EnWave Corporation

Condensed Consolidated Interim Financial Statements

Three and Nine months ended June 30, 2015 and 2014

(Unaudited - Expressed in Canadian dollars)

EnWave Corporation
Consolidated Statements of Financial Position
(Unaudited - prepared by Management)

(expressed in Canadian Dollars)

	June 30, 2015	September 30, 2014
	$	$
Assets		
Current		
Cash and cash equivalents	**1,225,158**	5,850,658
Restricted cash	**1,492,081**	971,289
Trade receivables	**2,632,068**	1,660,845
Receivables from related parties	**674,828**	617,073
Due from customers on contract	**905,642**	81,308
Prepaids, other receivables and deposits	**157,324**	217,996
Inventory	**1,989,027**	1,242,843
	9,076,128	10,642,012
Non-current		
Property, plant and equipment	**3,652,269**	2,877,167
Intangible assets	**3,429,549**	4,490,631
Goodwill	**-**	3,922,675
	7,081,818	11,290,473
Total assets	**16,157,946**	21,932,485
Liabilities		
Current		
Trade and other payables	**2,863,260**	1,678,663
Amounts due to related parties	**760,297**	693,024
Customer deposits and deferred revenue	**610,922**	1,655,105
Other financial liability	**401,320**	332,268
	4,635,799	4,359,060
Non-current		
Amounts due to related parties	**22,438**	265,568
Other financial liability	**550,048**	870,328
Total liabilities	**5,208,285**	5,494,956
Equity		
Attributable to shareholders of the parent:		
Share capital	**51,204,095**	50,964,155
Warrants	**586,120**	586,120
Contributed surplus	**5,430,183**	5,286,569
Foreign currency translation reserve	**113,715**	326,899
Deficit	**(47,525,606)**	(41,034,694)
	9,808,507	16,129,049
Non-controlling interest	**1,141,154**	308,480
Total equity	**10,949,661**	16,437,529
Total liabilities and equity	**16,157,946**	21,932,485

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

EnWave Corporation

Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - prepared by Management)

(expressed in Canadian dollars)

	Note	Three months ended June 30, 2015 $	Three months ended June 30, 2014 $	Nine months ended June 30, 2015 $	Nine months ended June 30, 2014 $
Revenues	15	**3,662,601**	1,391,627	**11,647,178**	2,462,488
Direct costs		**(3,605,579)**	(528,052)	**(9,176,030)**	(2,218,008)
		57,022	863,575	**2,471,148**	244,480
Expenses:					
Administrative	16	**754,106**	411,794	**1,977,297**	1,596,067
Sales and marketing	16	**349,415**	343,928	**942,376**	1,023,677
Research and development	16	**295,186**	3,546	**1,058,803**	1,103,782
Design and certain constructions costs	16	**155,965**	44,936	**460,050**	294,440
Amortization of intangible assets		**354,523**	354,865	**1,072,579**	1,074,722
Stock-based compensation	11c	**59,460**	241,186	**230,554**	503,557
Foreign exchange gain (loss)		**61,323**	(3,080)	**(33,685)**	1,387
Finance expense	13	**17,493**	35,183	**57,206**	313,311
Finance income		**(58,233)**	(569)	**(108,832)**	(83,792)
Impairment of goodwill	4	**3,855,602**	-	**3,855,602**	-
		5,844,840	1,431,789	**9,511,950**	5,827,151
Net loss for the period		**(5,787,818)**	(568,214)	**(7,040,802)**	(5,582,671)
Other comprehensive income (loss):					
Foreign exchange translation		**(38,550)**	20,633	**(261,066)**	312,945
Total comprehensive loss for the period		**(5,826,368)**	(547,581)	**(7,301,868)**	(5,269,726)
Loss attributable to:					
Shareholders of the parent company:					
Net loss		**(5,474,536)**	(497,283)	**(6,490,912)**	(5,098,253)
Foreign exchange translation		**(31,697)**	15,172	**(213,184)**	262,287
Non-controlling interest:					
Net loss		**(313,282)**	(70,931)	**(549,890)**	(484,418)
Foreign exchange translation		**(6,853)**	5,461	**(47,882)**	50,658
		(5,826,368)	(547,581)	**(7,301,868)**	(5,269,726)
Loss per share - basic and diluted		**(0.07)**	(0.01)	**(0.09)**	(0.06)
Weighted average number of shares outstanding - basic and diluted		**84,522,759**	81,915,805	**84,446,202**	82,250,084

