EnWave Corporation

Consolidated Financial Statements

Years ended September 30, 2015 and 2014

(expressed in thousands of Canadian dollars)

December 17, 2015

Independent Auditor's Report

To the Shareholders of EnWave Corporation

We have audited the accompanying consolidated financial statements of EnWave Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2015 and September 30, 2014 and the consolidated statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of EnWave Corporation and its subsidiaries as at September 30, 2015 and September 30, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

EnWave Corporation

Consolidated Statements of Financial Position

As at September 30, 2015 and 2014

(expressed in thousands of Canadian dollars)

	Note	2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	5	1,101	5,851
Restricted cash	5	1,530	971
Trade receivables	6	1,025	1,661
Receivable from related parties	15(e)	581	617
Due from customers on contract	18(a)	659	81
Prepaids, other receivables and deposits	7	155	218
Inventory	8	1,024	1,243
		6,075	10,642
Non-current assets			
Plant and equipment	9	3,808	2,877
Intangible assets	10	3,056	4,491
Goodwill	11	-	3,923
		6,864	11,291
Total assets		**12,939**	**21,933**
Liabilities			
Current liabilities			
Trade and other payables	12	1,332	1,680
Amounts due to related parties	15(d)	499	693
Customer deposits and deferred revenue	18(a)	743	1,655
Current portion of other liability	14(c)	457	332
		3,031	4,360
Non-current liabilities			
Amounts due to related parties	15(d)	-	266
Long-term portion of other liability	14(c)	597	870
		597	1,136
Total liabilities		**3,628**	**5,496**
Equity			
Attributable to shareholders of the parent			
Share capital	13(b)	51,204	50,964
Warrants	13(c)	586	586
Contributed surplus	13(e)	5,461	5,287
Foreign currency translation reserve		511	327
Deficit		(49,693)	(41,035)
		8,069	16,129
Non-controlling interest		1,242	308
Total equity		**9,311**	**16,437**
Total liabilities and equity		**12,939**	**21,933**

Contingencies and commitments	14
Subsequent events	22

Approved by the Board of Directors

____________________ Director ____________________ Director

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

EnWave Corporation

Consolidated Statements of Loss

For the years ended September 30, 2015 and 2014

(expressed in thousands of Canadian dollars, except per share data)

	Note	2015 $	2014 $
Revenues	18	5,868	1,198
Direct costs		(4,689)	(462)
		1,179	736
Expenses			
General and administration		2,089	1,445
Sales and marketing		719	616
Research and development		1,386	1,591
Amortization of intangible assets		1,420	1,419
Stock-based compensation	13(d)	261	608
Foreign exchange (gain) loss		(129)	70
Write-down of inventory	8	452	-
Loss on disposal of plant and equipment		-	106
Finance expense		81	26
Finance income		(107)	(111)
		6,172	5,770
Net loss for the year from continuing operations		(4,993)	(5,034)
Discontinued operations			
Net loss for the year from discontinued operations	4	(4,324)	(1,956)
Net loss for the year		(9,317)	(6,990)
Loss attributed to:			
Shareholders of the parent company		(8,658)	(6,399)
Non-controlling interest		(659)	(591)
		(9,317)	(6,990)
Loss per share from continuing operations			
Basic and diluted		(0.06)	(0.06)
Loss per share from discontinuing operations			
Basic and diluted		(0.05)	(0.02)
		(0.11)	(0.08)
Weighted average number of shares outstanding			
Basic and diluted		84,465,499	82,763,197

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

EnWave Corporation

Consolidated Statements of Comprehensive Loss

For the years ended September 30, 2015 and 2014

(expressed in thousands of Canadian dollars)

	2015 $	2014 $
Net loss for the year	(9,317)	(6,990)
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss		
Foreign exchange translation	104	284
Total comprehensive loss for the year	(9,213)	(6,706)
Loss attributable to		
Shareholders of the parent company	(8,454)	(6,173)
Non-controlling interest	(759)	(533)
Total comprehensive loss for the year	(9,213)	(6,706)
Total comprehensive loss arising from		
Continuing operations	(4,548)	(4,977)
Discontinued operations	(4,665)	(1,729)
	(9,213)	(6,706)

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

EnWave Corporation

Consolidated Statements of Changes in Equity

For the years ended September 30, 2015 and 2014

(expressed in thousands of Canadian dollars)

	Attributable to shareholders of the parent							Non-controlling interest	
	Share capital								
	Amount	Value $	Warrants $	Contributed surplus $	Foreign currency translation reserve $	Deficit $	Total $	Deficit $	Total Equity $
Balance - September 30, 2013	78,016,776	43,744	-	4,969	102	(34,636)	14,179	(80)	14,099
Net loss for the year	-	-	-	-	-	(6,399)	(6,399)	(591)	(6,990)
Contributions from non-controlling interest partners	-	-	-	-	-	-	-	920	920
Effects of foreign currency translation	-	-	-	-	225	-	225	59	284
Shares issued on private placements	5,645,983	7,263	636	-	-	-	7,899	-	7,899
Share issue costs	-	(577)	(50)	-	-	-	(627)	-	(627)
Shares issued on exercise of options	710,000	534	-	(290)	-	-	244	-	244
Stock-based compensation	-	-	-	608	-	-	608	-	608
Balance - September 30, 2014	84,372,759	50,964	586	5,287	327	(41,035)	16,129	308	16,437
Net loss for the year	-	-	-	-	-	(8,658)	(8,658)	(659)	(9,317)
Contributions from non-controlling interest partners	-	-	-	-	-	-	-	994	994
Effects of foreign currency translation	-	-	-	-	205	-	205	173	378
Foreign currency reserve and non-controlling interest of Binder (note 4)	-	-	-	-	(21)	-	(21)	426	405
Shares issued on excess of options	150,000	240	-	(87)	-	-	153	-	153
Restricted share rights	-	-	-	12	-	-	12	-	12
Stock-based compensation	-	-	-	249	-	-	249	-	249
Balance - September 30, 2015	84,522,759	51,204	586	5,461	511	(49,693)	8,069	1,242	9,311

