Condensed Consolidated Interim Financial Statements

(Unaudited)

Three months ended December 31, 2014 and 2013

(expressed in Canadian dollars)

EnWave Corporation

Consolidated Statements of Financial Position

(Unaudited - prepared by Management)

(expressed in Canadian Dollars)

	Note	December 31, 2014	September 30, 2014 (Audited)
		$	$
Assets			
Current			
Cash and cash equivalents	5	**4,534,677**	5,850,658
Restricted cash	5	**860,328**	971,289
Trade receivables	6	**1,037,075**	1,660,845
Receivables from related parties		**693,895**	617,073
Prepaids, other receivables and deposits	7	**239,832**	217,996
Inventory	8	**1,758,418**	1,242,843
		9,124,225	10,560,704
Non-current			
Property, plant and equipment	9	**3,642,868**	2,877,167
Intangible assets	10	**4,133,435**	4,490,631
Goodwill	4	**3,890,801**	3,922,675
		11,667,104	11,290,473
Total assets		**20,791,329**	21,851,177
Liabilities			
Current			
Trade and other payables	11	**1,784,157**	1,678,663
Amounts due to related parties	14c	**586,899**	693,024
Customer deposits and deferred revenue	16	**1,737,862**	1,573,797
Other financial liability	15b,c	**358,075**	332,268
		4,466,993	4,277,752
Non-current			
Amounts due to related parties	14	**202,123**	265,568
Other financial liability	15b,c	**760,337**	870,328
Total liabilities		**5,429,453**	5,413,648
Equity			
Attributable to shareholders of the parent:			
Share capital	12b	**50,964,155**	50,964,155
Warrants	12c	**586,120**	586,120
Contributed surplus	12e	**5,383,813**	5,286,569
Foreign currency translation reserve		**87,405**	326,899
Deficit		**(42,193,277)**	(41,034,694)
		14,828,216	16,129,049
Non-controlling interest		**533,660**	308,480
Total equity		**15,361,876**	16,437,529
Total liabilities and equity		**20,791,329**	21,851,177

Approved by the Board of Directors:

"Timothy D. Durance" *"Gary Sandberg"*

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

EnWave Corporation

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - prepared by Management)
(expressed in Canadian dollars)

	Note	Three months ended December 31, 2014 $	December 31, 2013 $
Revenues	16	**2,509,646**	566,256
Direct costs		**(1,942,029)**	(1,044,250)
		567,617	(477,994)
Expenses:			
Administrative	17	**(460,197)**	(521,053)
Sales and marketing	17	**(288,522)**	(331,779)
Research and development	17	**(490,007)**	(589,980)
Design and certain constructions costs	17	**(155,283)**	(120,879)
Amortization of intangible assets	10	**(360,490)**	(361,422)
Stock-based compensation	12d	**(97,244)**	(121,871)
Foreign exchange gain (loss)		**70,072**	(4,745)
Gain on sale of property, plant and equipment		**255**	600
Finance expense	14	**(29,076)**	(211,366)
Finance income		**18,128**	17,659
		(1,792,364)	(2,244,836)
Net loss for the period		**(1,224,747)**	(2,722,830)
Other comprehensive income:			
Foreign exchange translation		**(274,305)**	87,893
Total comprehensive loss for the period		**(1,499,052)**	(2,634,937)
Loss attributable to:			
Shareholders of the parent company:			
Net loss		**(1,158,583)**	(2,494,074)
Foreign exchange translation		**(239,494)**	70,680
Non-controlling interest:			
Net loss		**(66,164)**	(228,756)
Foreign exchange translation		**(34,811)**	17,213
		(1,499,052)	(2,634,937)
Loss per share - basic and diluted		**(0.02)**	(0.03)
Weighted average number of shares outstanding - basic and diluted		**84,372,759**	78,739,424

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

EnWave Corporation

Consolidated Statements of Cash Flows

(Unaudited - prepared by Management)

(expressed in Canadian dollars)