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)

	Note	Nine months ended **June 30, 2015** **$**	 June 30, 2014 $
Cash flows from operating activities			
Net loss for the period		**(7,040,802)**	(5,582,671)
Items not affecting cash:			
Depreciation and amortization		**1,573,538**	1,276,614
Impairment of inventory		**183,191**	-
Stock-based compensation	11	**230,554**	503,557
Finance income		**(108,832)**	(83,792)
Interest expense		**57,206**	313,311
(Gain) loss on sale of property, plant and equipment		**(250)**	104,985
Change in warranty provisions		**37,725**	(8,134)
Impairment of goodwill	4	**3,855,602**	-
Foreign exchange gain		**(33,685)**	(1,387)
		(1,245,753)	(3,477,517)
Changes in non-cash working capital:			
Change in trade receivables		**(946,367)**	32,830
Change in prepaid and other receivables		**46,901**	(92,582)
Change in inventory		**56,836**	(1,678,428)
Change in trade and other payables		**885,565**	(209,777)
Change in the amounts due to related parties		**(338,910)**	201,417
Change in customer deposits and deferred revenues		**(1,843,614)**	58,378
Net cash used in operating activities		**(3,385,342)**	(5,165,679)
Cash flows from investing activities			
Net acquisition of property, plant and equipment		**(1,215,705)**	(519,291)
Acquisition of intangible assets		**(10,531)**	(35,299)
Finance income received		**105,390**	83,793
Net cash used in investing activities		**(1,120,846)**	(470,797)
Cash flows from financing activities			
Funding from non-controlling interest partner	13(b)	**972,060**	203,032
Proceeds from private placement	11b	**-**	7,768,821
Share issue costs		**-**	(626,812)
Proceeds from exercise of stock options		**153,000**	193,500
Credit line - restricted cash for project financing		**(520,796)**	-
Repayment of related party loans		**(355,798)**	(120,100)
(Repayment of) received in bank overdraft, other financial liability and interest		**(177,174)**	(260,937)
Net cash (used in) generated from financing activities		**71,292**	7,157,504
Effect of foreign exchange translation on cash		**(190,604)**	34,481
(Decrease) increase in cash and cash equivalents		**(4,625,500)**	1,555,509
Cash and cash equivalents - Beginning of the period		**5,850,658**	5,632,045
Cash and cash equivalents - End of the period		**1,225,158**	7,187,554
Non-cash transactions			
Fair value of warrants and agents' warrants issued for share issue costs		-	129,773
Subscription receivable on private placement		-	130,000
Acquisition of property, plant and equipment through accounts payable		(114,592)	8,404
Acquisition of intangible assets through accounts payable		(677)	1,856