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

EnWave Corporation

Consolidated Statements of Cash Flows

For the years ended September 30, 2015 and 2014

(expressed in thousands of Canadian dollars)

	Note	2015 $	2014 $
Cash flows from operating activities			
Net loss for the year from continuing operations		(4,993)	(5,034)
Items not affecting cash			
Depreciation and amortization		2,232	1,751
Write-down of inventory		452	-
Stock-based compensation	13(d)	261	608
Finance income		(107)	(111)
Finance expense		81	26
Loss on disposal of plant and equipment		-	106
Other items not affecting cash		358	-
Fixed assets sold through direct costs	9	179	-
Foreign exchange (gain) loss		(129)	70
		(1,666)	(2,584)
Changes in non-cash working capital			
Change in trade receivables		(769)	(134)
Change in prepaids and other receivables		(26)	161
Change in inventory		(718)	(392)
Change in trade and other payables		622	(52)
Change in the amounts due to related parties		61	(189)
Change in customer deposits and deferred revenue		(30)	72
Net cash used in operating activities		(2,526)	(3,118)
Cash flows from investing activities			
Acquisition of plant and equipment		(1,345)	(2,306)
Acquisition of intangible assets		-	(9)
Finance income received		92	203
Net cash used in investing activities		(1,253)	(2,112)
Cash flows from financing activities			
Funding from non-controlling interest partner		994	305
Proceeds from private placement		-	7,899
Share issue costs		-	(627)
Proceeds from exercise of stock options	13(d)	153	244
Increase to restricted cash		(560)	(943)
Payment of other liability		(242)	(267)
Net cash generated from financing activities		345	6,611
Cash flows (used in) generated from continuing operations		(3,434)	1,381
Cash flows used in discontinued operations		(1,121)	(1,201)
Effect of foreign exchange translation on cash		(195)	22
(Decrease) increase in cash and cash equivalents		(4,750)	202
Cash and cash equivalents - Beginning of year		5,851	5,649
Cash and cash equivalents - End of year		1,101	5,851
Non-cash transactions			
Warrants and agents' warrants issued		-	130
Acquisition of property, plant and equipment through accounts payable		(330)	(152)

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

(expressed in thousands of Canadian dollars)

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 microwave-vacuum food and biomaterial dehydration machines that utilize proprietary dehydration technologies developed by the Company.

The registered office of the Company is: 1000 Cathedral Place - 925 West Georgia Street, Vancouver, BC V6C 3L2, Canada.

The Company holds a 51% partnership interest in NutraDried LLP ("NutraDried"), a partnership formed in the United States of America. NutraDried develops, manufactures, markets and sells certain dehydrated food products under the Company's nutraDRIED™ trademark throughout North America. On January 30, 2015, the Company entered into a series of agreements with 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 to Creations of the 49% interest in NutraDried.

The Company held an 86.5% controlling interest in the shares of Hans Binder Maschinenbau GmbH ("Binder") located in Germany, a manufacturer of conventional dehydration equipment. The principal activities of Binder were designing, manufacturing and selling of conventional dehydration equipment. On September 29, 2015, EnWave ceased to control Binder when Binder filed for insolvency under German insolvency code. As of September 29, 2015, the Company no longer consolidates Binder, as it is no longer able to govern the financial and operating activities or generate returns for the Company (note 4).

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

2 Basis of preparation

Statement of compliance

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These consolidated financial statements were approved for issuance by the Board of Directors for issue on December 17, 2015.

Critical accounting estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. The Company regularly reviews its estimates and assumptions; however, it is possible that circumstances may arise which may cause actual results to differ from management estimates, and these differences could be material. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(expressed in thousands of Canadian dollars)

Revenue recognition

The recognition of revenue as of the consolidated statement of financial position date requires management to make significant estimates primarily relating to the percentage-of-completion method to determine the amount of revenue to recognize. The stage of completion is measured by reference to the actual contract costs incurred as a percentage of total estimated costs for each contract.

Impairment of inventory

The Company has utilised guidance under International Accounting Standards ("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 selling expenses.

Impairment of goodwill and intangible assets

The Company tests annually whether goodwill and intangible assets are impaired. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions.

Other liability

The Company entered into a license agreement for the sub-licensing rights to the MIVAP® technology. The fair value of the liability on initial recognition was added to the cost of the intangible asset at the date of purchase. The liability is measured at the end of each reporting period, and changes are recorded in the consolidated statement of loss.

The Company estimates the liability based on the present value of minimum royalties payable to INAP GmbH (Industrie-Anlagen-Planung - "INAP"), a private German company, over the life of the agreement discounted at prevailing market rates. The potential variability of this estimate is significant given that it will be highly sensitive to the number of additional sub-licensees and their ultimate use of the technology. Given the lack of control over the licensee's actual and ultimate use of the technology which gives rise to the royalty, the Company cannot practicably determine how current estimates may change.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Company leases certain plant and equipment and assesses whether substantially all the risks and rewards of ownership rest with the Company or the customer.

When the Company determines that substantially all the risks and rewards of ownership rest with the Company, the Company records the lease payments earned; however, when assessed as a finance lease, the amounts

(expressed in thousands of Canadian dollars)

are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Warranty provision

The Company recognises revenue from the sale of machines to customers. The machine is sold with a manufacturer's warranty valid for a fixed period not exceeding one year. The Company estimates, based on past experience with similar sales, the warranty costs will not exceed 1% of revenues. The Company therefore recognises a provision for warranty equal to 1% of revenue recognized.

3 Significant accounting policies

The following policies have been applied to the consolidated financial statements presented:

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

Principles of consolidation and non-controlling interest

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The Company recognises any non-controlling interest on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the recognised amounts of the subsidiary's identifiable net assets at the date of acquisition.

