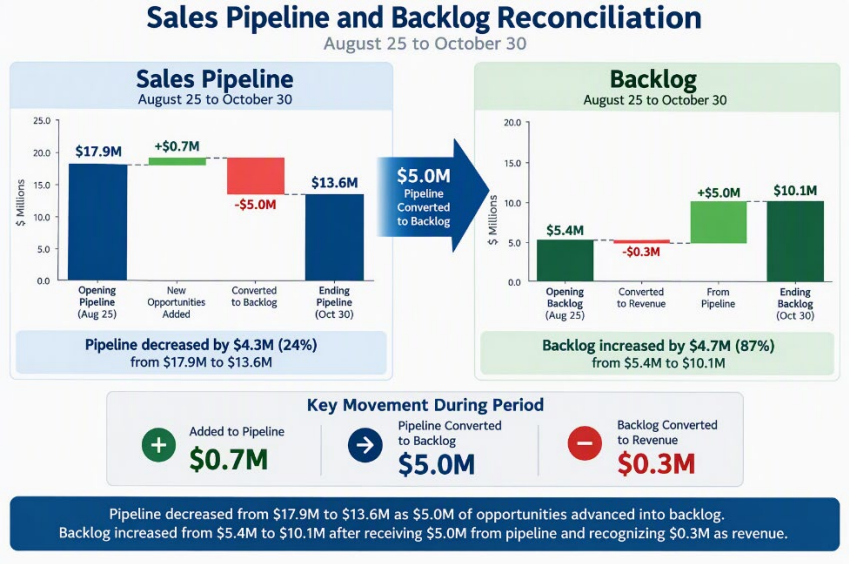
During 2022, the Company created a wholly owned U.S. subsidiary, SHARC Energy (US) Systems Inc. ("**SHARC US**"). This subsidiary was incorporated in the State of Delaware on January 5, 2022.

The Company wholly owns the following subsidiaries located in Canada and the United States:

Company	Location	September 30, 2026 Ownership %	December 31, 2025 Ownership %
SES	Canada	100	100
SHARC US	United States	100	100

Highlights

i. **Sales Order Backlog and Sales Pipeline.** As at October 30, 2026, the Company is reporting a Sales Order Backlog of $10.1 million (M) and a Sales Pipeline of $13.6M. These figures represent a decrease of 24% to the pipeline after a large deal closed and converted to backlog. The backlog increased by 87% since the Company's August 25, 2026 disclosure. Please refer to Alternative Performance Measurements below for more information on Sales Order Backlog and Sales Order Pipeline.



ii. **Purchase orders secured in 2026.** Since the beginning of 2026, the Company has secured approximately $10.6M in SHARC Energy equipment order, highlighting growing demand and the continued maturation of the Company's Sales Pipeline**.**

iii. **Surrey District Energy Project Order:** In October 2026, the Company achieved a significant commercial milestone by securing a record purchase order valued at over $5.0 million from the City of Surrey for its District Energy Sewer Heat Recovery Project. Representing the largest single order in SHARC Energy's history, the Company will supply three SHARC 880 Wastewater Energy Transfer (WET) systems to deliver 6 megawatts (MW) of combined thermal capacity. The systems will utilize regional sewer infrastructure to meet over half of the annual heating requirements for Surrey City Centre's expanding 49-building network. Equipment fabrication and delivery are scheduled for late 2027 through early 2028, with corresponding revenue recognition anticipated to begin in the second half of 2027 and continue into 2028. This landmark project substantially validates the scalability of the Company's proprietary WET technology for large-scale municipal district energy applications.

iv. **Closing of $2.5 Million Unsecured Convertible Debenture.** During the first half of 2026, SHARC Energy completed a non-brokered private placement of unsecured convertible debentures for aggregate principal proceeds of $2.5 million. The debentures bear interest at 8.0% per annum, mature three years following issuance and are convertible into common shares at $0.125 per share, subject to the terms of the debentures.

v. **PIRANHA selected by National Laboratory of the Rockies (NLR) Project.** SHARC Energy announced it has received a purchase order from the NLR for a PIRANHA HC for a program focused on advancing high-efficiency domestic hot water retrofit solutions for large institutional facilities; one of the most energy-intensive and difficult-to-modernize building systems across the Department of Defence (DoD), infrastructure. The initiative aims to validate scalable, cost-effective technologies that improve building performance, reduce operating costs, and enhance energy resilience. This project was completed and the equipment was shipped in July 2026.

vi. **Commercial launch of new product MANTA System.** The Company is pleased to announce that it has secured a purchase order for its newly introduced MANTA system to be deployed at a Wastewater Treatment Plant in Calgary, Alberta.

vii. **Quarter over Quarter Results.** During the three months ended September 30, 2026, the Company reported revenues of $0.834M, a loss of $0.87M and an adjusted EBITDA loss of $0.64M. Revenue was relatively unchanged from revenue comparative in 2025 of $0.83M, the loss increased 18% over comparative in 2025 of $0.74M and Adjusted EBITDA loss increased by 16% over the 2025 comparative of an Adjusted EBITDA loss of $0.55M.

Year to date ("YTD") over YTD Results. During the nine months ended September 30, 2026, the Company reported revenues of $1.6M, a loss of $2.7M and an Adjusted EBITDA loss of $2.2M. Revenue decreased 41% over revenue comparative in 2025 of $2.7M, the loss and comprehensive loss increased 9% over comparative in 2025 of $2.5M and Adjusted EBITDA loss increased 28% over 2025 comparative of $1.7M.

Core Business

SHARC Energy is changing the way we think about wastewater. One of the biggest challenges facing climate action is how the world will reduce carbon pollution associated with heating and hot water production in an economic and efficient way. SHARC Energy's systems can help with that. The Company provides users of its solutions the opportunity to use wastewater for the purposes of creating low carbon and energy efficient heating and cooling. In using wastewater for thermal energy transfer, SHARC Energy's systems provides the following opportunities:

- Significantly reducing the carbon emissions from current hot water production or space heating process.
- Operational and upfront capital cost savings through decreased utility bills, carbon tax, maintenance costs paid, and upfront capital costs associated with alternative solutions.
- Freshwater savings in cooling towers and improved efficiency of cooling processes

SHARC Energy is considered a pioneer in wastewater energy transfer, an industry very much in its infancy. To the Company's knowledge, SHARC Energy is the only wastewater energy transfer company with solutions that can address the thermal energy transfer needs of commercial, industrial, and multi-family residential buildings, as well as district energy systems. The solutions are scalable in size depending on access to wastewater flow and output requirements. The Company's business has been built through advocating and promoting the industry for over 10 years, patented and proprietary technology and the delivery and installation of over 30 installations in 4 countries including the current largest wastewater district energy system in North America.