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								
	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	-	-	-	-	-	(5,098,253)	(5,098,253)	(484,418)	(5,582,671)
Contributions from non-controlling interest partners	-	-	-	-	-	-	-	637,938	637,938
Effects of foreign currency translation	-	-	-	-	262,287	-	262,287	50,658	312,945
Shares issued on private placements	5,645,983	7,262,511	636,309	-	-	-	7,898,820	-	7,898,820
Share issue costs	-	(576,623)	(50,189)	-	-	-	(626,812)	-	(626,812)
Shares issued on exercise of options	610,000	396,062	-	(202,562)	-	-	193,500	-	193,500
Stock-based compensation	-	-	-	503,557	-	-	503,557	-	503,557
Balance, June 30, 2014	84,272,759	50,825,805	586,120	5,270,078	363,982	(39,734,619)	17,311,366	123,821	17,435,187
Net loss for the period	-	-	-	-	-	(1,300,075)	(1,300,075)	(107,053)	(1,407,128)
Contributions from non-controlling interest partners	-	-	-	-	-	-	-	283,795	283,795
Effects of foreign currency translation	-	-	-	-	(37,083)	-	(37,083)	7,917	(29,166)
Shares issued on private placements	-	-	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-	-	-
Shares issued on exercise of options	100,000	138,350	-	(88,350)	-	-	50,000	-	50,000
Stock-based compensation	-	-	-	104,841	-	-	104,841	-	104,841
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	-	-	-	-	-	(6,490,912)	(6,490,912)	(549,890)	(7,040,802)
Contributions from non-controlling interest partners	-	-	-	-	-	-	-	1,430,446	1,430,446
Effects of foreign currency translation	-	-	-	-	(213,184)	-	(213,184)	(47,882)	(261,066)
Shares issued on exercise of options	150,000	239,940	-	(86,940)	-	-	153,000	-	153,000
Restricted share rights	-	-	-	6,288	-	-	6,288	-	6,288
Stock-based compensation	-	-	-	224,266	-	-	224,266	-	224,266
Balance, June 30, 2015	84,522,759	51,204,095	586,120	5,430,183	113,715	(47,525,606)	9,808,507	1,141,154	10,949,661

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

1. Nature of operations and going concern

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 throughout North America.

On January 30, 2015 the Company entered into a series of agreements with EnWave USA, 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 USD $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.

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

The condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business.

For the nine months ended June 30, 2015, the Company incurred a net loss of $3,185,200 (2014 – $5,582,671), had a net decrease in cash and cash equivalents of $4,625,500 (2014 – increase of $1,555,509) and used net cash in operating activities of $3,385,342 (2014 – $5,165,679).

The Company has not yet realized profitable operations and has relied on nonoperational sources of financing to fund its operations. Whether and when the Company can attain profitability and positive cash flows is uncertain. While the Company has been successful in securing financing in the past, there is uncertainty whether financing will be available in the future on terms acceptable to the Company. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, material adjustments to the financial statements could be required.

2. Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to the preparation of interim financial statements, as set out in International Accounting Standard ("IAS") 34, Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the audited annual financial statements of the Company for the year ended September 30, 2014. There are selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended September 30, 2014.

These condensed consolidated interim financial statements were approved for issuance by the Board of Directors on August 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 except for:

Impairment of inventory

The Company has utilised guidance under IAS 2 *Inventories* to determine whether inventory is carried at the lower of cost and net realisable value. This determination requires judgement, which includes among other factors, the selling price, less the estimated costs of completion and the estimated costs to make the sale refer to note 8

3. Significant accounting policies

The accounting policies adopted are consistent with the September 30, 2014 annual financial statements 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.

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

4. Goodwill

	EUR €	CAD $
Balance, September 30, 2014	2,771,621	3,922,675
Adjustment for foreign exchange		(67,073)
Impairment	(2,771,621)	(3,855,602)
Balance, June 30, 2015	-	-

The Company performs a goodwill impairment test annually and when circumstances indicate that the carrying value may not be recoverable. In the current period, management identified indicators of impairment over the Binder Cash Generating Unit ("CGU") and performed an impairment analysis to assess the recoverable amount of the CGU. Based on management's assessment of its investment in Binder and the current business model, the goodwill assigned to the Binder CGU was fully impaired. This resulted in an impairment charge of $3,855,602 in the consolidated statement of loss and comprehensive loss.

5. Cash and cash equivalents and restricted cash

As at June 30, 2015, cash and cash equivalents consist of $527,003 (September 30, 2014 - $1,214,628) held in current accounts, and $698,155 (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 $1,492,081 (September 30, 2014 - $971,289), $28,749 is used as collateral for a Company's credit card, and $1,463,332 was held as a performance bond which was issued to a customer for one of their projects.

The company has a credit line of EUR €100,000 ($139,110) (September 30, 2014 – EUR €100,000 ($141,530)) which bears an interest rate of 8.55%. As at June 30, 2015, EUR €53,490 was available (September 30, 2014 – EUR €100,000).

