MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended March 31, 2026

June 1, 2026

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 three months ended March 31, 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 June 1, 2026, unless otherwise indicated.

The unaudited consolidated financial statements for the three months ended March 31, 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**	**March 31, 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 June 1, 2026, the Company is reporting a Sales Order Backlog of $6.9 million (M) and a Sales Pipeline of $19.0M. This represents nominal increases from the previous disclosure April 30, 2026 and 102% and 15% increase, respectively, from the previous disclosure on December 1, 2025. 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 $5.1M in SHARC Energy equipment orders. **This represents additions to Sales Order Backlog of 150% of the last disclosure of the 2025 fiscal year of $3.4M** and highlights the growing demand and continuing maturity of Sales Pipeline for SHARC Energy products**.**

iii. **Closing of $2.5 Million Unsecured Convertible Debenture.** SHARC Energy has closed a non-brokered private placement of unsecured convertible debentures of the Company for a principal amount of $2,500,000

iv. **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 DoW, formerly known as 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.

v. **Commercial launch of new product MANTA System.** The Company is pleased to announce 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.

vi. **SHARC System Featured in Ottawa's Lebreton Flats District Energy Project.** The Company announced that two SHARC 880 Wastewater Energy Transfer ("**WET**") systems will be used to power a district energy system in Canada's capital city. SHARC Energy anticipates commencing submittals for the SHARC WET Systems in 2025 with equipment build and delivery expected during 2026.

vii. **Quarter over Quarter Results.** During the three months ended March 31, 2026, the Company reported revenues of $0.49M, a loss of $0.9M and an adjusted EBITDA loss of $0.74M. Revenue decreased 51% from revenue comparative in 2025 of $1.01M, the loss decreased 1% over comparative in 2025 of $0.92M and Adjusted EBITDA loss increased by 15% over the 2025 comparative of an Adjusted EBITDA loss of $0.64M.

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 are, but not limited too, 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 are, but not limited too, an apartment building, hospitals, hotel, 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 three months ended March 31, 2026, and Subsequent Events

Operational Developments

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

As of June 1, 2026, the Company reported a Sales Order Backlog of $6.9M and a Sales Pipeline of $19.0M. The Sales Order Backlog and Sales Pipeline increased nominally from the previous disclosure on April 30, 2026 but increased 15% and 102% from the last disclosure of 2025 on December 1, 2025, indicating the start of a strong 2026 financial year. 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 **$5.1 million** in SHARC Energy equipment orders, increasing Sales Order Backlog by 150% since the last disclosure of 2025 of $3.4 million.

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.

These systems are expected to ship in 2026.

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 War (DoW)-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 DoW, formerly known as 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.

Currently, there are 150,000 space heating and cooling units and more than 70,000 domestic hot water heaters at DoW installations. Many of these legacy units operate at poor efficiency levels due to lack of adequate and consistent preventative 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 Featured in Ottawa's Lebreton Flats District Energy Project**

The Company announced that two SHARC 880 WET systems will be used to power a district energy system in Canada's capital city. SHARC Energy anticipates commencing submittals for the SHARC WET Systems in 2025 with equipment build and delivery expected during 2026

A new era of sustainable energy is dawning in Ottawa with the formation of the Lebreton Community Utility Partnership, a joint venture between Envari Holding Inc. (a subsidiary of Hydro Ottawa

Holding Inc.) and Theia Partners. Together with the City of Ottawa, the partners have formalized a landmark agreement to implement an advanced WET system.

″The formation of the LeBreton Community Utility partnership marks a significant step in realizing a truly sustainable energy model for urban development. Our WET technology, powered by SHARC Energy's Canadian innovation, will provide reliable, efficient, and environmentally responsible thermal energy to the LeBreton community, starting with DREAM's Odenak development.″ stated Scott Demark, Partner at Theia Partners.

"This is more than just a project; it's a testament to Ottawa's dedication to leading the way in sustainable energy solutions. Hydro Ottawa is proud to be at the forefront of this innovation, demonstrating the power of collaboration and forward-thinking technology, including the highly efficient and Canadian-made SHARC Energy WET System, in building a sustainable future for the community we serve. We are especially pleased that this project supports vital affordable housing and aligns with our commitment to ensuring all customers can participate in a smart and equitable energy future." says Bryce Conrad, President and CEO of Hydro Ottawa Holding Inc.