The Company's subsidiaries are:

- EnWave USA Corporation, incorporated in the state of Delaware, USA (100% owned by the Company)

- NutraDried LLP, a limited liability partnership incorporated in Washington, USA (EnWave USA Corporation owns 51%)

- Hans Binder Maschinenbau GmbH, incorporated in Germany (86.5% owned by the Company; ceased to be a subsidiary on September 29, 2015)

Inter-company balances and transactions, including income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

When the Company ceases to consolidate a subsidiary due to a loss of any retained interest in the entity, the investment in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously

(expressed in thousands of Canadian dollars)

recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date. The Company measures goodwill at the acquisition date as the fair value of the consideration transferred including any non-controlling interest less the fair value of the identifiable assets acquired and liabilities assumed. Transaction costs in connection with business combinations are expensed as incurred.

Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the Company's reporting currency.

b) Transactions and balances

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive loss.

c) Consolidation

The results and financial position of all the companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position consolidated and presented are translated at the closing rate at the date of that statement of financial position;

ii) income and expenses are translated at average exchange rates; and

iii) all resulting exchange differences are recognized in other comprehensive income (loss) and accumulated in other comprehensive income (loss) within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income (loss).

(expressed in thousands of Canadian dollars)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash

Restricted cash is cash that has been pledged as collateral for the Company's credit card and as bank guarantees for certain of Binder's projects.

Financial instruments

The Company classifies its financial instruments based on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of the financial assets and liabilities at initial recognition. The Company has the following types of financial assets and liabilities:

a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise trade receivables, cash and cash equivalents, receivable from related parties, and restricted cash, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received and subsequently carried at amortized cost using the effective interest rate method with gains and losses recorded in the consolidated statement of loss.

b) Other financial liabilities: Other financial liabilities are carried at amortized cost and include trade and other payables, amounts due to related parties and other liability. They are initially recognized at the amount required to be paid, and subsequently measured at amortized cost using the effective interest rate method with gains or losses recorded in the consolidated statement of loss.

Impairment of financial and non-financial assets

Financial assets

The Company assesses its financial assets, which include loans and receivables, at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect to loans and receivables is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognized in the consolidated statement of loss.

(expressed in thousands of Canadian dollars)

Non-financial assets

The carrying amounts of the Company's non-financial assets, which include goodwill and intangible assets (which are separately assessed), are reviewed each reporting date to determine whether there are any events or changes that are indicators of impairment. If such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together in the smallest group of assets that generate cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit or “CGU”).

The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. In assessing value in use, future discounted cash flows are estimated.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of loss.

The Company evaluates impairment losses for potential reversals (other than goodwill) when events or circumstances warrant such consideration.

Inventory

Inventories comprise machine parts and work in progress, food products and packaging supplies. The cost of inventory includes direct material costs, direct labour, and an allocation of variable and fixed manufacturing overhead, including depreciation. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. If the carrying value exceeds the net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances that caused it no longer exist.

Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to the consolidated statement of loss during the period in which they are incurred. Depreciation is provided using the straight-line method at the following annual rates:

Office plant and equipment	3 to 5 years
Manufacturing plant and equipment	3 to 10 years
Commercial equipment	5 years
Leasehold improvements	Shorter of lease term or useful life

(expressed in thousands of Canadian dollars)

The Company allocates the amount initially recognized in respect of an item of plant and equipment to its significant parts and depreciates separately each such part. The carrying amount of a replaced part is derecognized when replaced. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less any accumulated impairment losses.

Other intangible assets

The Company's intangible assets are stated at cost less accumulated amortization and include acquired licensed technology with finite useful lives. These assets are capitalized and amortized on a straight-line basis over their expected useful lives as follows:

Computer software	3 years
Acquired patents and licensed technologies	Over the period of the agreement of 5 to 10 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The Company evaluates the recoverability of intangible assets based on the expected utilization of the underlying technologies.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated and discounted where the effect is material. The Company's provisions include estimates in relation to warranties offered on sales of the machines as well as an estimation of the right of return.

Share capital

Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Loss per share

Basic loss per share is calculated by dividing the net loss/income for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

(expressed in thousands of Canadian dollars)

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive common shares comprise stock options granted, Restricted Share Rights ("RSRs") and warrants.

Revenue recognition

Construction contracts

The Company designs and builds equipment to meet customers' specific needs. A construction or engineering contract is defined by IAS 11, *Construction Contracts*, as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses in the period they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The Company uses the percentage-of-completion method to determine the amount of revenue to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the consolidated statement of financial position, the Company reports the net contract position for each contract as either an asset or a liability. A contract represents an asset (due from customers on contract) where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability (customer deposits and deferred revenue) where the opposite is the case.

Sale of products

Sales of products are recognized when the significant risks and rewards of ownership have been transferred to the customer, the sales price and costs can be measured reliably, and it is probable that the economic benefits will flow to the Company. Revenue is adjusted for the value of expected returns. These criteria are generally met at the time the product is shipped, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained. Revenue is measured based on the price specified in the sales contract and net of discounts at the time of sale.

Royalties and licensing fees

Royalty and licensing fees are recognized when there is a binding right to receive such payments pursuant to the terms of the relevant agreement.

(expressed in thousands of Canadian dollars)

Research and development

Research costs are expensed as incurred to the consolidated statement of loss. Development costs are expensed as incurred unless capitalization criteria under IFRS are met for deferral and amortization.

Employee benefits

The Company was committed to two separate pension plans for the benefit of the previous owners of Binder, who continued to be employees of the Company up until the loss of control. The pension plans were generally funded through payments to insurance companies.

The defined contribution plan required the Company to pay a fixed monthly contribution in accordance with a contractual agreement and had no further obligations once these payments have been made.