The company also has guarantee facilities available of EUR €2M ($2.78M) (September 30, 2014 - EUR €2M) and utilized EUR €1,205,470 ($1,676,929) at June 30, 2015 (September 30, 2014 - €1,163,820 ($1,647,154)). These facilities are collateralized by amounts held as restricted cash totalling EUR €13,605 ($18,926) from Binder and EUR €844,800 ($1,175,201 + 20% bank's exchange risk fee = $1,410,242) from EnWave (September 30, 2014 – €647,525 ($942,500)) and a mortgage by a related entity for EUR €334,000 ($464,627) (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:

	June 30, 2015	September 30, 2014
	$	$
Trade receivables	**2,801,587**	1,739,749
Less: Allowance for doubtful accounts	**(169,519)**	(78,904)
	2,632,068	1,660,845

7. Prepaids, other receivables and deposits:

	June 30, 2015	September 30, 2014
	$	$
Prepaid expenses	**104,651**	164,286
Indirect tax receivables	**29,914**	18,838
Receivables from related parties and other (Note 13c)	**697,587**	627,828
Long-term receivables	**-**	24,117
	832,152	835,069

8. Inventory

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

	June 30, 2015	September 30, 2014
	$	$
Machinery: parts and work in progress	**1,695,729**	980,259
Food products	**204,182**	237,387
Packaging supplies	**89,116**	25,197
	1,989,027	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**
Nine months ended June 30, 2015:				
Opening net book value	105,146	2,484,492	287,529	2,877,167
Additions	54,149	1,015,246	36,929	1,106,324
Disposals	(4,898)	(63)	-	(4,961)
Depreciation	(23,291)	(426,510)	(75,537)	(525,338)
Currency translation adjustments	(518)	178,634	20,961	199,077
Closing net book value	**130,588**	**3,251,799**	**269,882**	**3,652,269**
At June 30, 2015				
Cost	364,595	4,772,666	585,303	5,722,564
Accumulated depreciation	(234,007)	(1,520,867)	(315,421)	(2,070,295)
Net book value	**130,588**	**3,251,799**	**269,882**	**3,652,269**

As at June 30, 2015, there was $984,060 of manufacturing plant & equipment as asset held under an operating lease to a customer (2014 - $276,302).

10. Trade and other payables

	June 30, 2015	September 30, 2014
	$	$
Trade payables	**1,776,584**	802,380
Pension accrual	**186,324**	173,202
Personnel related accruals other than related parties	**450,835**	180,551
Other accrued liabilities	**307,267**	241,191
VAT and other taxes payable	**72,955**	249,212
Provision for warranty	**69,295**	32,127
	2,863,260	1,678,663

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

11. Share capital

a) Authorized:

Unlimited number of voting common shares without par value. Issued and outstanding: 84,522,759.

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	5,645,983	7,262,511
Share issue costs	-	(576,623)
Shares issued on exercise of options	710,000	534,412
Balance, September 30, 2014	84,372,759	50,964,155
Shares issued on exercise of options	150,000	239,940
Balance, June 30, 2015	84,522,759	51,204,095

c) Stock options

The Company's stock option plan ("the Option 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 Option 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 Option 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.

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

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	1,430,000	1.35
Exercised	(710,000)	0.34
Forfeited	(40,000)	1.37
Outstanding at September 30, 2014	5,249,000	1.48
Granted	75,000	1.10
Exercised	(150,000)	1.02
Forfeited	(315,000)	1.53
Outstanding at June 30, 2015	4,859,000	1.48
Exercisable at June 30, 2015	4,390,662	1.50

The weighted average fair value of options granted during the nine months ended June 30, 2015 was $0.36 per option (2014 - $0.46).

During the nine months ended June 30, 2015, 150,000 stock options were exercised (2014 – 610,000), for total proceeds of $153,000 (2014-$193,500). A fair value of $86,940 (2014 - $202,562) 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 $172,500 (2014- $822,600).