		Three months ended	
		December 31, 2014	December 31, 2013
	Note	**$**	$
Cash flows from operating activities			
Net loss for the period		**(1,224,747)**	(2,722,830)
Items not affecting cash:			
Depreciation and amortization		**558,524**	413,607
Stock-based compensation	12	**97,244**	121,871
Finance income		**(18,128)**	(17,659)
Interest expense		**29,076**	211,366
Gain on sale of property, plant and equipment		**(255)**	(600)
Change in warranty provisions		**7,804**	-
Foreign exchange (gain) loss		**(70,072)**	4,745
		(620,554)	(1,989,500)
Changes in non-cash working capital:			
Decrease in trade receivables		**640,462**	44,893
(Increase) decrease in prepaid and other receivables		**(23,156)**	131,751
Increase in inventory		**(333,828)**	(145,028)
Decrease in trade and other payables		**(188,619)**	(44,877)
Decrease in the amounts due to related parties		**(172,903)**	(40,469)
Increase (decrease) in customer deposits and deferred revenues		**174,751**	(18,135)
Net cash used in operating activities		**(523,847)**	(2,061,365)
Cash flows from investing activities			
Net acquisition of property, plant and equipment		**(802,891)**	(133,317)
Acquisition of intangible assets		**(1,462)**	(18,300)
Finance income received		**13,448**	11,084
Net cash used in investing activities		**(790,905)**	(140,533)
Cash flows from financing activities			
Proceeds from private placement	12b	**-**	7,748,821
Share issue costs		**-**	(576,890)
Proceeds from exercise of stock options		**-**	119,999
Cash received from business combinations		**-**	154,175
Credit line - restricted cash for project financing		**110,961**	-
Repayment of related party loans		**(39,433)**	(38,290)
Repayment of bank overdraft, other financial liability and interest		**(69,323)**	(53,973)
Net cash (used in) generated from financing activities		**2,205**	7,353,842
Effect of foreign exchange translation on cash		**(3,434)**	62,102
(Decrease) increase in cash and cash equivalents		**(1,315,981)**	5,214,046
Cash and cash equivalents - Beginning of the period		**5,850,658**	5,632,045
Cash and cash equivalents - End of the period		**4,534,677**	10,846,091
Non-cash transactions			
Fair value of warrants and agents' warrants issued for share issue costs		-	129,773
Acquisition of property, plant and equipment through accounts payable		100,997	(120,780)
Acquisition of intangible assets through accounts payable		1,338	10,937

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

EnWave Corporation

Consolidated Statements of Changes in Equity

(Unaudited - prepared by Management)

(expressed in Canadian dollars)

		Attributable to shareholders of the parent							Non-controlling interest	Total
		Share capital								
	Note	Amount #	Value $	Warrants $	Contributed surplus $	Foreign currency translation reserve $	Deficit $	Total $	Deficit $	Total equity $
Balance, September 30, 2013		78,016,776	43,743,855	-	4,969,083	101,695	(34,636,366)	14,178,267	(80,357)	14,097,910
Net loss for the period		-	-	-	-	-	(2,494,073)	(2,494,073)	(228,756)	(2,722,829)
Contributions from non-controlling interest partners		-	-	-	-	-	-	-	154,175	154,175
Effects of foreign currency translation		-	-	-	-	70,680	-	70,680	17,213	87,893
Shares issued on private placements	12b	5,534,872	7,383,512	365,309	-	-	-	7,748,821	-	7,748,821
Share issue costs		-	(691,573)	59,869	-	-	-	(631,704)	-	(631,704)
Shares issued on exercise of options	12b	400,000	189,440	-	(69,440)	-	-	120,000	-	120,000
Stock-based compensation	12d	-	-	-	121,870	-	-	121,870	-	121,870
Balance, December 31, 2013		83,951,648	50,625,234	425,178	5,021,513	172,375	(37,130,439)	19,113,861	(137,725)	18,976,136
Net loss for the period		-	-	-	-	-	(3,904,255)	(3,904,255)	(362,715)	(4,266,970)
Contributions from non-controlling interest partners		-	-	-	-	-	-	-	767,558	767,558
Effects of foreign currency translation		-	-	-	-	154,524	-	154,524	41,362	195,886
Shares issued on private placements		111,111	(121,001)	271,000	-	-	-	149,999	-	149,999
Share issue costs		-	114,950	(110,058)	-	-	-	4,892	-	4,892
Shares issued on exercise of options		310,000	344,972	-	(221,472)	-	-	123,500	-	123,500
Stock-based compensation		-	-	-	486,528	-	-	486,528	-	486,528
Balance, September 30, 2014		84,372,759	50,964,155	586,120	5,286,569	326,899	(41,034,694)	16,129,049	308,480	16,437,529
Net loss for the period		-	-	-	-	-	(1,158,583)	(1,158,583)	(66,164)	(1,224,747)
Effects of foreign currency translation		-	-	-	-	(239,494)	-	(239,494)	291,344	51,850
Stock-based compensation		-	-	-	97,244	-	-	97,244	-	97,244
December 31, 2014		84,372,759	50,964,155	586,120	5,383,813	87,405	(42,193,277)	14,828,216	533,660	15,361,876

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

1. Nature of operations

EnWave Corporation ("EnWave") was incorporated under the Canada Business Corporations Act on July 14, 1999. The Company's principal business is the design, construction, marketing and sales of food and biomaterial processing machines that utilize drying technologies which create dehydrated food and health products.

