



E N W Λ V E

C O R P O R A T I O N

Condensed Consolidated Interim Financial Statements

**Three months ended December 31, 2018 and 2017**

(Unaudited – prepared by management)  
(expressed in thousands of Canadian dollars)

---

**NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA (Chartered Professional Accountants) Canada for a review of interim financial statements by an entity's auditor.

---

# EnWave Corporation

## Condensed Consolidated Interim Statements of Financial Position

### As at December 31, 2018 and September 30, 2018

(Unaudited, expressed in thousands of Canadian dollars)

	Note	December 31, 2018 \$	September 30, 2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		9,279	9,101
Restricted cash		250	250
Trade receivables		4,367	3,522
Due from customers on contract	4	521	727
Prepays and other receivables	5	422	285
Inventory	6	3,303	2,873
		<b>18,142</b>	<b>16,758</b>
<b>Non-current assets</b>			
Plant and equipment		4,822	4,452
Intangible assets		817	952
		<b>5,639</b>	<b>5,404</b>
<b>Total assets</b>		<b>23,781</b>	<b>22,162</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	7	2,570	3,037
Amounts due to related parties		-	19
Customer deposits and deferred revenue	4	1,914	1,201
Income taxes payable		253	392
Current portion of other liability	8(b)	105	98
		<b>4,842</b>	<b>4,747</b>
<b>Non-current liabilities</b>			
Long-term portion of other liability	8(b)	339	347
Deferred income tax liability		167	146
		<b>506</b>	<b>493</b>
<b>Total liabilities</b>		<b>5,348</b>	<b>5,240</b>
<b>Equity</b>			
Attributable to shareholders of the parent			
Share capital	9(b)	64,533	63,391
Warrants	9(c)	1,886	1,895
Contributed surplus		7,674	7,582
Foreign currency translation reserve		932	548
Deficit		(56,592)	(56,494)
<b>Total equity</b>		<b>18,433</b>	<b>16,922</b>
<b>Total liabilities and equity</b>		<b>23,781</b>	<b>22,162</b>
<b>Contingencies and commitments</b>	8		

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

# EnWave Corporation

## Condensed Consolidated Interim Statements of Net Loss

### For the three months ended December 31, 2018 and 2017

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

	Note	Three months ended December 31,	
		2018 \$	2017 \$
<b>Revenues</b>	11	<b>7,806</b>	4,519
<b>Direct costs</b>		<b>(4,769)</b>	(3,093)
		<b>3,037</b>	1,426
<b>Expenses</b>			
General and administration		<b>998</b>	593
Sales and marketing		<b>976</b>	590
Research and development		<b>341</b>	272
Amortization of intangible assets		<b>137</b>	139
Stock-based compensation	9(d)	<b>357</b>	147
Foreign exchange loss (gain)		<b>(55)</b>	94
Finance income, net		<b>(18)</b>	(12)
		<b>2,736</b>	1,823
<b>Net income (loss) for the period before income taxes</b>		<b>301</b>	(397)
Income tax expense			
Current		<b>304</b>	-
Deferred		<b>12</b>	-
<b>Net loss for the period</b>		<b>(15)</b>	(397)
<b>Net loss income attributed to:</b>			
Shareholders of the parent company		<b>(15)</b>	(616)
Non-controlling interest		<b>-</b>	219
		<b>(15)</b>	(397)
<b>Loss per common share</b>			
Basic and diluted		<b>(0.00)</b>	(0.01)
<b>Weighted average number of common shares outstanding</b>			
Basic and diluted		<b>101,473,352</b>	95,781,183

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

# EnWave Corporation

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

**For the three months ended December 31, 2018 and 2017**

(Unaudited, expressed in thousands of Canadian dollars)

	Note	Three months ended December 31,	
		2018	2017
		\$	\$
<b>Net loss for the period</b>		(15)	(397)
<b>Other comprehensive income</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Foreign exchange translation		384	16
<b>Total comprehensive income (loss) for the period</b>		<b>369</b>	<b>(381)</b>
<b>Comprehensive income (loss) attributed to:</b>			
Shareholders of the parent company		369	(608)
Non-controlling interest	1	-	227
<b>Total comprehensive income (loss) for the period</b>		<b>369</b>	<b>(381)</b>

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

# EnWave Corporation

## Condensed Consolidated Interim Statements of Changes in Equity

### For the three months ended December 31, 2018 and 2017

(Unaudited, expressed in thousands of Canadian dollars)