The following weighted average assumptions were used in calculating the fair value of the stock options granted using Black-Scholes model during the nine months ended June 30, 2015 and 2014:

	2015	2014
Risk-free interest rate	1.35%	1.41%
Expected life	3.64 years	3.64 years
Estimated volatility	41.29%	43.45%
Forfeiture rate	1.36%	1.55%
Dividend rate	0.00%	0.00%

Stock options outstanding as at June 30, 2015 have the following expiry date and exercise prices:

Year of expiry	Exercise price per share $	June 30, 2015 #
2015	1.10 - 1.70	476,500
2016	1.54 - 2.18	1,017,500
2017	1.32 - 1.61	1,625,000
2018	1.40 - 1.80	410,000
2019	1.10 - 1.40	1,330,000
		4,859,000

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

During the nine months ended June 30, 2015, the Company recorded stock-based compensation expense of $230,554 (2014 - $503,557) which includes expense for the options exercised and for Restricted Share Rights recognized during the nine months ended June 30, 2015. During the three months ended June 30, 2015, the Company recorded stock-based compensation expense of $59,460 (2014 - $241,186) which includes expense for the options exercised and for Restricted Share Rights recognized during the three months ended June 30, 2015 (2014 – Nil).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.

Subsequently, on July 2, 2015 1,500 stock options expired and on July 13, 2015, 10,000 options were granted to a director of the Company.

d) Contributed surplus:

	Nine months ended June 30, 2015 $	Year ended September 30, 2014 $
Contributed surplus – Beginning of period	**5,286,569**	4,969,083
Stock-based compensation	**224,266**	608,398
Restricted share rights (Note 11(e))	**6,288**	-
Transfer to share capital on exercise of options	**(86,940)**	(290,912)
Contributed surplus – End of period	**5,430,183**	5,286,569

e) Restricted share rights:

On March 23, 2015, the shareholders of the Company approved a Restricted Share Rights Plan (the “RSR Plan”) pursuant to which the Company reserved up to a maximum of 1,000,000 common shares for Restricted Share Rights (“RSRs”). The common shares reserved under the RSR Plan, together with stock options outstanding under the Option Plan, cannot exceed in aggregate 10% of the issued and outstanding shares of the Company.

On March 23, 2015, the Company awarded 65,000 RSRs under the RSR Plan valued at $69,550. The awarded RSRs will vest in three years from the award date. The Company recognized stock-based compensation related to the award of these RSRs of $6,288 during the nine months ended June 30, 2015 and charged the amount to contributed surplus.

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

12. Contingencies and commitments

a) Commitments – Payables from Company to vendors

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.

	June 30, 2015	September 30, 2014
	$	$
Less than 1 year	**906,910**	1,348,483
Between 1 and 5 years	**1,563,903**	2,053,431
More than 5 years	**12,103**	67,867
Total	**2,482,916**	3,469,781

b) Commitments - Receivables from customers to the Company

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.

	June 30, 2015	September 30, 2014
	$	$
Less than 1 year	**32,474**	209,319
Between 1 and 5 years	**1,297,636**	1,206,466
Total	**1,330,110**	1,415,785

13. 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 and nine months ended June 30, 2015 and 2014 was as follows:

	Three months ended	
	June 30, 2015	June 30, 2014
	$	$
Salaries, bonuses, short-term and long-term employee benefits	**206,202**	118,332
Stock-based compensation	**45,485**	189,762
	251,687	308,094

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

	Nine months ended	
	June 30, 2015	June 30, 2014
	$	$
Salaries, bonuses, short-term and long-term employee benefits	**721,927**	836,808
Stock-based compensation	**119,962**	322,526
	841,889	1,159,334

b) *Purchase of services*

The Company purchased services from related parties for the three and nine months ended June 30, 2015 and 2014 as shown in the table below:

	Three months ended	
	June 30, 2015	June 30, 2014
	$	$
Consulting, managment or directors' fees	**176,458**	99,934
Royalties paid to INAP (iv),14 c	**88,161**	79,724
Stock-based compensation recognized for related parties not included as key management	**63,341**	85,530
Office and manufacturing facility for US facilities paid to a former director	**26,348**	-
Office and manufacturing facility rent paid to related parties	**61,191**	67,316
	415,499	332,504

	Nine months ended	
	June 30, 2015	June 30, 2014
	$	$
Consulting, managment or directors' fees	**439,659**	349,616
Royalties paid to INAP (iv),14 c	**254,271**	213,558
Stock-based compensation recognized for related parties not included as key management	**63,341**	109,174
Office and manufacturing facility for US facilities paid to a former director	**43,583**	-
Office and manufacturing facility rent paid to related parties	**187,839**	199,652
	988,693	872,000

In addition, Creations (a company controlled by a former director of the Company) contributed $883,691 (2014 - $Nil) to Nutradried LLP.