The registered office of the Company is: # 2900 – 550 Burrard Street, Vancouver, BC V6E 0A3, Canada.

On October 17, 2012, the Company acquired an 86.5% controlling interest in the shares of Hans Binder Maschinenbau GmbH ("Binder") located in Germany, a manufacturer of dehydration equipment. The principal activities of Binder are designing, manufacturing and selling of dehydration equipment, and its assets, liabilities, and results of operations have been consolidated from October 17, 2012.

On December 3, 2012, the Company incorporated a US subsidiary, EnWave USA Corporation ("EnWave USA"), for the purpose of entering into a partnership agreement on February 26, 2013, to establish NutraDried LLP ("NutraDried") in the US. NutraDried develops, manufactures, markets and sells certain dehydrated products under the Company's nutraDRIED™ trademark through North America.

EnWave, Binder and NutraDried are collectively referred to as "the Company".

The Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations and as at December 31, 2014, the Company had a consolidated working capital of approximately $4.6 million and consolidated accumulated deficit of approximately $42 million. The Company's ability to achieve its objectives, meet its ongoing obligations and recover its investments in patents and other assets will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful; see note 15 on liquidity risk.

2. Basis of preparation

Statement of compliance

These consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended September 30, 2014.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on February 27, 2015.

Critical accounting estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended September 30, 2014.

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

3. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year with the exception of the items described below:

Annual Improvements to IFRS

The Company adopted the newly issued IASB narrow-scope amendments to various standards on October 1, 2014. Amendments were made to clarify the following in their respective standards:

- Definition of "vesting condition" in IFRS 2, Share-based Payments;
- Classification and measurement of contingent consideration; and scope exclusion for the formation of joint arrangements in IFRS 3, Business Combinations;
- Disclosures on the aggregation of operating segments in IFRS 8, Operating Segments;
- Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13, Fair Value Measurement; and
- Definition of "related party" in IAS 24, Related Party Disclosures.

The extent of the impact of adoption of the amendments has not been material.

4. Goodwill

	EUR €	CAD $
Balance, September 30, 2014	2,771,621	3,922,675
Adjustment for foreign exchange		(31,874)
Balance, December 31, 2014	2,771,621	3,890,801

5. Cash and cash equivalents and restricted cash

As at December 31, 2014, cash and cash equivalents consist of $324,557 (September 30, 2014 - $1,214,628) held in current accounts, and $4,210,120 (September 30, 2014 - $4,636,030) held in short term investments such as GICs with maturity dates of less than or equal to three months and cashable within 90 days.

Of the total restricted cash of $860,328 (September 30, 2014 - $971,289), $28,749 is used as collateral for a Company credit card, and $831,579 was held as guarantees for collateral.

The company has a credit line of EUR €100,000 ($140,380) (September 30, 2014 – EUR €100,000 ($141,530) which bears an interest rate of 8.55%, the full amount of the facility was available at December 31, 2014 and September 30, 2014.

The company also has guarantee facilities available of EUR €2M ($2,81M) (September 30, 2014 - EUR €2M) and utilized EUR €1,010,970 ($1,419,200) at December 31, 2014 (September 30, 2014 - €1,163,820 ($1,647.154)). These facilities are collateralized by amounts held as restricted cash totalling EUR €13,062 ($18,336) from Binder and EUR €571,000 ($801,570) from EnWave (September 30, 2014 – €647,525 (Cad $942,500)) and a mortgage by a related entity for EUR €334,000 ($468,869) (September 30, 2014 – €766,938).