Overview of the Wastewater Energy Transfer Business

SHARC Energy supplies and services WET systems that provide the opportunity for recovering thermal energy from wastewater or rejecting thermal energy into wastewater for the purpose of creating low carbon and electrically efficient heating and cooling systems. These systems can be used by industrial, commercial, or multi-family residential buildings to offset and significantly reduce the energy requirements and carbon emissions associated with heating and cooling.

SHARC WET systems, which are patented in Canada and worldwide patent pending for 30 months, can filter high volumes of wastewater flow for the purposes of extracting or rejecting thermal energy from or into wastewater. These systems are customer specific and typically paired with a heating or cooling process enabler such as a heat pump, air handler, chiller, etc. that are sold separately. A single SHARC system sale can vary depending on the size and scope of the project, with larger systems for larger capacities of wastewater and output achieved by supplying additional systems which in parallel drive multiples in sales value accordingly. The mix of models, scope and geography of each project impacts the overall sales revenue and margin.

Examples of SHARC WET system projects include WET district energy or TENs, micro-grids, large commercial and mix-use building developments and industrial applications like commercial laundry, food processing, pulp and paper and textiles manufacturing. These projects typically require detailed design support from third-party engineering firms and are developed and installed by mechanical contractors. SHARC systems can be involved in a request for proposal ("**RFP**") process or bid process and can be the specified system in the RFP process. SHARC Energy's ability to supply equipment is subject to the progress of the bid, specification, design and build phases and therefore, these projects tend to have a longer sales cycle of 24 months or longer.

A PIRANHA WET system, which is a self-contained WET heat pump, can offset electric or natural gas boilers used in hot water production up to 100% while providing some air conditioning as a by-product of hot water production. These systems come in three sizes and two models and are sized accordingly based on the hot water demand for the implementation. A PIRANHA system requires a wastewater storage tank and solids pump that flows wastewater systematically through the PIRANHA to produce hot water. These systems are applicable for new build or retrofit implementations. A single PIRANHA system ranges in price depending on the size and model, with larger hot water demand achieved by supplying additional PIRANHA systems which in parallel drive multiples in sales value accordingly. The implementation and related costs of the PIRANHA system is site specific and subject to considerations such as available access to exiting wastewater pipes, space for installation and access or proximity to the mechanical or boiler room.

Examples of PIRANHA WET system projects include apartment building, hospitals, hotels, commercial laundry, breweries, distilleries, recreation facilities such as ice rinks, gyms and pools, senior care facilities and some industrial applications.

The Company currently sells its systems through a mix of direct and indirect sales channels. Direct sales team members are employed or contracted by SHARC Energy and help generate leads and manage the indirect sales network. The indirect sales network consists of representatives and independent sales representatives ("**ISR"**) that operate on a resale or commission only basis. This provides SHARC Energy with a lower upfront cost model and provides extended market coverage across North America and some foreign regions while SHARC Energy continues to build awareness of the opportunity of wastewater.

SHARC Energy maintains a pipeline of prospective projects that it updates regularly to ensure that it is reflective of the sales opportunities that can convert into orders within approximately a rolling 24-month time horizon ("**Sales Pipeline**"). Not all these potential projects will proceed or proceed within the expected timeframe and not all the projects that do proceed will be awarded to SHARC Energy. Additions and reductions are discussed in greater detail below in Alternative Performance Measures.

The market for SHARC Energy's products is expected to grow as an increasing number of organizations and individuals seek out solutions to meet their sustainability goals and governments around the world enact and strengthen environmental policies designed to combat climate change by promoting the adoption of low carbon and electrically efficient heating and cooling solutions.

Overview For the nine months ended September 30, 2026, and Subsequent Events

Operational Developments

i. **Sales Order Backlog and Sales Pipeline Disclosure**

As at October 30, 2026, the Company is reporting a Sales Order Backlog of $10.1 million (M) and a Sales Pipeline of $13.6M. These figures represent increases of 87% to the backlog and a decrease of 24% to the pipeline from the Company's August 25, 2026 disclosure. Please refer to Alternative Performance Measurements below for more information on Sales Order Backlog and Sales Order Pipeline.

ii. **Purchase orders secured in 2026.**

From January 1, 2026 to date, the Company has secured approximately $10.6 million in SHARC Energy equipment orders. This represents a 212% increase in the Sales Order Backlog relative to the last reported 2025 balance of $3.4 million, providing improved visibility into revenue conversion for the remainder of 2026 and the full year of 2027.

The newly secured WET equipment orders underscore the continued commercial traction and execution into multiple end markets. The equipment orders include projects spanning a Vancouver-based district energy system, a major Westcoast U.S. airport, a Calgary, Alberta wastewater treatment plant, a retrofit of a multi-family senior housing residential development on Staten Island in New York and a Naval Postgraduate School's historic hotel in Monterey, California, reflecting both geographic and sector diversification.

In previous disclosures, the Company highlighted its strategic focus on expanding beyond traditional multi-family and commercial building applications into **new markets** such as transportation infrastructure, large-scale district energy systems, and other institutional and utility-scale opportunities. The diversity of projects included in the purchase orders reinforces this strategy and demonstrates the versatility of SHARC Energy's technology portfolio across a wide range of thermal energy use cases.

Surrey District Energy Project Order:

In October 2026, the Company achieved a significant commercial milestone by securing a record purchase order valued at over $5.0 million from the City of Surrey for its District Energy Sewer Heat Recovery Project. Representing the largest single order in SHARC Energy's history, the Company will supply three SHARC 880 Wastewater Energy Transfer (WET) systems to deliver 6 megawatts (MW) of combined thermal capacity. The systems will utilize regional sewer infrastructure to meet over half of the annual heating requirements for Surrey City Centre's expanding 49-building network. Equipment fabrication and delivery are scheduled for late 2027 through early 2028, with corresponding revenue recognition anticipated to begin in the second half of 2027 and continue into 2028. This landmark project substantially validates the scalability of the Company's proprietary WET technology for large-scale municipal district energy applications.