The defined benefit plan committed the Company to provide an amount of pension benefit to be paid upon retirement dependent on age and years of service of the two individuals included in the plan. The arrangement was funded through payments to an insurance company and the Company recognized a liability for the cost of pensions using the projected unit credit method. Actuarial gains and losses arising from expense adjustments and changes in actuarial assumptions were charged or credited to equity as other comprehensive loss in the period in which they arose. Past service costs were recognized immediately into income.

Stock-based compensation

The Company grants stock options and RSRs to certain employees and directors of the Company as equity settled, stock-based compensation. The Company applies the fair value method of accounting for stock-based compensation. The fair value at grant date of stock options is estimated using the Black-Scholes option-pricing model. The fair value of RSRs is measured based on the fair value of the underlying shares on the grant date. Compensation cost is recognized on a straight-line basis over the expected vesting period of the stock-based compensation. The Company estimates the number of units expected to vest at the grant date and revises the estimate as necessary if subsequent information indicates that the actual number of units vesting differs significantly from the original estimate.

Current and deferred income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

(expressed in thousands of Canadian dollars)

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on an undiscounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Comparatives

Certain amounts are reclassified to conform with the presentation adopted in the current year.

Accounting standards adopted during the period

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 IFRS 1, IFRS 3, IFRS 8, IFRS 13 and IAS 24. The extent of the impact of adoption of the amendments has not been material.

Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income

The amendments retain the option to present profit or loss and other comprehensive income either in one continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that will and will not be subsequently reclassified to income. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of income and other comprehensive income are not affected by the amendments. The Company has classified all items of other comprehensive income as those that may subsequently be reclassified to income.

IFRS 10 - Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The application of IFRS 10 did not have a material impact on the consolidated financial statements.

(expressed in thousands of Canadian dollars)

Accounting standards and amendments issued and not yet adopted

IFRS 9 - Financial Instruments

IFRS 9 is tentatively effective for years commencing on or after January 1, 2018, and will replace IAS 39 - Financial Instruments: Recognition and Measurement. Under IFRS 9, financial assets will be classified and measured based on the business model in which they are held and the characteristics of the associated contractual cash flows. IFRS 9 also includes a new general hedge accounting standard which will better align hedge accounting and risk management. The Company intends to adopt IFRS 9 in its consolidated financial statements for the year commencing October 1, 2018; the extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 is effective for years commencing on or after January 1, 2018, and replaces IAS 11, Construction Contracts; IAS 18, Revenue; International Financial Reporting Interpretations Committee (“IFRIC”) IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfer of Assets from Customers; and Standards Interpretations Committee (“SIC”) 31, Revenue - Barter Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its consolidated financial statements for the year commencing October 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

4 Discontinued operations

On September 29, 2015, Binder filed for preliminary insolvency proceedings under the German Insolvency Code. As a result of this insolvency filing, an insolvency administrator was appointed by the court to take control of Binder’s operations and all power held by the Company was assigned to the administrator. Due to the insolvency, the Company no longer has the ability to control the financial or operating decisions of Binder, and does not have rights to returns from Binder. As a result, it was determined that the Company no longer controlled Binder in accordance with IFRS 10, Consolidated Financial Statements. The results of Binder have been consolidated into the Company’s results in the consolidated statements of loss and comprehensive loss up to September 28, 2015, and presented as discontinued operations. The results of Binder have been deconsolidated from the consolidated statement of financial position as of September 28th, 2015.

For the years ended September 30, 2015 and 2014, Binder’s operations have been classified as discontinued operations on the consolidated statements of loss, comprehensive loss, and cash flows and are presented as discontinued operations for segmented reporting. Financial information relating to the discontinued operation for the period up to the date control passed is set out below.

(expressed in thousands of Canadian dollars)

(i) The financial performance information presented is for the 363-day period ended September 28, 2015 and for the year-ended September 30, 2014.

	2015 $	2014 $
Revenues	10,539	3,356
Expenses	(10,764)	(5,312)
Impairment of goodwill (note 11)	(3,856)	-
Loss after income tax of discontinued operations	(4,081)	(1,956)
Loss on loss of control of subsidiary after income tax (see ii below)	(243)	-
Loss from discontinued operations	(4,324)	(1,956)
Exchange (loss) gain on translation of discontinued operations	(341)	227
Other comprehensive loss from discontinued operations	(4,665)	(1,729)
Cash flows		
Cash flows from operating activities	(931)	(965)
Cash flows from investing activities	(171)	(21)
Cash flows from financing activities	(19)	(215)
Total	(1,121)	(1,201)

(ii) The details of the loss arising from loss of control of Binder:

	$
Carrying amount of Binder net assets, net of non-controlling interest	(264)
Reclassification of foreign currency translation reserve	21
Income tax recovery on loss	-
Loss on loss of control of the subsidiary after income tax	(243)

5 Cash and cash equivalents and restricted cash

Cash and cash equivalents

	2015 $	2014 $
Funds held in current accounts	1,101	1,215
Short-term investments cashable within 90-days	-	4,636
	1,101	5,851

(expressed in thousands of Canadian dollars)

Restricted cash

As at September 30, 2015, the Company had agreements to cash collateralize a letter of credit up to an amount of $1,500 (2014 - 942). The letter of credit was issued to a customer of Binder (note 4) as a performance guarantee on one contract. The remaining restricted cash is held as collateral for a company credit card.

As at September 30, 2014, the Company had guarantee facilities available related to Binder of €2,000 and utilized €1,164. These facilities were collateralized by the amount held as restricted cash of $942 and a mortgage by a related entity for €767.

6 Trade receivables

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

	2015 $	2014 $
Trade receivables	1,314	1,740
Less: Allowance for doubtful accounts	(289)	(79)
	1,025	1,661

7 Prepaids, other receivables and deposits

	2015 $	2014 $
Prepaid expenses	112	164
Indirect tax receivables	23	19
Receivables from related parties	20	11
Other receivables	-	24
	155	218

8 Inventory

	2015 $	2014 $
Machine parts and work-in-progress	621	980
Food products	347	237
Packaging supplies	56	26
	1,024	1,243

During the year, a write-down of $265 (2014 - $nil) related to machine parts and $187 (2014 - $nil) related to food products was recorded to adjust inventory to its net realizable value.