This groundbreaking energy project will harness the untapped thermal potential of wastewater to provide 9 Megawatts (MW) of sustainable and efficient building heating and cooling to the Lebreton Flats redevelopment including DREAM's Odenak development at 665 Albert Street, the inaugural customer for LeBreton Community Utility's WET system. Odenak is a 600-unit, two-tower project adjacent to the Pimisi light rail transit (LRT) station. It features a mix of market-rate and affordable residential units as well as retail spaces. The WET system utilizes highly efficient heat pumps and operates entirely without fossil fuel, marking a significant step towards a cleaner energy future for the city.

By utilizing SHARC Energy's WET system, the LeBreton Community Utility estimates a reduction of approximately 5,066 tonnes of greenhouse gas (GHG) emissions annually compared to traditional buildings relying on boilers and chillers. To visualize 5,066 tonnes, it is the equivalent of the electricity used by 3,387 homes for a full year (as calculated by the Natural Resources Canada's Greenhouse Gas Equivalencies Calculator).

The LeBreton Community Utility Partnership is also engaged in discussions with the National Capital Commission (NCC) to explore the potential for the WET network to serve additional land parcels at the LeBreton Flats redevelopment, to take advantage of economies of scale. This forward-thinking approach positions the site as a model for sustainable community energy infrastructure in Canada. Moreover, this presents additional opportunities for the implementation of SHARC WET equipment.

vi. **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.

Financial Developments

i. During the three months ended March 31, 2026 and subsequent to quarter end, 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.

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 from 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 $	Total Assets at each
		Total $	$ Per Share	*(non-GAAP Measure)*	Report date $
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
30-Sep-2024	785,030	(831,965)	(0.01)	(645,511)	3,912,951
30-Jun-2024	780,205	(714,699)	(0.01)	(491,312)	2,868,886

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.

For the three months ended March 31, 2026, the Company received approximately $4.6M in purchase orders and shipped PIRANHA equipment to a project in New York.

Overall Financial Performance

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

Account	As of Mar 31, 2026	As of Dec 31, 2025
Cash	317,538	262,513
Current Assets	1,541,369	1,601,670
Current Liabilities	2,195,387	1,768,688
Working Capital	(654,017)	(167,018)

Account	Three Months ended Mar 31, 2026	Three Months ended Mar 31, 2025	$ Change	% Variance
Revenue	492,709	1,012,936	(520,227)	(51%)
Cost of Goods Sold	337,447	697,245	(359,798)	(52%)
Gross Margin	155,262	315,691	(160,429)	(51%)
Expenses	1,101,263	1,231,866	(130,603)	(11%)
Other (Income)/Expense	28,034	667	27,947	32,123%
Loss for the period	(907,378)	(915,508)	8,130	(1%)
Basic and Diluted loss per share	(0.01)	(0.01)	—	—

Discussion of Operations

<u>Three months ended March 31, 2026 compared with three months ended March 31, 2025</u>

SHARC Energy's loss for the current three-month period totaled $907,378, or a basic and diluted loss per share of $0.01. This compares with a loss of $915,508 with basic and diluted loss per share of $0.01 for the same period in the prior year.

- For the three months ended March 31, 2026, revenue decreased by $520,227, cost of sales decreased $359,798 and the gross margin decreased by $160,429.

    - For the three months ended March 31, 2026, revenue consisted of $3,600 from equipment leases, $92,667 from service and service agreement revenue from Vancouver, B.C. and Greater Vancouver Region installations, and $396,443 from the sale and continued progress of SHARC and PIRANHA systems sales. This compared to the three months ended March 31, 2025, where revenue consisted of $3,600 from equipment leases, $104,883 from service and service agreement revenue from Vancouver regional installations and $903,067 from product sales.

    - Cost of goods sold in the three months ended March 31, 2026 and 2025 consisted of costs associated with SHARC and PIRANHA system sales, service, and rental expense.

  - Gross margin decreased $160,429 during the three months ended March 31, 2026 compared to a $315,691 gross margin during the three months ended March 31, 2025. Gross margin % was 31.5% during the three months ended March 31, 2026 compared to 31.2%.

- For expenses during the three months ended March 31, 2026, when compared to the comparative three months ended March 31, 2025:

  - Interest and financing expense increased by $59,982 due to the accretion expense associated with debentures issued in August 2025 and February 2026.
  - Share-based payments decreased by $121,434. The decrease is due to no new share-based compensation grants during 2025.
  - Consulting expenses decreased by $32,382. This is largely attributed to a decrease in investor awareness consulting spend.
  - Wages and benefits decreased $26,606. The Company averaged an employee headcount of 15 during the three months ended March 31, 2026 in comparison to 14 during the three months ended March 31, 2025.
  - Warranty expense increased $61,340 as the Company began accruing on a few projects during the quarter.