Conceptual view of the proposed sewer heat recovery building, looking east from 110 Avenue, Surrey, B.C. Image: City of Surrey, District Energy Sewer Heat Recovery Project

iii. **PIRANHA selected by National Laboratory of the Rockies (NLR) Project.**

SHARC Energy announced that it has received a purchase order from the National Laboratory of the Rockies (NLR), a federally funded research laboratory operated by Alliance for Energy Innovation, LLC.

The purchase order supports the deployment of SHARC Energy's PIRANHA wastewater heat recovery system as part of a high-profile U.S. Department of Defence (DoD)-supported program at the Naval Postgraduate School's historic Hotel Del Monte in Monterey, California.



This program is focused on advancing high-efficiency domestic hot water retrofit solutions for large institutional facilities, one of the most energy-intensive and difficult-to-modernize building systems

across the Department of Defence (DoD) facilities and infrastructure. The initiative aims to validate scalable, cost-effective technologies that improve building performance, reduce operating costs, and enhance energy resilience.

Currently, there are 150,000 space heating and cooling units and more than 70,000 domestic hot water heaters at DoD installations. Many of these legacy units operate at poor efficiency levels due to lack of adequate and consistent preventive and regular maintenance of these units over the years.

SHARC Energy's PIRANHA system is an integrated, all-electric WET solution that captures thermal energy from a building's wastewater stream and upgrades it via a water-to-water heat pump to deliver high-efficiency domestic hot water. The recently developed PIRANHA HC system can produce up to 100% of a building's hot water demand at 140°F year-round, while simultaneously providing supplemental cooling and dehumidification.

The installed system is expected to deliver approximately 120,000 Btu/h of domestic hot water capacity, alongside integrated cooling and dehumidification, enabling simultaneous heating and cooling from a single packaged unit. By leveraging wastewater as a stable thermal source, the PIRANHA system operates at high efficiency year-round in any climate and avoids many of the limitations of conventional air-source heat pumps, including reduced efficiency in cold climates and the need for auxiliary heating.

The broader program targets up to 60% energy cost savings for domestic hot water systems, supporting the economic case for large-scale retrofit deployment across military, institutional, and commercial building portfolios.

The project also includes collaboration with Honeywell as a technology transition partner, leveraging its extensive experience in energy performance contracting (ESPC) to support future commercialization and deployment across existing customer portfolios. Insights from the program are expected to inform the economics and scalability of domestic hot water system retrofits across a wide range of facilities.

The PIRANHA system's compact, packaged design allows for simplified installation in retrofit environments, with features including:

- All-in-one wastewater heat recovery, hot water generation, and cooling
- Simultaneous heating and cooling capability
- No requirement for maceration or pre-filtration
- Compatibility with both blackwater and greywater systems
- Quiet operation, remote monitoring, and modular scalability

The project is expected to generate real-world performance data to support broader adoption of wastewater energy recovery technologies across North America.

iv. **Commercial Launch of new product MANTA System.**

The Company secured a purchase order for its newly introduced MANTA system to be deployed at a Wastewater Treatment Plant in Calgary, Alberta.
This purchase order marks an important milestone for SHARC Energy, representing the commercial launch of the MANTA system and further demonstrating the Company's ongoing development of SHARC Energy's product portfolio to enable expansion of solutions into new markets.

The MANTA system is a passive thermal energy transfer solution specifically designed for applications where source effluent contains no or minimal solids and where high- to medium-temperature effluent is available.

Unlike SHARC's large-volume filtration systems designed for raw wastewater, the MANTA system is optimized for cleaner effluent streams and does not require solids separation or maceration The system leverages passive thermal energy transfer to efficiently harvest and move energy from suitable hydronic sources to where this thermal energy is needed. The MANTA system is engineered for applications including:

- Non-solids effluent streams
- Grey water
- Wastewater treatment plant discharge
- Data centers
- Hydronic HVAC systems
- District heating and cooling Ambient Temperature Loops (ATL's)

By targeting cleaner source streams, the MANTA expands SHARC Energy's addressable market into facilities and infrastructure environments where traditional wastewater energy recovery systems may not be required, but valuable thermal energy is still being discharged.

Wastewater treatment plants process consistent and often elevated-temperature effluent streams, making them ideal candidates for thermal energy harvesting. The Calgary installation demonstrates SHARC Energy's ability to support municipalities seeking to reduce energy waste, improve system efficiency, and support electrification and decarbonization initiatives.

The MANTA complements SHARC Energy's broader product portfolio, which includes:

- PIRANHA – a wastewater-source heat pump utilizing a unique evaporator design capable of delivering potable hot water up to 140°F (60°C) with high efficiency (COP range 3.0–6.0).
- SHARC – scalable passive thermal energy transfer systems designed for higher-solids wastewater applications and large-capacity district and multi-building systems.

Together, these solutions enable the harvesting and transfer of thermal energy across residential, commercial, industrial, and municipal applications.

The Company believes this order validates both the strategic expansion of its product portfolio and the growing recognition of wastewater and hydronic effluent streams as reliable, scalable thermal energy sources. The system is expected to ship in 2026.

v. **SHARC System Patents**

SHARC Energy has been granted key patents for its latest SHARC wastewater heat exchange system in both the United States (Patent No. 12,415,149, issued September 16, 2025) and Europe (Patent No. 4 282 506, granted September 3, 2025).

United States: The newly granted United States patent provides protection until February 14, 2043, contingent on payment of annual renewal fees in the selected validation countries.

Europe: The newly granted European patent provides protection until July 2, 2042, contingent on payment of annual renewal fees in the selected validation countries.

These grants build on the Company's Canadian patent (No. 2,926,576) issued June 9, 2020, further strengthening SHARC Energy's competitive position in three of the world's largest markets for district and building-scale WET.