(expressed in thousands of Canadian dollars)

9 Plant and equipment

	Office plant and equipment $	Manufacturing plant and equipment $	Commercial equipment $	Leasehold improvements $	Total $
Year ended September 30, 2014					
Opening net book value	116	265	-	283	664
Additions	21	2,083	276	90	2,470
Disposals	-	(2)	-	-	(2)
Depreciation	(34)	(188)	-	(97)	(319)
Currency translation adjustments	2	50	-	12	64
Closing net book value	105	2,208	276	288	2,877
At September 30, 2014					
Cost	225	2,976	276	520	3,997
Accumulated depreciation	(120)	(768)	-	(232)	(1,120)
Closing net book value	105	2,208	276	288	2,877
Year ended September 30, 2015					
Opening net book value	105	2,208	276	288	2,877
Additions	28	781	836	38	1,683
Disposals	-	(77)	(102)	-	(179)
Depreciation	(16)	(622)	(72)	(102)	(812)
Discontinued operations (note 4)	(84)	(26)	-	-	(110)
Currency translation adjustments	-	316	-	33	349
Closing net book value	33	2,580	938	257	3,808
At September 30, 2015					
Cost	147	3,738	1,010	605	5,500
Accumulated depreciation	(114)	(1,158)	(72)	(348)	(1,692)
Net book value	33	2,580	938	257	3,808

As at September 30, 2015, there was $938 (2014 - $nil) (note 14(b)) of commercial equipment under an operating lease to a customer.

During the year ended September 30, 2015, an amount of $179 (2014 - $nil) was transferred from manufacturing plant and equipment to inventory related to a machine constructed by the Company, and subsequently sold through direct costs.

(expressed in thousands of Canadian dollars)

10 Intangible assets

	Acquired patents and technology licenses $	Computer software $	Total $
Year ended September 30, 2014			
Opening net book value	5,879	5	5,884
Additions	10	29	39
Amortization	(1,418)	(14)	(1,432)
Closing net book value	4,471	20	4,491
At September 30, 2014			
Cost	9,545	72	9,617
Accumulated amortization	(5,074)	(52)	(5,126)
Net book value	4,471	20	4,491
Year ended September 30, 2015			
Opening net book value	4,471	20	4,491
Additions	5	-	5
Amortization	(1,420)	-	(1,420)
Disposal of Binder intangible assets (note 4)	-	(20)	(20)
Closing net book value	3,056	-	3,056
At September 30, 2015			
Cost	9,073	55	9,128
Accumulated amortization	(6,017)	(55)	(6,072)
Net book value	3,056	-	3,056

As at September 30, 2015, the remaining amortization period for intangible assets range from six months to six years (2014 - 1 to 7 years).

(expressed in thousands of Canadian dollars)

11 Goodwill

	EUR €	CAD $
Balance - September 30, 2014	2,772	3,923
Adjustment for foreign exchange	-	(67)
Impairment	(2,772)	(3,856)
Balance - September 30, 2015	-	-

Management identified indicators of impairment over the Binder CGU and performed an impairment analysis to assess the recoverable amount of the CGU in the third quarter of 2015. Based on management's assessment the goodwill assigned to the Binder CGU was fully impaired. An impairment charge of $3,856 was recorded in the third quarter of 2015 in the consolidated statement of loss, through discontinued operations (note 4).

12 Trade and other payables

	2015 $	2014 $
Trade payables	830	803
Accrued liabilities	393	242
Personnel related accruals	97	181
Provision for warranty	12	32
Pension accrual	-	173
Indirect taxes payable	-	249
	1,332	1,680

13 Share capital

a) Authorized: unlimited number of voting common shares without par value. Issued and outstanding: 84,522,759.

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

(expressed in thousands of Canadian dollars)

b) Issued and fully paid:

	Share capital	
	Amount	**Value $**
Balance - October 1, 2013	78,016,776	43,744
Shares issued on private placement	5,645,983	7,263
Share issue costs	-	(577)
Shares issued on exercise of options	710,000	534
Balance - September 30, 2014	84,372,759	50,964
Shares issued on exercise of options	150,000	240
Balance - September 30, 2015	84,522,759	51,204

c) Warrants

The continuity of share purchase warrants during the years ended September 30, 2015 and 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 - September 30, 2014 and September 30, 2015	2,320,957	1.72	0.18

The fair value of the warrants and agents' warrants issued during 2014 was calculated using the Black-Scholes model to be $636. The following assumptions were used in calculating the fair value: risk-free interest rate of 1.07%, expected life of 1.77 years, estimated volatility of 52.36%, and dividend rate of 0%. The 2,320,957 warrants outstanding expire on December 20, 2015.

d) 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.

(expressed in thousands of Canadian dollars)

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 prior to the date of grant, less the discount permitted by the policies of the Securities 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 according to the Option Plan.

The continuity of options is as follows:

	Number of share options	**Weighted average exercise price $**
Outstanding at 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	105,000	1.07
Exercised	(150,000)	1.02
Expired or forfeited	(326,500)	1.52
Outstanding at September 30, 2015	4,877,500	1.48
Exercisable at September 30, 2015	4,489,162	1.50

The weighted average fair value of options granted during the year ended September 30, 2015 was $0.33 per option (2014 - $0.46).

During the year, 150,000 options (2014 - 710,000) were exercised, for total proceeds of $153 (2014 - $244). A fair value of $87 (2014 - $290) was transferred from contributed surplus to share capital in connection with the exercises. The fair value of the shares acquired at the time of the exercises was $173 (2014 - $823).