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

6. Trade receivables

The following amounts are receivables from customers in the normal course of business:

	December 31, 2014	September 30, 2014
	$	$
Trade receivables	**1,090,329**	1,739,749
Less: Allowance for doubtful accounts	**(53,254)**	(78,904)
	1,037,075	1,660,845

7. Prepaids and other receivables:

	December 31, 2014	September 30, 2014
	$	$
Prepaid expenses	**178,060**	164,286
Indirect tax receivables	**39,797**	18,838
Receivables from related parties and other (note 19(b))	**705,362**	627,828
Provision	**10,508**	24,117
	933,727	835,069

8. Inventory

Inventories consist of the raw materials used in the construction of dehydration equipment and food products available for sale.

	December 31, 2014	September 30, 2014
	$	$
Machinery: parts and work in progress	**1,168,320**	980,259
Food products	**549,132**	237,387
Packaging supplies	**40,966**	25,197
	1,758,418	1,242,843

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

9. Property, plant and equipment

	Office plant and equipment	Manufacturing plant and equipment	Leasehold improvements	Total
	$	$	$	$
Year ended September 30, 2014				
Opening net book value	116,416	265,367	282,642	664,425
Additions	20,753	2,358,950	89,886	2,469,589
Disposals	-	(2,160)	-	(2,160)
Depreciation	(34,192)	(188,092)	(97,049)	(319,333)
Currency translation adjustments	2,169	50,427	12,050	64,646
Closing net book value	**105,146**	**2,484,492**	**287,529**	**2,877,167**
At September 30, 2014				
Cost	225,105	3,252,335	520,077	3,997,517
Accumulated depreciation	(119,959)	(767,843)	(232,548)	(1,120,350)
Closing net book value	**105,146**	**2,484,492**	**287,529**	**2,877,167**
Three months ended December 31, 2014				
Opening net book value	105,146	2,484,492	287,529	2,877,167
Additions	48,425	844,795	15,918	909,138
Disposals	(4,995)	-	-	(4,995)
Depreciation	(6,862)	(167,441)	(23,731)	(198,034)
Currency translation adjustments	(565)	53,534	6,623	59,592
Closing net book value	**141,149**	**3,215,380**	**286,339**	**3,642,868**
At December 31, 2014				
Cost	359,490	4,464,353	545,625	5,369,468
Accumulated depreciation	(218,341)	(1,248,973)	(259,286)	(1,726,600)
Net book value	**141,149**	**3,215,380**	**286,339**	**3,642,868**

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

10. Intangible assets

	Acquired patents and technology licenses	Computer software	Total
	$	$	$
Year ended September 30, 2014			
Opening net book value	5,878,757	5,260	5,884,017
Additions (2)	10,381	28,125	38,506
Disposals	-	-	-
Amortization	(1,418,322)	(13,555)	(1,431,877)
Currency translation adjustments	490	(505)	(15)
Closing net book value	4,471,306	19,325	4,490,631
At September 30, 2014			
Cost	9,545,618	72,455	9,618,073
Accumulated amortization	(5,074,312)	(53,130)	(5,127,442)
Net book value	4,471,306	19,325	4,490,631
Three months ended December 31, 2014			
Opening net book value	4,471,306	19,325	4,490,631
Additions	1,977	823	2,800
Amortization	(357,882)	(2,608)	(360,490)
Currency translation adjustments	629	(135)	494
Closing net book value	4,116,030	17,405	4,133,435
At December 31, 2014			
Cost	9,070,717	115,832	9,186,549
Accumulated amortization	(4,954,687)	(98,427)	(5,053,114)
Net book value	**4,116,030**	**17,405**	**4,133,435**

11. Trade and other payables

	December 31, 2014	September 30, 2014
	$	$
Trade payables	**1,236,032**	802,380
Pension accrual	**171,794**	173,202
Personnel related accruals other than related parties	**83,245**	180,551
Other accrued liabilities	**219,527**	241,191
VAT and other taxes payable	**33,972**	249,212
Provision for warranty	**39,587**	32,127
	1,784,157	1,678,663

During the three months ended December 31, 2014 the Company utilised $344 (2013 - $293) of its provision related to sale of its equipment.

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

12. Share capital

a) Authorized:

Unlimited number of voting common shares without par value. Issued and outstanding: 84,372,759.