The Company previously filed an international patent application under the Patent Cooperation Treaty (PCT), securing global patent-pending status for 30 months from the filing date. Leveraging funding support from Global Affairs Canada's CanExport SME program and the Trade Commissioner Service, SHARC Energy has initiated a broad national-phase filing strategy. Applications for the SHARC wastewater heat exchange system are now filed and pending in Canada, Australia, the United Kingdom, Mexico, United Arab Emirates, Saudi Arabia, India, and South Korea, with additional European "Unitary Patent" validations planned in multiple EU member states including Austria, Belgium, Bulgaria, Denmark, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovenia, Spain and Sweden.

vi. **Executive Leadership Transition.**

In August 2026, the Board approved a series of executive leadership changes as part of the Company's ongoing strategic evolution. Shane Dungey was appointed Interim Chief Executive Officer and Executive Vice Chair, Michael Albertson was appointed President, and Board Chairman Fred Andriano was appointed Interim Chief Financial Officer, Treasurer and Corporate Secretary. Lynn Mueller stepped away from his day-to-day responsibilities with the Company, with the Board intending to finalize a consulting agreement focused on business development and strategic growth initiatives, subject to Board ratification. The Company also concluded its contractual relationship with Hanspaul Pannu, former Chief Financial Officer.

vii. **Legal Matters**

Subsequent to September 30, 2026, the Company received two employment-related claims. One matter has proceeded to legal action and one matter remains at the demand stage. Management is assessing the claims with the assistance of legal counsel. The ultimate outcome and any potential financial impact cannot presently be determined and no provision has been recorded.

Financial Developments

i. During the nine months ended September 30, 2026, the Company closed a non-brokered private placement of unsecured convertible debentures of the Company (each, a "**Debenture**") for a principal amount of $2,500,000 (the "**Offering**").

The Debentures will bear interest from their issue date at 8.0% per annum calculated annually & paid on maturity and will mature three (3) years following the date of issuance (the "**Maturity Date**"). The Debentures are unsecured and will rank *pari passu* in right of payment of principal and interest with all current and future unsecured indebtedness of the Company. The Debentures, including any accrued and unpaid interest, will be convertible into common shares in the capital of the Company ("**Common Shares**") at a price of $0.125 per Common Share (the "**Conversion Price**") at the option of the holder.

The Debentures are subject to a ten percent (10.0%) blocker provision, which restricts the conversion of any underlying Debentures in the event such exercise would result in the securityholder holding ten percent (10.0%) or more of the issued and outstanding Common Shares at such time.

In connection with the Offering, the Company paid to a certain eligible non-arm's length finder: (i) a cash fee of $158,800 and (ii) issued to such finder, 1,270,400 compensation warrants of the Company (the "**Compensation Warrants**"). Each Compensation Warrant entitles the holder thereof to purchase one (1) Common Share of the Company at an exercise price of $0.125 for a period of three (3) years following the date of issuance.

ii. During the period, the Board approved new equity awards under the Company's incentive plans, including the grant of stock options and restricted share units to directors, officers, and employees. These awards form part of the Company's compensation and retention strategy and are intended to align management and employee incentives with long-term shareholder interests. Details of the grants, including quantities, vesting terms, and exercise prices, are provided in the share capital section.

Industry Developments

i. **United States Thermal Energy Network ("TENs")/District Energy Legislation**

On May 9, 2024, the WARMTH act was approved by the Governor of Maryland. The act is presented as "Requiring gas companies serving at least 75,000 customers in their distribution territories' and authorizing gas companies serving fewer than 75,000 customers to develop a plan for a pilot thermal energy network system or systems on or before October 1, 2024; requiring certain gas companies to submit a certain proposal or proposals to the Public Service Commission for approval on or before July 1, 2025; authorizing certain entities or community organization to submit neighbourhoods for consideration as part of a pilot system".

In September 2024, the Priority Neighborhood Decarbonization Act was passed allowing the state's gas utilities to pilot cost-effective neighborhood-scale decarbonization projects—up to 30 statewide—in lieu of replacing gas pipelines. The act specifies that these zero-emission pilots may take the form of neighborhood electrification or thermal energy networks.

The growing trend for policy supporting Thermal Energy Networks is favourable for SHARC systems. Currently, thirteen states (Massachusetts, Minnesota, New York, Colorado, Washington, Maryland, Vermont, Illinois, New Jersey, Texas, Maine, Connecticut and California) have legislation

that either allows or mandates utilities to develop thermal energy network demonstration projects or pilots.

Selected Annual Financial Information

	Year ended December 31,		
	2025	**2024**	**2023**
Revenue	3,041,298	2,166,327	1,592,062
Adjusted EBITDA loss *(non-GAAP Measure)*	(2,569,107)	(2,686,171)	(2,445,496)
Loss for the year	(3,480,598)	(3,718,858)	(3,903,490)
Basic and diluted loss per share	(0.02)	(0.02)	(0.03)
	As at December 31,		
	2025	**2024**	**2023**
Total Assets	2,096,495	3,911,958	3,462,059
Long-Term Liabilities	3,221,810	1,931,327	109,833
Working Capital	(167,018)	1,202,978	2,526,859

During 2025, the Company's Sales Pipeline and Sales Order Backlog reached $16.6M and $3.4M, respectively, as of December 1, 2025. This represents an aggregate growth of 2%, driven by Sales Order Backlog growth of 36%, from $2.5M, since November 27, 2025. The increase in Sales Order Backlog highlights the maturing of its Sales Pipeline leading to improved revenue consistency and reduced volatility, providing a strong platform to scale and grow. Revenue exceeded $3.0M, marking the largest revenue year in Company history and representing growth of 40% from 2024

During 2024, the Company's Sales Pipeline and Sales Order Backlog reached $17.2M and $2.5M, respectively, as of November 27, 2024. This represents an aggregate growth of 6%, driven by Sales Order Backlog growth of 207%, from $0.8M, since November 28, 2023. The Company raised a $2.0M 8.0% debenture. The Company earned $0.2M more margin than 2023 which was offset by increases in accounting and legal, advertising and promotion, consulting, salaries and wages and travel.

For 2023, SHARC continued to build its Sales Pipeline and Sales Order Backlog. The aggregate pipeline grew to $18.5M as of November 28, 2023, in comparison to $11.1M as reported November 29, 2022, representing a 67% increase. The Company added a new President for SHARC US, resulting in increased wages and benefits expense during the year. Furthermore, the Company was able to extinguish $3.95M face value of convertible debt and raised $3.98M through the proceeds from the exercise of warrants.