The following weighted average assumptions were used in calculating the fair value of the stock options granted using Black-Scholes model:

(expressed in thousands of Canadian dollars)

	2015	**2014**
Risk-free interest rate	1.14%	1.41%
Expected life	3.64 years	3.64 years
Estimated volatility	40.97%	43.44%
Forfeiture rate	1.32%	1.55%
Dividend rate	0.00%	0.00%

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

Year of expiry	**Exercise price per share $**	**Number of options**
2015	1.10 - 1.70	465,000
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
2020	1.00	30,000
		4,877,500

The Company recorded stock-based compensation expense of $261 (2014 - $608), which includes compensation expense for stock options and for RSR's. The fair value of each option and RSR is accounted for in the consolidated statement of loss over the vesting period, and the related credit is included in contributed surplus.

e) Contributed surplus

	2015 $	**2014 $**
Contributed surplus - October 1	5,287	4,969
Stock-based compensation	249	608
Restricted Share Rights (note 13(f))	12	-
Transfer to share capital on exercise of options	(87)	(290)
Contributed surplus - September 30	5,461	5,287

f) 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 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.

(expressed in thousands of Canadian dollars)

During the year ended September 30, 2015, the Company awarded 80,000 RSRs (2014 - nil) under the RSR Plan with a fair value of $85 (2014 - $nil). The awarded RSRs will vest in three years from the award date, in accordance with the RSR Plan.

14 Contingencies and commitments

a) Commitments payable to vendors from the Company

The Company has entered into various lease agreements for the rental of office space, plant facilities, and laboratory facilities for lease terms ranging from three to six 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.

	2015 $	**2014 $**
Less than 1 year	374	996
Between 1 and 5 years	181	956
More than 5 years	-	68
Total	555	2,020

b) Commitments receivable by the Company from customers

The Company has entered into lease agreements for the lease of commercial equipment (note 9) to customers with the lease payments receivable for periods between six and 48 months.

	2015 $	**2014 $**
Less than 1 year	432	209
Between 1 and 5 years	896	1,206
More than 5 years	-	-
Total	1,328	1,415

c) Other liability

On December 6, 2010, the Company entered into an Asset Purchase Agreement (the “INAP APA”) to acquire the patents and know-how for the MIVAP™ vacuum microwave dehydration technology. The license covered the US and North American rights. Pursuant to the INAP APA, a portion of the license or royalty fees collected from the Company’s customers who purchase MIVAP® technology is remitted to INAP; in the case of North American food applications the percentage is 25%, and for non-food applications in North American markets is 12.5%. For non-North American usage, the Company remits to INAP 50% of license or royalty fees collected from food applications, and 25% from non-food.

(expressed in thousands of Canadian dollars)

The acquired intangible was recorded at the fair value of the estimated minimum royalty amounts and subsequently at each reporting date at amortised cost less repayments. At September 30, 2015 the remaining discounted balance of the liability is $1,054 (2014 - $1,202) and is payable on an undiscounted basis as follows:

	Royalties payable EUR €	**Royalties payable CAD $**
2016	324	485
2017	422	630
2018	29	43
Total	775	1,158

15 Related party transactions

a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and/or its subsidiaries, including any external director of the Company and/or its subsidiaries.

Remuneration of key management personnel of the Company comprises the following expenses:

	2015 $	**2014 $**
Salaries, bonuses, short-term and long-term employee benefits	551	1,036
Stock-based compensation	138	386
	689	1,422

b) Sale of goods

The Company recorded sales of $290 (2014 - $nil) to Creations, the non-controlling interest partner of NutraDried LLP.

(expressed in thousands of Canadian dollars)

c) Purchases from related parties

The Company had purchases from related parties in the normal course of business as shown in the table below:

	2015 $	2014 $
Consulting, management and directors' fees	639	414
Royalties paid or accrued to INAP (iv)	337	274
Stock-based compensation recognized for related parties not included as key management	73	130
Equipment purchases from companies controlled by related parties	674	-
Office and manufacturing facility rent paid to related parties	366	265
	2,089	1,083

d) Period-end balances payable to related parties

The following amounts are due to related parties:

	2015 $	2014 $
Binder related party loans (i) (ii)	-	779
Other payable to related parties (iii)	499	180
Other liability payable to INAP (i) (iv)	-	1,202
	499	2,161

	2015 $	2014 $
Current portion	499	1,025
Long-term portion	-	1,136
	499	2,161

i) The Company had an 86.5% controlling interest in Binder (note 4). Transactions between the Company and its consolidated subsidiaries have been eliminated in these consolidated financial statements. Subsequent to the loss of the controlling interest in Binder, Binder, its key management personnel and entities under common control of Binder and its key management personnel ceased to be related parties of the Company.

ii) The loan was payable to the previous owner of Binder, who were key management. The loan was unsecured and bearing interest ranging from 5.5% to 9% per annum.

(expressed in thousands of Canadian dollars)

iii) This includes amounts payable to Creations, accrual for bonuses of key management personnel, and other accruals.

iv) INAP APA is an entity controlled by management of Binder and was a related party up to the loss of control of Binder (note 4).

e) Period-end balances receivable from related parties

As at September 30, 2015 $581 (2014 - $nil) was receivable from a director of Creations. In January 2015 the amount receivable was converted into a promissory note bearing interest at 12% repayable on January 31, 2016.