Unlimited number of voting preferred shares, issuable in series. Issued and outstanding: Nil.

b) Issued and fully paid:

	Share capital	
	Amount \#	Value $
Balance, October 1, 2013	78,016,776	43,743,855
Shares issued on private placements	5,534,872	7,112,511
Share issue costs	-	(575,123)
Shares issued on exercise of options	400,000	189,440
Balance, December 31, 2013	83,951,648	50,470,683
Shares issued on private placements	111,111	150,000
Share issue costs	-	(1,500)
Shares issued on exercise of options	310,000	344,972
Balance, September 30, 2014 and December 31, 2014	84,372,759	50,964,155

c) Warrants

The continuity of share purchase warrants during the three months ended December 31, 2014 and year ended September 30, 2014 is as follows:

	Number of warrants	Weighted average exercise price $	Fair value at grant date $
Balance, October 1, 2013	-	-	-
Issued	2,320,957	1.72	0.18
Balance, December 31, 2013, September 30, 2014 and December 31, 2014	2,320,957	1.72	0.18

The fair value of the warrants and agents' warrants issued during the fiscal year, was calculated using the Black-Scholes model at $679,404. The following assumptions were used in calculating the fair value: risk-free interest rate of 1.07%, expected life of 1.77, estimated volatility of 52.36%, and dividend rate of 0%.

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

d) Stock options

The Company's stock option plan ("the Plan") is available to eligible persons, whereby up to 10% of the issued common shares of the Company may be reserved for issuance under the Plan. The aggregate number of common shares reserved for issuance to any person within any one year may not exceed 5% of the number of outstanding common shares, on a non-diluted basis. The exercise price of the options will be determined by the Board of Directors at the time of grant of the options, such price not to be less than the last daily closing price of the Company's common shares on the Exchange prior to the date of grant, less the discount permitted by the policies of the Exchange.

Options issued under the Plan will vest in the terms approved by the Board of Directors for each specific grant, except for options granted to individuals engaged in investor relations activities, which must vest over a 12-month period.

The continuity of options is as follows:

	Number of share options #	Weighted average exercise price $
Outstanding, October 1, 2013	4,569,000	1.34
Granted	160,000	1.40
Exercised	(400,000)	0.30
Outstanding, December 31, 2013	4,329,000	1.44
Granted	1,270,000	1.34
Exercised	(310,000)	0.40
Forfeited	(40,000)	1.35
Outstanding at September 30, 2014	5,249,000	1.48
Granted	75,000	1.10
Outstanding at December 31, 2014	5,324,000	1.47
Exercisable at December 31, 2014	4,348,986	1.50

The weighted average fair value of options granted during the three months ended December 31, 2014 was $0.36 per option (2013 - $0.51).

During the three months ended December 31, 2014, no stock options were exercised (2013 – 400,000, for total proceeds of $120,000). A fair value of $nil (2013 - $69,440) was transferred from contributed surplus to share capital in connection with these exercises. The fair value of the shares acquired at the time of exercise was $nil (2013: $568,000).

The following weighted average assumptions were used in calculating the fair value of the stock options granted using Black-Scholes model during the three months ended December 31, 2014 and 2013:

	2014	2013
Risk-free interest rate	1.35%	1.51%
Expected life	3.64 years	3.65 years
Estimated volatility	41.29%	47.38%
Forfeiture rate	1.46%	1.46%
Dividend rate	0.00%	0.00%

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

Stock options outstanding as at December 31, 2014 have the following expiry date and exercise prices:

Year of expiry	Exercise price per share $	December 31, 2014 #
2015	1.02 - 1.70	751,500
2016	1.54 - 2.18	1,067,500
2017	1.25 - 1.61	1,700,000
2018	1.40 - 1.80	460,000
2019	1.10 - 1.40	1,345,000
		5,324,000

During the three months ended December 31, 2014, the Company recorded stock-based compensation expense of $97,243 (2013 - $121,870). The fair value of each option is accounted for in the statement of loss and comprehensive loss, over the vesting period of the options, and the related credit is included in contributed surplus.

See note 19(a), subsequent event.

e) Contributed surplus:

	Three months ended December 31, 2014 $	Year ended September 30, 2014 $
Contributed surplus – Beginning of period	**5,286,569**	4,969,083
Stock-based compensation	**97,243**	608,398
Transfer to share capital on exercise of options	**-**	(290,912)
Contributed surplus – End of period	**5,383,812**	5,286,569

As at December 31, 2014 and September 30, 2014, included in contributed surplus was $1,862,677 of expired warrants.

13. Contingencies and commitments

a) The Company has entered into various lease agreements for the rental of office space, plant facilities, and laboratory facilities for lease terms ranging from 3 to 6 years and renewable at the end of the lease at market rates. The Company also pays additional rent to cover its share of operating costs and property taxes.