Summary of Quarterly Results

A summary of selected information for each of the eight most recent quarters is as follows:

Three months ended,	Total Revenue	Loss for the period		Adjusted EBITDA $ *(non-GAAP Measure)*	Total Assets at each Report date $
		Total $	$ Per Share		
30-Sep-2026	833,714	(869,767)	(0.01)	(644,851)	3,115,027
30-Jun-2026	269,173	(920,571)	(0.01)	(774,402)	3,031,579
31-Mar-2026	492,709	(907,378)	(0.01)	(735,563)	1,986,600
31-Dec-2025	350,270	(1,010,183)	(0.01)	(874,278)	2,096,495
30-Sep-2025	829,909	(735,057)	(0.00)	(502,273)	2,949,176
30-Jun-2025	848,183	(819,850)	(0.00)	(446,486)	3,022,500
31-Mar-2025	1,012,936	(915,508)	(0.01)	(607,645)	3,051,226
31-Dec-2024	(177,003)	(1,407,749)	(0.01)	(897,623)	3,911,958

For the year ended December 31, 2024, the Company shipped multiple SHARC and PIRANHA units to projects in New York, North Carolina and Ontario, continued to fulfil milestones on the False Creek project, and began several submittals for future equipment shipments.

For the year ended December 31, 2025, the Company delivered the final milestones of the False Creek project and shipped several SHARC and PIRANHA systems to projects across North America including New York, British Columbia, Ontario, District of Columbia, Colorado and Wisconsin. The Company had a $3.4M Sales Order Backlog as of December 1, 2025 with several projects under submittals.

During the nine months ended September 30, 2026, the Company received approximately $10.6 million in purchase orders and fulfilled PIRANHA shipments to various projects in New York, Saskatchewan and Toronto. We also successfully delivered the Piranha to the National Laboratory of the Rockies in Denver, Colorado and the unit will be commissioned in the fourth quarter of 2026. The Company will continue its backlog conversion and project deployment activity during the remainder of 2026.

Overall Financial Performance

The below tables summarize the overall financial performance of the Company:

Account	As of September 30, 2026	As of December 31, 2025
Cash	1,797,401	262,513
Current Assets	2,768,073	1,601,670
Current Liabilities	2,855,678	1,768,688
Working Capital	(87,605)	(167,018)

Account	Three Months ended September 30, 2026	Three Months ended September 30, 2025	$ Change	% Variance
Revenue	833,714	829,909	3,805	0.5%
Cost of Goods Sold	564,277	506,331	57,946	11%
Gross Margin	269,437	323,578	(54,141)	(17%)
Expenses	1,149,692	1,149,363	329	0%
Other (Income)/Expense	10,488	90,728	(80,240)	(88%)
Loss for the period	(869,767)	(735,057)	(134,710)	18%
Basic and Diluted loss per share	(0.01)	(0.01)	—	—

Discussion of Operations

Three months ended September 30, 2026 compared with three months ended September 30, 2025

SHARC Energy's loss for the current three-month period totaled $869,767, or a basic and diluted loss per share of $0.01. This compares with a loss of $735,057 with basic and diluted loss per share of $0.01 for the same period in the prior year.

- For the three months ended September 30, 2026, revenue increased by $3,805, cost of sales increased $57,946 and the gross margin decreased by $54,141.

    - For the three months ended September 30, 2026, revenue consisted of $3,600 from equipment leases, $194,969 from service and service agreement revenue from Vancouver, B.C. and Greater Vancouver Region installations, and $635,145 from the sale and continued progress of SHARC and PIRANHA system sales. This compared to the three months ended September 30, 2025, where revenue consisted of $3,600 from equipment leases, $54,828 from service and service agreement revenue from Vancouver regional installations and $771,481 from product sales.

    - Cost of goods sold in the three months ended September 30, 2026 and 2025 consisted of costs

associated with SHARC and PIRANHA system sales, service, and rental expense.

- Gross margin decreased $54,141 during the three months ended September 30, 2026 compared to a $323,578 gross margin during the three months ended September 30, 2025. Gross margin % was 32.3% during the three months ended September 30, 2026 compared to 39% in 2025.

- For expenses during the three months ended September 30, 2026, when compared to the comparative three months ended September 30, 2025:
  - Interest and financing expense increased by $106,084 due to the accretion expense associated with debentures issued in August 2025 and the first half of 2026.
  - Share-based payments decreased by $11,814. The decrease is due to no new share-based compensation grants during 2025.
  - Consulting expenses increased by $24,090.
  - Wages and benefits decreased $60,513. The Company averaged an employee headcount of 14 during the three months ended September 30, 2026 in comparison to 14 during the three months ended September 30, 2025.

Nine months ended September 30, 2026 compared with nine months ended September 30, 2025

Account	Nine Months ended September 30, 2026	Nine Months ended September 30, 2025	$ Change	% Variance
Revenue	1,595,596	2,691,028	(1,095,432)	(41%)
Cost of Goods Sold	1,059,421	1,678,489	(619,069)	(37%)
Gross Margin	536,175	1,012,539	(476,364)	(47%)
Expenses	3,407,910	3,484,732	(76,822)	(2%)
Other (Income)/Expense	169,019	1,778	167,241	9406%
Loss for the period	(2,697,716)	(2,470,415)	(227,301)	9%
Basic and Diluted loss per share	(0.02)	(0.02)	—	—

SHARC Energy's loss for the current period totaled $2,697,716 or a basic and diluted loss per share of $0.02. This compares with a loss of $2,470,415 with basic and diluted loss per share of $0.02 for the same period in the prior year resulting in an increase in loss of $227,301 for the current period compared to the same period in the previous year. For the nine months ended September 30, 2026, revenue decreased by $1,095,432 while cost of sales decreased by $619,069. This is mainly due to timing of ongoing projects.

- For the nine months ended September 30, 2026, revenue consisted of $10,800 from equipment leases, $393,825 from service and service agreement revenue from Vancouver, B.C. and Greater Vancouver Region installations and $1,190,971 from the sale and continued progress of SHARC and PIRANHA systems. This compared to the nine months ended September 30, 2025, where revenue consisted of $10,800 from equipment leases, $337,607 from service and service agreement revenue from Vancouver regional installations and $2,342,621 from the sale

and continued progress of SHARC and PIRANHA systems.

- Cost of goods sold in the nine months ended September 30, 2026, consisted of costs associated with SHARC and PIRANHA system sales, service and rental expense. For the nine months ended September 30, 2025, cost of goods sold consisted of costs associated with SHARC and PIRANHA system sales, service and rental expense.
- Gross margin percentage (%) decreased from 37.6% during the nine months ended September 30, 2025, to 33.6% during the nine months ended September 30, 2026. The Company continues to maintain strong margins.