16 Income taxes

The provision for income taxes is based on the combined federal and provincial statutory income tax rates. A reconciliation of income taxes at the statutory rate to actual income taxes is as follows:

	2015 $	2014 $
Combined statutory tax rate	26%	27%
Income tax recovery at the statutory tax rate	(2,422)	(1,963)
Permanent differences	1,321	203
Effect of different statutory rates	(114)	-
Effect of unrecognized deferred tax assets	896	2,045
Other	319	(285)
	-	-

Deferred tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets due to the uncertainty of future taxable profits. The analysis of deferred tax assets and liabilities is as follows:

	2015 $	2014 $
Non-capital losses	5,226	6,738
Scientific research and development expenses	2,152	1,716
Plant and equipment and intangible assets	1,067	479
Other	310	702
Total unrecognized deferred tax assets	8,755	9,635

(expressed in thousands of Canadian dollars)

The Company has non-capital losses for Canadian income tax purposes of approximately $17,667 (2014 - $17,081) that are available to reduce future years' taxable income. These losses will expire as follows:

	$
2026	333
2027	921
2028	1,007
2029	1,291
2030	1,758
2031	2,415
2032	4,482
2033	3,026
2034	1,848
2035	586
	17,667

In addition, the Company has losses for US tax purposes of approximately $1,350 (2014 - $440) that are available to reduce future years of taxable income.

17 Financial instruments and risk management

The Company's cash and cash equivalents, restricted cash, trade receivables, receivable from related parties, trade and other payables and amounts due from related parties are measured at amortized cost subsequent to initial measurement. Fair value measurement requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;

Level 3 - Inputs that are not based on observable market data.

Fair values

The Company's financial assets and liabilities are classified into the following categories:

Cash and cash equivalents	Loans and receivables
Restricted cash	Loans and receivables
Trade receivables	Loans and receivables
Due from customers on contract	Loans and receivables
Receivable from related parties	Loans and receivables
Trade and other payables	Other financial liabilities
Amounts due from related parties	Other financial liabilities
Other liability	Other financial liabilities

The fair value of financial assets and liabilities classified as loans and receivables and other financial liabilities (excluding other liability) approximate their carrying value due to their short-term nature.

(expressed in thousands of Canadian dollars)

The carrying value of other liability as at September 30, 2015 was $1,054 (2014 - $1,202) approximates its fair value (note 14(c)) and is recorded at amortized cost. The carrying value of the other liability was determined based on the discounted future cash flows using rates for similar financial instruments subject to similar risks and maturities.

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 years ended September 30, 2015 and 2014. The Company has no financial instruments measured at fair value.

Financial risk factors

The use of financial instruments exposes the Company 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.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss being incurred by the Company. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, restricted cash and trade receivables. The Company mitigates its exposure to credit loss by maintaining cash balances with major Canadian financial institutions.

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables. Prior to issuing credit, management reviews the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables by maintaining ongoing close contact with customers, by requiring commercial letters of credit, and by reviewing individual account balances, and proactively following up on overdue amounts. The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at September 30, 2015, the Company has recorded an allowance for doubtful accounts of $289 (2014 - $79).

The Company is exposed to credit risk in trade receivables by way of concentration of credit with a small number of customers. The Company determines its concentration of credit risk if the balance is more than 10% of total revenue or trade receivables. The Company expects these customers to remain as large customers in the future. Significant change in these customer relationships could materially impact the Company's future financial results. The Company seeks and ordinarily obtains progress advances in respect of its construction contracts. The maximum exposure to loss arising from trade receivables is equal to their total carrying amounts.

(expressed in thousands of Canadian dollars)

The following table provides information regarding the aging of trade receivables as at September 30, 2015:

	Neither past due nor impaired	**Past due but not impaired**		
	0 - 30	**31 - 90**	**91 - 365**	**Over 365**
Trade receivables	1,003	22	-	-
Due from customers on contract	659	-	-	-
Other receivables including related parties	34	10	581	-
	1,696	32	581	-

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 to manage capital management decisions. Such forecasting takes into account current and potential customers, contractual obligations and the Company's technology development and commercialization expectations.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with varying maturities selected with regards to the expected timing of expenditures from continuing operations.

The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At September 30, 2015, the Company had cash and cash equivalents and restricted cash of $2,631 to settle current liabilities of $2,288. The Company completed a private placement in October 2015 to provide additional liquidity (note 22(a)).

a) Financial assets maturity table:

	0 - 30	**31 - 90**	**91 - 365**	**Over 365**
Cash, cash equivalents and restricted cash	1,101	30	1,500	-
Trade receivables	1,003	22	-	
Due from customers on contract	-	603	56	-
Other receivables including related parties	34	10	581	-
	2,138	665	2,137	-

(expressed in thousands of Canadian dollars)

b) Financial liabilities, excluding other liability, maturity table:

	0 - 30	31 - 90	91 - 365	Over 365
Trade and other payables	1,183	116	33	
Amounts due to related parties	397	102	-	-
	1,580	218	33	-

c) The undiscounted minimum royalties in other liability mature as follows:

Year	Royalties payable EUR €	Royalties payable CAD $
2016	324	485
2017	422	630
2018	29	43
Total	775	1,158

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents and restricted cash. The Company earns interest on deposits based on current market interest rates, which during the year ranged between 1.4% and 1.6%. A 1% change in interest rates would affect the results of operations by approximately $38 (2014 - $68).

The Company had loans payable to related parties. The interest rates are fixed and the Company considers the interest rate risk to be low.

Foreign exchange risk

The Company is exposed to the following foreign exchange risks related to the fluctuation of foreign exchange rates:

(i) The Company operates in the United States and previously Germany (note 4) and a portion of its expenses are incurred in US dollars and Euros;

(ii) The Company is exposed to currency risk through its other liability comprising minimum royalties denominated in Euros;

(expressed in thousands of Canadian dollars)

(iii) The Company is exposed to currency risk through an increasing number of customers with contracts denominated in US dollars.

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar and Euro currencies could have an effect on the Company's results of operations. As at September 30, 2015, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars. The Company has not hedged its exposure to currency fluctuations.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's loss for the period as follows:

Currency	2015 $	2014 $
US dollar	24	13
Euro	106	28

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of equity attributable to common shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There were no changes in the Company's approach to capital management in the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

18 Revenues

a) Revenue breakdown for the years ended September 30, 2015 and 2014 is as follows:

	2015 $	2014 $
Equipment sales and construction contracts	2,789	448
Product sales	2,578	221
Equipment rental fees, testing fees and other	469	523
Royalties and licensing fees	32	6
	5,868	1,198

(expressed in thousands of Canadian dollars)

Included in due from customers on contract on the statement of financial position is $659 (2014 - $81) related to work performed on equipment construction contracts where 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 $743 (2014 - $1,655) relates to deposits received from customers on their equipment orders, but not yet recognizable as revenue.