	December 31, 2014 $	September 30, 2014 $
Less than 1 year	**879,180**	1,348,483
Between 1 and 5 years	**1,859,655**	2,053,431
More than 5 years	**12,213**	67,867
Total	**2,751,048**	3,469,781

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

b) The Company has entered into lease agreements for the lease of dehydration equipment to customers with the lease payments receivable for periods between 24 and 48 months.

	December 31, 2014	September 30, 2014
	$	$
Less than 1 year	**835,694**	1,348,483
Between 1 and 5 years	**1,871,868**	2,053,431
More than 5 years	**-**	67,867
Total	**2,707,562**	3,469,781

14. Related party transactions

a) Key management personnel compensation

Key management personnel include the Company's members of senior management, directors, and members of the Audit, Compensation and Governance Committees. Compensation for the three months ended December 31, 2014 and 2013 was as follows:

	Three months ended	
	December 31, 2014	December 31, 2013
	$	$
Salaries, bonuses, short-term and long-term employee benefits	**394,332**	544,377
Stock-based compensation	**72,009**	53,965
	466,341	598,342

b) Purchase of services

The Company purchased services from related parties for the three months ended December 31, 2014 and 2013 as shown in the table below:

	Three months ended	
	December 31, 2014	December 31, 2013
	$	$
Consulting, managment or directors' fees	**23,386**	115,585
Royalties paid to INAP (note 10)	**83,610**	98,639
Office and manufacturing facility for US facilities paid to a director	**34,080**	23,644
Office and manufacturing facility rent paid to a company controlled by key management of Binder	**63,851**	64,310
	204,927	302,178

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

c) *Period-end balances with related parties*

The following amounts are due to related parties of which $944,974 (September 30, 2014 - $1,025,292) are current amounts due and $962,460 (September 30, 2014 - $1,135,896) are non-current amounts due:

	December 31, 2014	December 31, 2013
	$	$
Binder related party loans including VAT liability (i)	**671,563**	778,186
Other payable to related parties (iii)	**117,460**	180,406
Other financial liability to INAP (iv)	**1,118,411**	1,202,596
	1,907,434	2,161,188

(i) As a result of the acquisition of Binder, as at October 17, 2012 the Company assumed a loan due to the previous owners, who remain key management, with an outstanding balance at the acquisition date of $1,023,815. At December 31, 2014 the balance outstanding of this loan was $589,677 (September 30, 2014 - $656,297). The loan is unsecured and bears interest of 9% per annum and has a repayment schedule that will complete by December 31, 2015.

(ii) As a result of the acquisition of Binder (note 4 (a)), the Company assumed a loan due to the previous owners, who remain key management, with an outstanding balance as at the acquisition date of $381,201. At December 31, 2014 the carrying amount was $81,886 (September 30, 2014 - $121,889). The loan is unsecured, bears annual interest of 5.5%, and has no fixed repayment terms.

(iii) This includes accrual for EnWave's year-end bonuses, accrual for royalties payable to INAP and other accruals.

(iv) INAP is controlled by management of Binder. Of the total amount, $358,075 is payable within a year, and the remaining $760,337 is non-current.

In addition, an amount of $693,895 (September 30, 2014 - $627,828) was receivable from related parties of which $607,124 (September 30, 2014 - $586,138) corresponded to Lucid Capital Management, a company controlled by a director of the Company (Note 7).

15. Financial instruments and fair value measurements

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value, interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosure required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements for the fiscal year ended September 30, 2014.

Fair values

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade receivables, other receivable, trade and other payables, amounts due to related parties, and other financial liability.

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

The Company's financial assets, consisting of cash and cash equivalents, restricted cash, and other receivables are all due in less than one year as shown under liquidity risk table (a) below.

The Company's financial liabilities, consisting of trade and other payable and amounts due to related parties.

Other financial liability is due within 1 – 4 years as shown under liquidity risk table (c) below.

For all financial instruments other than amounts due to related parties and other financial liability, the carrying amount is a reasonable approximation of their fair value due to the short-term nature of these instruments. The Company did not have any held-to-maturity or available-for-sale financial instruments, nor did it acquire or hold any derivative products during the three months ended December 31, 2014 and year ended September 30, 2014.

The fair value of amounts due to related parties has been estimated to approximate its carrying value as the discount factors approximate market rates applicable to the loans.