- For expenses during the nine months ended September 30, 2026, when compared to the prior nine months ended September 30, 2025:
  - consulting expenses, mainly consisting of fees paid to a Company controlled by the Chief Financial Officer & Chief Operating Officer, Chairman of the Board, sales, IT, marketing, lobbying and investor relations consultants, decreased by $18,576.
  - interest and financing expense increased by $216,967 due to debentures being issued in the second half of 2025 and the first half of 2026.
  - wages and benefits decreased by $97,752. The Company averaged an employee headcount of 15 during the nine months ended September 30, 2026, compared to 14 during the comparative prior year.
  - share-based payments decreased by $188,445. The decrease is primarily due to new Stock options and RSUs being granted last year.

Alternative Performance Measures

Management evaluates the Company's performance using a variety of measures, including "Adjusted EBITDA", "Sales Pipeline" and "Sales Order Backlog". The non-IFRS measures should not be considered as an alternative to or more meaningful than revenue or net loss. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company. Management uses these and other non-IFRS financial measures to exclude the impact of certain expenses and income that must be recognized under IFRS when analyzing consolidated underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
	$	$	$	$
Loss before Income Taxes	(869,767)	(790,399)	(2,785,840)	(2,525,757)
Adjustments:				
Interest and financing expense	218,464	112,380	539,523	322,556
Interest income	(10)	(21)	(32)	(612)
Depreciation	50,599	52,009	151,465	155,608
Litigation Settlement	—	43,908	—	43,908
Normalized Expenses	—	13,031	—	46,039
Share-based payments	135	11,949	16,051	204,496
Severance	—	27,864	—	27,864
Research & development	5,217	1,805	(1,519)	44,110
Foreign exchange	(10,478)	35,365	(80,863)	54,176
Warranty expense	13,541	60,566	144,968	94,156
Lease Payments	(52,552)	(52,552)	(157,657)	(157,657)
Adjusted EBITDA Loss	**(644,851)**	**(554,825)**	**(2,173,904)**	**(1,691,112)**

Adjusted EBITDA is a non-IFRS financial measure and does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. See "Non-IFRS Measure" below for additional information.

For the three and nine months ended September 30, 2026, the Adjusted EBITDA loss increased by $90,026 and $482,791 respectively from the same period in the previous year.

Sales Pipeline

The Sales Pipeline represents management's estimate of qualified prospective projects and installations that may convert into firm purchase orders within an approximate 24-month horizon. This metric is a non-GAAP, non-standardized operational measure and is based on internal probability assessments informed by project stage, specification status, and historical conversion experience. As such, Sales Pipeline values should not be considered predictive of future revenue and may vary materially over time.

Projects are included in the Sales Pipeline when SHARC Energy equipment has been specified in a request for proposal ("RFP"), incorporated into a winning bid, or included within a defined stage of project design. These inclusions reflect early-stage commercial engagement and provide an indicator of underlying market activity and adoption trends for wastewater energy recovery solutions.

Reductions to the Sales Pipeline occur when:

- SHARC equipment is not selected following an RFP or competitive bid process;
- the project owner elects not to proceed;
- final design revisions remove or replace the originally quoted equipment;
- value engineering results in the elimination of SHARC equipment; or
- a quoted opportunity converts into a firm purchase order and is transferred into Sales Order Backlog.

Because the Sales Pipeline includes projects at varying stages of development, timing and probability of conversion are inherently uncertain. Management uses this measure to monitor changes in market engagement, technology adoption, and the Company's forward commercial positioning, rather than as a direct predictor of revenue.

As of October 30, 2026, the Company's Sales Pipeline totaled approximately $13.6 million, compared to $17.9 million as of August 25, 2026. This is a result of $700,000 being added to the pipeline, while $5 million of pipeline was converted to backlog. Variability between periods primarily reflects normal movements in project design cycles, bid outcomes, and the conversion of qualified opportunities into the Sales Order Backlog

Sales Order Backlog

Sales Order Backlog refers to the balance of unrecognized revenue from sales orders received with a deposit and/or shipment date and contracted projects, where such revenue is recognized over the period of the contract by reference to the stage of completion of each contract.

Additions to Sales Order Backlog will be when a purchase order, deposit and/or shipment date is received from a customer or manufacturer representative, or a contract is signed for the supply or service of a system. Reductions to the amount in sales order backlog arise when units are shipped, and revenue is recognized or when a contract has been recognized by the stage of completion or completed and fulfilled.

Revenue recognition from the Sales Order Backlog will depend on the satisfaction of contractual performance obligations, with project execution and associated revenue expected to extend into 2027 and beyond. The scale and duration of certain larger projects may require increased working capital investment ahead of customer payments, reflecting normal timing differences between production activities and billing milestones.

As of October 30, 2026, the Company has $10.1M (August 25, 2026 - $5.4M) in Sales Order Backlog.

Non-IFRS Measure

Adjusted EBITDA is a supplemental, non-GAAP financial measure. EBITDA is defined by the Company as earnings before interest, income taxes, depreciation, and amortization. Adjusted EBITDA, as presented, additionally excludes impairment charges, all other non-cash items, and one-time transaction fees. Management evaluates the Company's performance using a variety of measures, including providing Adjusted EBITDA, sales pipeline and sales order backlog which is useful to investors' understanding and assessment of the Company's ongoing continuing operations and prospects for the future and it is used by the financial community to evaluate the market value of companies considered to be in similar businesses. Since Adjusted EBITDA is not a measure of performance calculated in accordance with IFRS, it should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with IFRS. Adjusted EBITDA, as calculated and reconciled in the table above, may not be comparable to similarly titled measures employed by other companies. In addition, Adjusted EBITDA is not necessarily a measure of our ability to fund our cash needs.

Liquidity and Financial Position

As of September 30, 2026:

- As at the reporting date, the Company had negative working capital of $87,605 and an accumulated deficit of $47,197,807. The Company continues to manage its liquidity position in relation to ongoing operating expenditures, contractual obligations, and the execution of its Sales Order Backlog. Although the Company strengthened its cash position through financing activities completed during 2026, the timing of expenditures and customer payments associated with larger projects may result in periods of increased working capital requirements.