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

	2015		2014	
Customer	**$**	**%**	**$**	**%**
A	1,728	29	263	22
B	1,057	18	250	21
C	-	-	137	11
Other	3,083	53	548	46
	5,868	100	1,198	100

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

	2015		2014	
Customer	**$**	**%**	**$**	**%**
X	536	52	642	39
Y	-	-	287	17
Other	489	48	732	44
	1,025	100	1,661	100

19 Pension obligations

The Company was formerly obligated to both a defined contribution and defined benefit pension plan for the previous owners of Binder who were employees of the Company. The results of Binder have been deconsolidated from the consolidated statement of financial position as at September 30, 2015 (note 4).

Defined contribution pension plan

The pension contribution expense is recorded in the period that the services are rendered by the employees. The Company incurred pension contribution expenses of $nil for the year ended September 30, 2015 (2014 - $3) and had an obligation at the year ended September 30, 2015 of $nil (2014 - $109).

(expressed in thousands of Canadian dollars)

Defined benefit plan

The pension rights were fully vested as at September 30, 2014. The Company funded these commitments through an insurance arrangement and paid a lump-sum payment in 2007. According to the terms of the insurance agreement, the Company was required to contribute additional funding if the fair value of the plan assets was lower than the capital required to fund the pension payments using actuarial assumptions and the expected yield of the plan assets.

The Company's pension deficit was as follows:

	2015 $	2014 $
Defined benefit obligation	-	322
Fair value of plan assets	-	(258)
Plan deficit and period-end liability	-	64

The plan assets were managed as part of the insurance company's fund and did not include any investment in the Company. The insurance company applied an expected rate of return of 4% in calculating the deficit in 2014. As the pensions are already fully vested and fixed in nature, no assumptions regarding inflation as well as future salary and pension increases were made.

20 Expenses by nature

Details of consolidated expenses by nature for direct costs, general and administration, sales and marketing, and research and development expenses are shown below:

	Year ended September 30,	
	2015 $	2014 $
Cost of materials	(4,150)	(493)
Salaries, wages and employee expenses	(1,790)	(1,546)
Travel and promotional costs	(563)	(484)
Professional services	(540)	(981)
Other expenses	(359)	(117)
Depreciation of plant and equipment	(812)	(287)
Rent	(251)	(212)
Bad debt	(249)	(39)
Total expenses	(8,714)	(4,159)

(expressed in thousands of Canadian dollars)

21 Segmented information

The Company has assessed its operating segments to be EnWave and EnWave USA for the year ended September 30, 2015 and EnWave, EnWave USA and Binder for the year ended September 30, 2014 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	September 30, 2015			September 30, 2014			
	EnWave (Canada) $	EnWave USA $	Total $	EnWave (Canada) $	Binder Germany $	EnWave USA $	Total $
Assets							
Trade receivables	200	825	1,025	266	1,357	38	1,661
Receivable from related parties	581	-	581	-	4	613	617
Inventory	621	403	1,024	322	658	263	1,243
Plant and equipment	1,224	2,584	3,808	1,072	111	1,694	2,877
Intangible assets	3,037	19	3,056	4,456	19	16	4,491
Goodwill	-	-	-	-	3,923	-	3,923
	5,663	3,831	9,494	6,116	6,072	2,624	14,812
Liabilities							
Trade and other payables	785	547	1,332	495	1,017	168	1,680
Amounts due to related parties	112	387	499	170	778	11	959
Other financial liability	1,054	-	1,054	1,202	-	-	1,202
	1,951	934	2,885	1,867	1,795	179	3,841

Year ended	September 30, 2015			September 30, 2014		
	EnWave (Canada)[1] $	EnWave USA $	Total $	EnWave (Canada)[1] $	EnWave USA $	Total $
Revenues	3,273	2,595	5,868	977	221	1,198
Expenses	(7,022)	(3,839)	(10,861)	(5,281)	(951)	(6,232)
Net loss from continuing operations	(3,749)	(1,244)	(4,993)	(4,304)	(730)	(5,034)
Net loss from discontinued operations	(4,324)	-	(4,324)	(1,956)	-	(1,956)
Net loss	(8,073)	(1,244)	(9,317)	(6,260)	(730)	(6,990)

[1] The results of Binder are included as discontinued operations of EnWave (Canada) (note 4).

Revenues for EnWave comprise all equipment sales and construction contacts, royalties and licensing fees, and equipment testing fees referred to in note 18 and accounts for approximately 56% of all the consolidated revenues. Revenues for EnWave USA relate to sales of products referred to in note 18 and account for approximately 44% of all the consolidated revenues.

(expressed in thousands of Canadian dollars)

22 Subsequent events

a) On October 22, 2015, the Company completed a bought deal private placement offering of 6,250,000 Units of the Company at a purchase price of $0.80 per Unit, for aggregate gross proceeds of $5,000. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire a common share at an exercise price of $1.20 for five years following the closing date of the offering.

   In connection with the offering, the Company paid the Underwriter a cash fee equivalent to 6% of the gross proceeds from the offering in addition to 225,000 broker warrants, each of which is exercisable for a period of two years from the closing date into one Unit at $1.20 and upon the same terms as the Units issued in connection with the offering.

   The Company incurred share issue costs, including, but not limited to, legal fees and other share issue costs in order to complete the private placement.

b) On November 13, 2015, the Company granted 216,000 stock options under the Company’s Option Plan. The options granted are exercisable at a price of $0.80 and vest over eighteen months. The options granted expire on November 13, 2020.