(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 $1,161,617 (September 30, 2014 - $1,025,292) are current amounts due and $572,486 (September 30, 2014 - $1,135,896) are non-current amounts due:

	June 30, 2015	September 30, 2014
	$	$
Binder related party loans (i)(ii)	**426,603**	778,186
Rent payable to related parties	**18,111**	-
Other payable to related parties (iii)	**338,021**	180,406
Other financial liability to INAP (iv)	**951,368**	1,202,596
	1,734,103	2,161,188

(i) In 2012 the Company assumed a loan due to the previous owners, who remain key management. At June 30, 2015 the balance outstanding of this loan was $423,930 (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) In 2012 the Company assumed a loan due to the previous owners, who remain key management. At June 30, 2015 the carrying amount was $2,673 (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 bonuses, accrual for royalties payable to INAP and other accruals.

(iv) INAP is controlled by management of Binder. Of the total amount, $401,320 is payable within a year, and the remaining $550,048 is non-current.

In addition, an amount of $674,828 (September 30, 2014 - $627,828) was receivable from related parties of which $668,215 relates to a former director of the Company who is a principal of Nutradried Creations (Note 1) (September 30, 2014 - $586,138 corresponded to Lucid, a company controlled by the same person).

14. 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.

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 nine months ended June 30, 2015 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 13(c)); and has two credit cards with a limit of $25,000 and $45,906, 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.

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

(a) Financial assets maturity table:

	0 - 30	31 - 90	91- 1 year	over 1 year
Cash, cash equivalents and restricted cash	1,244,084	28,749	-	1,444,406
Trade receivables	1,789,334	457,497	385,237	-
Other receivables including related parties	56,642	670,859	-	-
	3,090,060	1,157,105	385,237	1,444,406

(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	1,256,915	1,396,692	139,382	974
Amounts due to related parties	255,549	100,585	404,163	22,438
Provisions	10,175	-	59,122	-
	1,522,639	1,497,277	602,667	23,412

(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	62,545	87,006
2016	324,341	451,191
2017	421,643	586,548
2018	29,343	40,820
Total	837,872	1,165,565

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 $21,000 (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 June 30, 2015 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 $34,000.

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 $21,000.

15. Revenue

i) Revenue breakdown:

Nine months ended	**June 30, 2015**	June 30, 2014
	$	$
Sales and construction contracts	**11,333,105**	1,937,100
Royalties, commissions and licensing	**23,767**	402,760
Equipment testing fees and other revenues	**290,306**	122,628
	11,647,178	2,462,488

Three months ended	**June 30, 2015**	June 30, 2014
	$	$
Sales and construction contracts	**3,549,024**	1,095,677
Royalties, commissions and licensing	**9,564**	367,676
Equipment testing fees and other revenues	**104,013**	(71,726)
	3,662,601	1,391,627

On the statements of financial position, due from customers on contract of 905,642 (2014 - $81,308) relates to work performed on equipment construction contracts and revenue has been recognized, however the amounts are still to be invoiced to the customer based on the contract terms.

Customer deposits and deferred revenue of $1,875,524 (2014 - $1,655,105) relates to deposits received from customers on their equipment orders, but not yet recognizable as revenue.