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.

Adjusted EBITDA	Three months ended March 31,	
	2026	2025
	$	$
Loss before Income Taxes	(917,953)	(915,508)
Adjustments:		
Interest and financing expense	140,439	83,427
Interest income	(14)	(580)
Depreciation	50,266	51,799
Patent filing	19,087	22,948
Share-based payments	11,340	132,804
Research & development	(19,482)	40,500
Foreign exchange	(28,034)	(87)
Warranty expense	61,340	—
Lease payments	(52,552)	(52,552)
Adjusted EBITDA Loss	**(735,563)**	**(637,249)**

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 months ended March 31, 2026, the Adjusted EBITDA loss increased by $98,314 from the same period in the previous year. The Company earned $160,429 less margin which was offset by a decrease in normalized cash outflows by $62,115.

Sales Pipeline

Sales Pipeline is defined as qualified prospective projects and installations that could convert into orders within approximately 24 months. Not all these potential projects and installations will proceed or proceed within the expected timeframe and not all the projects that do proceed will be awarded to SHARC Energy. Nevertheless, over time, this number gives a reasonable metric of changes in market activity and anticipated growth of the industry.

Additions to the amount in the Sales Pipeline come from situations where the Company's equipment has been specified on a request for proposal (“**RFP**”), has been specified on a winning bid in an RFP process, or the project has been included in a stage of design for a project.

Reductions to the amount in the Sales Pipeline arise when the Company’s equipment quoted or bid loses, the project owner decides not to proceed with the project, the final design changes the equipment selection originally quoted, the equipment is value engineered out of the design or, where a quote in the pipeline is converted to the order book and therefore, converted into Sales Order Backlog.

As of June 1, 2026, the Company has $19.0M (April 30, 2026 - $18.7M) in Sales Pipeline.

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.

As of June 1, 2026, the Company has $6.9M (April 30, 2026 - $6.9M) 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 March 31, 2026:

- The Company has an accumulated deficit of $45,407,471 and has negative working capital of $654,017. The Company will continue to pursue opportunities to raise additional capital through equity markets and/or debt to fund its operating activities. Management anticipates it has sufficient working capital to maintain its activities for the next 12 months.

- the Company's cash balance was $317,538 (December 31, 2025 - $262,513) and the Company had negative working capital of $654,017 (December 31, 2025 – $167,018).

- the Company had 164,563,824 common shares issued and outstanding, 11,996,800 warrants outstanding, and 800,000 options outstanding. If all warrants and options were exercised, $2,389,600 in cash would be raised.

- Cash used in continuing operating activities was $168,423 for the three months ended March 31, 2026 (March 31, 2025 - $439.928). Operating activities were affected by the loss for the period of $907,378 partially offset by non-cash expenses of $147,105 and a change in non-cash working capital balances of $591,850.

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	131,003
March 31, 2026	**341,212**

Related Party Transactions

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors.

The Company incurred the following charges with key management personnel:

	Three months ended March 31,	
	2026	**2025**
	$	**$**
Consulting Fees [i]	56,833	56,220
Wages and Benefits [ii]	140,159	147,122
Share-based payments [iii]	7,711	72,496
	204,702	**275,838**

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

(ii) The Company paid wages and benefits to the Chief Executive Officer and to the Vice President of Business Development & Vice Chair 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 March 31,	
	2026	**2025**
	$	**$**
Lynn Mueller	52,607	52,654
Hanspaul Pannu[1]	39,000	39,000
Michael Albertson	87,551	94,468
Felix Fred Andriano	17,833	17,220
	196,991	**203,342**

1. Payments are made to a company controlled by Mr. Pannu

Included in receivables is $37,389 (December 31, 2025 - $42,925) due from related parties.

Included in accounts payable and accrued liabilities is $229,994 (December 31, 2025 - $185,031) due to related parties.

Share Capital

As of the date of this MD&A, the Company had 164,563,824 (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
300,000	April 28, 2029	$0.125
1,471,000	May 22, 2029	$0.125
429,000	May 29, 2029	$0.125
11,996,800	**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
800,000	**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
—	—	—
—	**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
4,070,000	**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 December 31, 2025, the Company is exposed to credit risk arising from receivables and recorded a loss allowance of $50,000 (December 31, 2023 - $75,920).

[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 March 31, 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 March 31, 2026, the Company had US denominated current assets of US$186,250 and US denominated current liabilities of US$480,165 (December 31, 2025 - US$191,922 and US$563,159, respectively). Accordingly, a 10% change in the foreign exchange rate would result in $55,305 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.

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.