  Management regularly evaluates projected cash flows and potential financing alternatives, including project-specific working capital facilities, to support the execution of existing contracts and ongoing operations. The Company's ability to meet its obligations will depend on the timing of customer

collections, project execution schedules, operating expenditures, and, if required, access to additional financing. There can be no assurance that additional financing will be available on acceptable terms.

- the Company's cash balance was $1,797,401 (December 31, 2025 - $262,513) and the Company had negative working capital of $87,605 (December 31, 2025 – $167,018).

- the Company had 165,160,659 common shares issued and outstanding, 13,075,200 warrants outstanding, and 800,000 options outstanding. If all warrants and options were exercised, $2,524,400 in cash would be raised.

- Cash used in continuing operating activities was $638,836 for the nine months ended September 30, 2026 (September 30, 2025 - $1,965,419). Operating activities were affected by the loss for the period of $2,697,716 partially offset by non-cash expenses of $503,510 and a change in non-cash working capital balances of $1,555,369.

The Company has the following undiscounted lease payments:

Not later than one year	210,209
Later than one year and not later than 5 years	25,899
September 30, 2026	**236,108**

Related Party Transactions

During the nine months ended September 30, 2026, the Company entered into transactions with related parties in the normal course of operations. Related parties include key management personnel, directors, and entities controlled or significantly influenced by such individuals. All related party transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel compensation for the period consisted of salaries, consulting fees, director fees, and share-based compensation. These amounts are consistent with prior periods and reflect the Company's compensation policies for executive leadership and governance oversight.

On August 5, 2026, the Board of Directors approved a series of executive leadership changes as part of the Company's ongoing strategic evolution. Mr. Lynn Mueller "stepped away from his day-to-day responsibilities with the Company," and the Company "concluded the contractual relationship with Mr. Hanspaul Pannu, Chief Financial Officer."

As a result of these changes, both individuals ceased to be related parties effective August 5, 2026. All related party transactions disclosed in this MD&A relate exclusively to periods prior to their departure. The Company confirms that no related party transactions occurred with either individual after August 5, 2026.

The Board appointed Mr. Fred Andriano, Chairman of the Board, as Interim Chief Financial Officer, Treasurer and Corporate Secretary, effective immediately, to ensure continuity within the finance function. The Board also appointed Mr. Michael Albertson as President and Mr. Shane Dungey as Interim Chief Executive Officer and Executive Vice Chair. As a result, Mr. Dungey was added as a Related Party.

Management has reviewed all related party relationships and determined that the leadership transition does not result in any further related party disclosures required under IAS 24 Related Party Disclosures.

The Company incurred the following charges with key management personnel during the nine months ended September 30, 2026

	Three months ended September 30,		Nine months ended September 30,	
	2026 $	2025 $	2026 $	2025 $
Consulting Fees [i]	83,336	55,526	197,084	167,355
Wages and Benefits [ii]	107,984	140,895	387,858	429,719
Share-based payments [iii]	—	9,111	10,281	118,863
	191,320	**205,532**	**595,222**	**715,937**

(i) The Company paid consulting fees to a company controlled by the former Chief Financial Officer & to the Chairman of the Board, who is also acting as Interim CFO.

(ii) The Company paid wages and benefits to the Interim Chief Executive Officer, the President, and to the former Vice Chairman of the Board.

(iii) Share-based payments was recognized in connection with the vesting of options granted to directors and officers of the Company.

The following table summarizes the cash compensation paid to each related party.

	Three months ended September 30,		Nine months ended September 30,	
	2026 $	2025 $	2026 $	2025 $
Lynn Mueller	19,720	51,506	124,226	156,026
Hanspaul Pannu[1.]	26,000	39,000	104,000	117,000
Shane Dungey[2.]	30,000	—	30,000	—
Michael Albertson	88,263	89,389	263,632	273,692
Felix Fred Andriano	27,336	16,526	63,084	50,355
	191,320	**196,421**	**584,941**	**597,073**

1. Payments were made to a company controlled by Mr. Pannu
2. Payments are made to a company controlled by Mr. Dungey for acting as Interim CEO.

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

Included in accounts payable and accrued liabilities is $255,384 (December 31, 2025 - $185,031) due to related parties.

Share Capital

As of the date of this MD&A, the Company had 165,160,659 (December 31, 2025 – 164,563,824) issued and outstanding common shares.

Warrants outstanding for the Company at the date of this MD&A were as follows:

Number of Warrants	Expiry Date	Exercise Price
10,800,000	July 8, 2027	$0.200
1,004,800	August 15, 2028	$0.125
192,000	February 23, 2029	$0.125
64,000	April 28, 2029	$0.125
941,440	May 22, 2029	$0.125
72,960	May 29, 2029	$0.125
13,075,200	**Total Outstanding**	

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options	Expiry Date	Exercise Price
800,000	May 16, 2028	$0.10
9,590,000	October 2, 2029	$0.09
10,390,000	**Total Outstanding**	

Restricted Share units ("**RSUs**") outstanding for the Company at the date of this MD&A were as follows:

RSUs	Expiry Date	Share price on date of grant
1,806,250	October 2, 2029	$0.09
1,806,250	**Total Outstanding**	

Convertible debt outstanding for the Company at the date of this MD&A were as follows:

Debenture Face Value ($)	Maturity Date	Conversion Price
1,500,000	August 15, 2028	$0.125
300,000	February 23, 2029	$0.125
300,000	April 28, 2029	$0.125
1,471,000	May 22, 2029	$0.125
429,000	May 29, 2029	$0.125
4,000,000	**Total Outstanding**	

Estimates, Judgments and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

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 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 has service agreements with regards to some of its product sales which requires management to make judgments regarding the timing and allocation of revenue. Specifically, installation is generally not assumed to have stand-alone value and is often recognized on the

same basis as the remainder of the services fees. However, the Company defers the recognition of revenue associated with fees for services agreements or warranty costs that are built into the original sales price and recognizes the associated revenue evenly over the term of the service.

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.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern 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' 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.

Financial Instruments

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, deposits and accounts payable and accrued liabilities and debentures approximate their carrying values due to the short-term to maturity. The fair value of lease 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, 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 of 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

[i] Interest rate 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 of 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 September 30, 2026, the Company had US denominated current assets of US$474,014 and US denominated current liabilities of US$540,895 (December 31, 2025 - US$191,922 and US$563,159, respectively). Accordingly, a 10% change in the foreign exchange rate would result in $12,584 credit or charge to operations (December 31, 2025 - $69,984).