	Attributable to shareholders of the parent							Non-controlling interest	Total equity
	Share capital		Warrants	Contributed surplus	Foreign currency translation reserve	Deficit	Total		
	Number	Value							
		\$	\$	\$	\$	\$	\$	\$	
<b>Balance – September 30, 2017</b>	90,832,759	54,967	749	7,322	430	(55,199)	8,269	1,763	10,032
Net (loss) income for the period	-	-	-	-	-	(616)	(616)	219	(397)
Effects of foreign currency translation	-	-	-	-	8	-	8	8	16
Shares issued for prospectus and private placement	9,530,000	8,884	1,310	-	-	-	10,194	-	10,194
Share issuance costs	-	(1,067)	(134)	-	-	-	(1,201)	-	(1,201)
Shares issued on exercise of agent's warrants	225,000	207	(27)	-	-	-	180	-	180
Restricted share rights	-	-	-	33	-	-	33	-	33
Stock-based compensation	-	-	-	114	-	-	114	-	114
<b>Balance – December 31, 2017</b>	<b>100,587,759</b>	<b>62,991</b>	<b>1,898</b>	<b>7,469</b>	<b>438</b>	<b>(55,815)</b>	<b>16,981</b>	<b>1,990</b>	<b>18,971</b>
<b>Balance – September 30, 2018</b>	100,926,409	63,391	1,895	7,582	548	(56,494)	16,922	-	16,922
Impact of new IFRS standards (note 3)	-	-	-	-	-	(83)	(83)	-	(83)
Net loss for the period	-	-	-	-	-	(15)	(15)	-	(15)
Effects of foreign currency translation	-	-	-	-	384	-	384	-	384
Shares issued on exercise of agent's warrants	23,327	30	(6)	-	-	-	24	-	24
Shares issued on exercise of warrants	12,500	18	(3)	-	-	-	15	-	15
Shares issued on exercise of options	840,000	1,094	-	(265)	-	-	829	-	829
Restricted share rights	-	-	-	66	-	-	66	-	66
Stock-based compensation	-	-	-	291	-	-	291	-	291
<b>Balance – December 31, 2018</b>	<b>101,802,236</b>	<b>64,533</b>	<b>1,886</b>	<b>7,674</b>	<b>932</b>	<b>(56,592)</b>	<b>18,433</b>	<b>-</b>	<b>18,433</b>

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

# EnWave Corporation

## Condensed Consolidated Interim Statements of Cash Flows For the three months ended December 31, 2018 and 2017

(Unaudited, expressed in thousands of Canadian dollars)

	Note	Three months ended December 31,	
		2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Net loss for the period		(15)	(397)
Items not affecting cash			
Depreciation and amortization		578	483
Stock-based compensation	9(d)	357	147
Finance income, net		(18)	(12)
Income tax expense		316	-
Foreign exchange (gain) loss		(55)	94
		<u>1,163</u>	<u>315</u>
Changes in non-cash working capital			
Trade receivables		(688)	195
Prepays and other receivables		(83)	12
Inventory		(326)	345
Trade and other payables		(421)	(78)
Due to/from related parties		(19)	(23)
Due from customers on contract and deferred revenue		723	179
		<u>349</u>	<u>945</u>
Income taxes paid		(462)	-
		<u>(113)</u>	<u>945</u>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(690)	(177)
Finance income received		27	16
		<u>(663)</u>	<u>(161)</u>
<b>Cash flows from financing activities</b>			
Proceeds from prospectus offering and private placement	9(b)	-	10,006
Share issue costs	9(b)	-	(1,014)
Proceeds from exercise of stock options	9(d)	830	-
Proceeds from exercise of warrants	9(c)	39	180
Payment of other liability	8(b)	(33)	(322)
		<u>836</u>	<u>8,850</u>
Effect of foreign exchange translation on cash		118	(11)
		<u>178</u>	<u>9,623</u>
<b>Increase in cash and cash equivalents</b>		<b>178</b>	<b>9,623</b>
<b>Cash and cash equivalents - Beginning of the period</b>		<b>9,101</b>	<b>1,319</b>
<b>Cash and cash equivalents - End of the period</b>		<b>9,279</b>	<b>10,942</b>
<b>Non-cash transactions</b>			
Acquisition of plant and equipment through accounts payable		43	9
Acquisition of intangible assets through accounts payable		-	30
Warrants issued for share issue costs		-	187