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

ii) Individual customers representing over 10% of the total revenue during the period were as follows:

	Nine months ended			
	June 30, 2015		June 30, 2014	
Customer	$	%	$	%
A	3,103,487	27%	454,918	18%
B	1,728,013	15%	-	-
C	1,669,960	14%	-	-
Other	5,145,718	44%	2,007,570	82%
	11,647,178	100%	2,462,488	100%

iii) Trade receivables from customers representing more than 10% of the total amount were as follows:

	June 30, 2015		September 30, 2014	
Customer	$	%	$	%
X	553,938	21%	641,980	39%
Y	502,723	19%	287,019	17%
Z	319,953	12%	-	-
Other	1,255,454	48%	731,846	44%
	2,632,068	100%	1,660,845	100%

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

16. 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		Nine months ended	
	June 30, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
	$	$	**$**	$
Expenses				
Cost of materials	**3,573,867**	1,200,694	**8,979,418**	2,333,936
Impariment of goodwill	**3,855,602**	-	**3,855,602**	-
Salaries, wages and fees	**1,108,323**	1,011,126	**3,438,962**	3,204,035
Professional services	**194,317**	184,970	**679,762**	920,796
Other expenses	**253,320**	847,042	**582,503**	911,782
Travel and promotional costs	**237,957**	164,530	**550,095**	490,794
Rent	**114,379**	148,693	**399,572**	410,928
Inventory impairment	**70,058**	-	**183,191**	-
Bad debt	**97,600**	5,686	**116,413**	21,125
Repairs and maintenance	**3,229**	2,876	**11,294**	6,915
Research and development contributions	**-**	(137,604)	**-**	(171,360)
Total expenses	**9,508,652**	3,428,013	**18,796,812**	8,128,951

EnWave Corporation

Notes to the Condensed Consolidated Interim Financial Statements

Three and Nine months ended June 30, 2015 and 2014

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

17. 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.

	EnWave: (Canada)	Binder: (Germany)	EnWave USA	Total	EnWave: (Canada)	Binder: (Germany)	EnWave USA	Total
	$	$	$	$	$	$	$	$
As at		**June 30, 2015**				**September 30, 2014**		
Assets								
Trade receivables	930,411	1,198,359	503,298	2,632,068	265,660	1,357,293	37,892	1,660,845
Receivables from related parties	674,460	-	368	674,828	-	4,921	612,152	617,073
Inventory	616,352	1,079,377	293,298	1,989,027	322,058	658,201	262,584	1,242,843
Property, plant and equipment	1,482,816	123,155	2,046,298	3,652,269	1,072,228	111,100	1,693,839	2,877,167
Intangible assets	3,391,291	18,264	19,994	3,429,549	4,455,610	18,525	16,496	4,490,631
Goodwill	-	-	-	-	-	3,922,675	-	3,922,675
	7,095,330	2,419,155	2,863,256	12,377,741	6,115,556	6,072,715	2,622,963	14,811,234
Liabilities								
Trade and other payables	373,449	1,923,748	566,063	2,863,260	494,344	1,015,842	168,477	1,678,663
Loans and other amounts due to related parties	202,147	518,133	62,455	782,735	169,086	778,185	11,321	958,592
Customer deposits and deferred revenues	401,119	209,803	-	610,922	96,167	1,558,938	-	1,655,105
Other financial liability	951,368	-	-	951,368	1,202,596	-	-	1,202,596
	1,928,083	2,651,684	628,518	5,208,285	1,962,193	3,352,965	179,798	5,494,956
Revenue and expenses:								
Nine months ended		**June 30, 2015**				**June 30, 2014**		
Revenues	2,501,633	7,688,359	1,457,186	11,647,178	402,760	1,937,100	122,628	2,462,488
Expenses	(4,965,150)	(11,036,988)	(2,685,842)	(18,687,980)	(3,487,500)	(3,909,754)	(647,905)	(8,045,159)
Net loss	**(2,463,517)**	**(3,348,629)**	**(1,228,656)**	**(7,040,802)**	**(3,084,740)**	**(1,972,654)**	**(525,277)**	**(5,582,671)**
Three months ended		**June 30, 2015**				**June 30, 2014**		

Revenues for EnWave comprise all the royalties, commissions and licensing fees, and equipment testing fees referred to in Note 15 and accounts for approximately 21% of all the consolidated revenues. Revenues for Binder relate entirely to construction contracts which is approximately 66% of all the consolidated revenues referred to in Note 15. Revenues for EnWave USA relate entirely to sales of products referred to in Note 15 and account for approximately 13% of all the consolidated revenues.