Financial risk factors

The Company is exposed to a number of risks. These risks include credit risk, liquidity risk, and market risk. The Company has established policies and procedures to manage these risks, with the objective of minimizing the adverse effects that changes in the variable factors underlying these risks could have on the Company's consolidated financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages liquidity risk through ongoing management and forecasting of cash flows, budgeting, and equity financings.

Cash flow forecasting is performed to monitor cash requirements and form capital management decisions. Such forecasting takes into account current and potential customers and the Company's technology development and capital raising expectations.

The Company has an agreement with the Bank of Montreal to provide Binder with the support for bank guarantees in favour of some of its customers, to a maximum of $1,500,000.

The Company owes amounts to a related party (note 14(c)); and has two credit cards with a limit of $25,000 and $46,325, respectively (September 30, 2014 - $25,000 and $46,705). Reference should also be made to nature of operations in note 1 for further information regarding liquidity risk.

(a) Financial assets maturity table

	0 - 30	31 - 90	91- 1 year	over 1 year
Cash, cash equivalents and restricted cash	4,534,675	860,330	-	-
Trade receivables	765,805	170,917	99,884	469
Other receivables including related parties	97,239	608,107	16	-
	5,397,719	1,639,354	99,900	469

(b) Liabilities, excluding other financial liability, tax liabilities and customer deposits and deferred revenues maturity table

	0 - 30	31 - 90	91 - 1 year	over 1 year
Trade and other payables	1,318,667	367,468	19,522	38,913
Amounts due to related parties	105,860	11,601	469,439	202,123
Provisions	-	-	39,587	-
	1,424,527	379,069	528,548	241,036

(c) The Company's other financial liability consisting of undiscounted minimum royalties payable and are due as follows:

Due as at September 30, the following years	Royalties payable EUR €	Royalties payable CAD $
2015	189,295	265,732
2016	324,341	455,310
2017	421,643	591,903
2018	29,343	41,192
Total	964,622	1,354,137

Market risk

Market risk is the risk that the fair value or future cash flows of the Company will fluctuate due to changes in interest rates and foreign currency exchange rates.

a) Interest rate risk

The Company is exposed to credit risk through short-term investments. The Company limits its exposure to interest rate risk by investing in short-term investments at major Canadian financial institutions. A 1% change in interest rates would affect the results of operations by approximately $50,000 (September 30, 2014: $68,000).

The Company also has loans with related parties. The interest rates are fixed and the Company considers the risk to be low.

b) Foreign exchange risk

The Company has significant minimum royalties' payable over five years in Euros. The Company manages currency risk relating to this obligation by generating Euros in its European operations. Should the Company not generate adequate Euros in European operations, currency exchange risk will exist to convert Canadian or US dollars to Euros.

The Company also has increasing number of customers with contracts denominated in US dollars.

As at December 31, 2014 all of the Company's liquid assets and liabilities were held in Canadian dollars, Euros and US dollars.

A change in the value of the Euro by 10% relative to the Canadian dollar would have affected the Company's loss for the period by approximately $4,000.

A change in the value of the US dollar by 10% relative to the Canadian dollar would affect the Company's loss for the period by approximately $13,000.

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

16. Revenue

i) Revenue breakdown:

Three months ended	December 31, 2014	December 31, 2013
	$	$
Sales and construction contracts	**2,393,709**	356,488
Royalties, commissions and licensing	**6,314**	50,937
Equipment testing fees and other revenues	**109,623**	158,831
	2,509,646	566,256

ii) During the three months ended December 31, 2014, an amount equal to 24% of the total consolidated trade receivables was owed to the Company by one customer, an amount equal to 14% of the total consolidated trade receivables was owed to the Company by one customer, an amount equal to 12% of the total consolidated trade receivables was owed to the Company by one customer and an amount equal to 11% of the total consolidated trade receivables was owed to the Company by one customer. The remaining amounts equal to 39% was owed by different customers who individually amount to less than 10% of the total revenue.

iii) Construction contract balances as at the date of the statement of financial position are as follows:

	December 31, 2014	September 30, 2014
	$	$
Contract work in progress not yet invoiced	**157,005**	81,308
Less: progress billings and customer deposits	**(1,894,867)**	(1,655,105)
Customer deposits and deferred revenue	**(1,737,862)**	(1,573,797)

17. Expenses by nature

Details of consolidated expenses by nature for direct costs, administrative expenses, sale and marketing expenses, research and development expenses, and design and certain construction costs are shown below:

Three months ended	December 31, 2014	December 31, 2013
	$	$
Expenses		
Cost of materials	**(1,915,432)**	(1,308,022)
Other expenses	**(142,577)**	(371,467)
Professional services	**(223,216)**	(283,247)
Rent	**(145,301)**	(132,227)
Repairs and maintenance	**(1,941)**	(18,850)
Research and development contributions	**-**	24,970
Salaries, wages and fees	**(1,178,267)**	(1,046,605)
Travel and promotional costs	**(145,787)**	(171,297)
Total expenses	**(3,752,521)**	**(3,306,745)**

(Unaudited - expressed in Canadian dollars, unless otherwise stated)

18. Segmented information

The Company has assessed its operating segments to be EnWave, Binder and EnWave USA according to the manner in which information is used by the Chief Operating Decision Maker. The results of operations and the assets for each segment are shown below.

As at	December 31, 2014				September 30, 2014			
	EnWave: (Canada)	Binder: (Germany)	EnWave USA	Total	EnWave: (Canada)	Binder: (Germany)	EnWave USA	Total
Assets	$	$	$	$	$	$	$	$
Inventory	171,103	997,217	590,098	1,758,418	322,058	658,201	262,584	1,242,843
Property, plant and equipment	1,740,073	139,987	1,762,808	3,642,868	1,072,228	111,100	1,693,839	2,877,167
Intangible assets	4,097,679	16,806	18,950	4,133,435	4,455,610	18,525	16,496	4,490,631
Goodwill	-	3,890,801	-	3,890,801	-	3,922,675	-	3,922,675
Total assets	6,008,855	5,044,811	2,371,856	13,425,522	5,849,896	4,710,501	1,972,919	12,533,316
Liabilities								
Trade and other payables	398,056	850,948	535,153	1,784,157	494,344	1,015,842	168,477	1,678,663
Loans and other amounts due to related parties	86,815	671,562	30,645	789,022	169,086	778,185	11,321	958,592
Customer deposits and deferred revenues	395,032	1,342,830	-	1,737,862	96,167	1,477,630	-	1,573,797
Other financial liability	1,118,412	-	-	1,118,412	1,202,596	-	-	1,202,596
	1,998,315	2,865,340	565,798	5,429,453	1,962,193	3,271,657	179,798	5,413,648

Revenue and expenses by segment are as follows:

Three months ended	December 31, 2014				December 31, 2013			
	EnWave: (Canada)	Binder: (Germany)	EnWave USA	Total	EnWave: (Canada)	Binder: (Germany)	EnWave USA	Total
	$	$	$	$	$	$	$	$
Revenues	114,040	1,935,979	459,627	2,509,646	179,559	356,488	47,868	583,915
Expenses	(1,184,119)	(1,940,277)	(609,997)	(3,734,393)	(1,495,598)	(1,592,199)	(218,948)	(3,306,745)
Net loss	**(1,070,079)**	**(4,298)**	**(150,370)**	**(1,224,747)**	**(1,316,039)**	**(1,235,711)**	**(171,080)**	**(2,722,830)**

Revenues for EnWave comprise all the royalties, commissions and licensing fees referred to in Note 16 and accounts for approximately 10% of all the construction contract revenue referred to in Note 16. Revenues for Binder relate entirely to construction contracts which is approximately 57% of all the construction contract revenue referred to in Note 16. Revenues for EnWave USA relate entirely to sales of services referred to in Note 16 and account for approximately 33% of all the consolidated revenues. The customers whose revenues comprise more than 10% of the Company’s consolidated revenue contributed $1,524,087 (2013 - $354,070) of the consolidated revenue for the period.

19. Subsequent events

Subsequent to December 31, 2014, the Company:

a) Received $102,000 in cash proceeds from the exercise of 100,000 stock options.

b) On January 30, 2015 the Company entered into a series of agreements with EnWave USA Corporation, NutraDried LLP (“NutraDried”), NutraDried Creations LLP (“Creations”), Lucid Capital Management (“Lucid”) and a former director of the Company. These agreements provided for the change of ownership from Lucid’s to Creations of the 49% interest in NutraDried. The agreements also provided for the collection of a US $1,000,000 receivable from NutraDried, the provision of a one-year amortizing loan, limited to USD $735,000, to a former director of the Company, and the fulfilment of USD $523,338 receivable from a related party.

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