Risks and Uncertainties

Manufacturing Risks

For the successful development of the Company's manufacturing operations, the Company will require maintenance of production equipment, hiring and retaining managerial personnel and skilled labour and maintaining of desirable levels of production. There can be no assurance that the Company will be able to achieve and sustain these goals. The Company's future success also depends on its ability to successfully achieve the expected manufacturing capacity in a cost-effective and efficient manner. If the Company cannot do so, it may be unable to achieve and sustain profitability. The Company's ability to achieve expected production capacity is subject to significant risks and uncertainties, including the following: (a) delays and unexpected costs as a result of a number of factors, many of which may be beyond the Company's control, such as its ability to secure successful contracts with equipment vendors, (b) failure to effectively break in new equipment, (c) delays or denial of required approvals by relevant government authorities, (d) unavailability of manufacturing inputs; and (e) failure to execute its expansion plans effectively.

Regulatory Risks

The activities of the Company will be subject to intense regulation by governmental authorities. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required

to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining or failure to obtain regulatory approval would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Canada-US Trade and Tariff Risks

Recent and potential future changes to Canada–U.S. trade policy, including the introduction or adjustment of tariffs, duties, or other cross-border trade measures, may affect the Company's cost structure, supply chain, and the timing of equipment deliveries. SHARC Energy ships equipment to U.S. customers and operates a wholly owned U.S. subsidiary, and any increase in tariffs on manufactured goods, components, or cross-border transportation could increase production or delivery costs, reduce margins, or impact customer purchasing decisions. Tariff-related uncertainty may also influence broader economic conditions and capital markets, which could affect the Company's ability to raise funds. The Company cannot predict the scope, duration, or financial impact of any future tariff changes, and such measures may materially affect operating results or project economics.

Change in Laws, Regulations and Guidelines

The Company's operations will be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of untreated wastewater but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Reliance on Management and Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, or financial condition.

Additional Financing

The Company's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. The Company's business model requires spending money to generate revenue. Based on the Company's current financial situation, the Company may have difficulty continuing operations at the current level, or at all, if it does not raise additional financing soon.

To execute the Company's business plan, the Company will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures could limit the Company's operations and may have a material adverse effect upon future profitability.

The Company may require additional financing to fund its operations to the point where it is generating positive cash flow.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of Company Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's existing cash flow will be adequate to satisfy its existing operating expenses and capital requirements.

Competition

There is potential that the Company will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial conditions, and results of operations of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Company.

Intellectual Property Risks

The Company's ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology like, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent to continue to offer the contested feature or service in its products.

New Market Risks

Extracting heat from raw sewage flows is a relatively new market and its long-term growth prospects are uncertain. Should the raw sewage heat market fail to expand, it would have a materially adverse effect on our business and financial position.

Product Development Risks

The development of additional products is subject to the risks of failure inherent in the development of new, state-of-the-art products, laboratory devices and products based on new technologies. These risks include: (i) delays in product development or manufacturing; (ii) unplanned expenditures for product development or manufacturing; (iii) failure of new products to have the desired effect or an acceptable

accuracy profile; (iv) emergence of superior or equivalent products; (v) failure by any potential collaborative partners to successfully develop products; and (vi) the dependence on third parties for the manufacture, development, and sale of the Company's products. Because of these risks, our research and development efforts or those of potential collaborative partners may not result in any commercially viable products. If a significant portion of these development efforts are not successfully completed, or any products are not commercially successful, we are less likely to generate significant revenues, or become profitable. The failure to perform such activities could have a material adverse effect on the Company's business, financial condition, and results of its operations.

The areas in which we plan to commercialize, distribute, and/or sell products involve rapidly developing technology. There can be no assurance that we will be able to establish ourselves in such fields, or, if established, that we will be able to maintain our market position, if any. There can be no assurance that the development by others of new or improved products will not make our present and future products, if any, superfluous or obsolete.

Product Liability

The devices and products that we intend to develop may expose us to potential liability from personal injury claims by end-users of the product. We intend to carry product liability insurance to protect us against the risk that in the future a product liability claim, or product recall could materially and adversely affect our business. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of our intended products. We cannot assure you that if and when we commence distribution of our product that we will be able to obtain or maintain adequate coverage on acceptable terms, or that such insurance will provide adequate coverage against all potential claims. Moreover, even if we maintain adequate insurance, any successful claim could materially and adversely affect our reputation and prospects and divert management's time and attention. If we are sued for any injury allegedly caused by our future products our liability could exceed our total assets and our ability to pay the liability.

Product Defects

The Company's products are complex and, accordingly, they may contain defects or errors, particularly when first introduced or as new versions are released. We may not discover such defects or errors until after a product has been released and used by end-customers. Defects and errors could materially and adversely affect our reputation, result in significant costs to us or the termination of an agreement, delay planned release dates and impair our ability to sell our products in the future. The costs incurred in correcting any product defects or errors may be substantial and could adversely affect our operating margins. Furthermore, there can be no assurance that our efforts to monitor, develop, modify and implement appropriate test and manufacturing processes for our products will be sufficient to permit us to avoid a rate of failure in our products that results in substantial delays, significant repair or replacement costs or potential damage to our reputation, any of which could have a material adverse effect on our business, results of operations and financial condition.

We may also be subject to claims that our products are defective or that some function or malfunction of our products caused or contributed to damages. While we attempt to minimize this risk by incorporating provisions into our standard agreements that are designed to limit our exposure to potential claims of liability, we are not always able to negotiate such protections. In addition, no assurance can be given that all claims will be barred by the contractual provisions limiting liability or that the provisions will be enforceable. We may be liable for failure regarding the use of our products or services. A significant liability claim against us could have a material adverse effect on our operating results and financial position.

Reliance on Key Inputs

The Company's business will be dependent on several key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water, and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such a source in a timely manner or at all. If sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, and operating results of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts, and components.

Management of Growth

The Company has, and may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its products and services. The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain of the directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company.

The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Company Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The Market Price of Company Shares May Be Subject to Wide Price Fluctuations

The market price of Company Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other

events and factors outside of the Company's control. In addition, stock markets have from time-to-time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Company Shares.

Environmental and Employee Health and Safety Regulations

The Company's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized, and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.