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

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, 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’s wholly owned subsidiary, NutraDried Food Company, LLC (“NutraDried”), is a Limited Liability Corporation registered in Washington State. NutraDried manufactures, markets and sells certain dehydrated food products under the Company’s nutraDRIED™ and Moon Cheese® trademarks throughout North America. On February 21, 2018, the Company acquired the 49% non-controlling interest in NutraDried from NutraDried Creations, LLP (“Creations”), the former non-controlling interest partner in NutraDried for cash consideration of US \$1,800 (CAD \$2,310). The acquisition of the 49% non-controlling interest in NutraDried made NutraDried a wholly owned subsidiary of the Company effective February 21, 2018.

### 2 Basis of preparation

#### Statement of compliance

These unaudited 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 consolidated financial statements of the Company for the year ended September 30, 2018. There are selected explanatory notes 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, 2018.

These interim financial statements were approved for issuance by the Board of Directors for issue on February 27, 2019.

#### 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. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recorded prospectively.



# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, 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. If the total actual contract costs were to differ by 10% from management's estimated contract costs, the amount of revenue recognized in the period would be increased or decreased by \$327 (2017 - \$146).

### *Impairment of inventory*

The Company measures inventory at the lower of cost and net realizable value, and in the event the net realizable value exceeds cost, an impairment charge is recorded. This determination requires judgement, which includes, among other factors, the selling price, less the estimated costs of completion and selling expenses.

### *Impairment of non-financial assets*

At each reporting date, the Company assesses its non-financial assets to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. Non-financial assets that do not generate independent cash flows are grouped together into a cash generating unit ("CGU"), which represents the lowest level at which largely independent cash flows are generated. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is calculated as the present value of the estimated future cash flows discounted at appropriate discount rates. 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. The measurement of the liability could change depending on the Company's ultimate use of the technology which gives rise to the royalty.

### *Warranty provision*

The Company recognizes revenue from the sale of machines to customers. Machines are 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, that the warranty costs will not exceed 1% of revenues. The Company therefore recognizes a provision for warranty equal to 1% of revenue recognized.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

---

### 3 Significant accounting policies

Other than noted below, the accounting policies adopted are consistent with the September 30, 2018 annual consolidated financial statements and the unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2018 annual audited financial statements.

#### **New Accounting standards adopted during the period**

Beginning on October 1, 2018, the Company adopted certain IFRS standards and amendments. As required by IAS 34, *Interim Financial Reporting* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature of these changes are disclosed below.

#### ***IFRS 15 – Revenue from Contracts with Customers***

Effective October 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* ("*IFRS 15*"), which replaces all previous revenue recognition standards including *IAS 18, Revenue* ("*IAS 18*") and *IAS 11, Construction Contracts* ("*IAS 11*") and related interpretations.

IFRS 15 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. A five-step model is utilized to achieve the core principle: (1) identify the customer contract; (2) identify the contract's performance obligation; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation; and (5) recognize revenue when or as a performance obligation is satisfied. New disclosures are also required.

#### *Transition considerations*

The Company adopted IFRS 15 by applying the modified retrospective method, without restatement of comparatives figures. The Company applied the following practical expedients upon adoption of IFRS 15 on October 1, 2018:

- Completed contracts – the Company applied IFRS 15 retrospectively only to contracts that were not completed contracts as at October 1, 2018.
- Contract modifications – the Company did not apply IFRS 15 retrospectively to contract modifications that occurred before October 1, 2018.

The timing of revenue recognition from the sale of small-scale, standardized machine designs was affected by the change in accounting policy. Under IFRS 15, revenue from the sale of small-scale, standardized machine designs is recognized at a point in time, when the installation of the unit is complete. Previously, under IAS 18, revenue was recognized over time using the percentage of completion method for these contracts.

The classification of revenues and selling and marketing expenses from product sales was affected by the change in accounting standards. Under IFRS 15, discounts and certain promotional expenditures are recorded as a reduction of revenue. Previously, under IAS 18, these costs were classified as selling and marketing expenses. The revised accounting policies had no other significant effect on revenue recognition in any of the other revenue sources.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

The financial impact of adopting IFRS 15 on the opening consolidated balance sheet is as follows:

	<b>As at October 1, 2018</b>
	<b>\$</b>
Inventory	119
Customer deposits and deferred revenue	202
Retained deficit	83

The financial impact of adopting IFRS 15 on the consolidated statement of net loss for the three months ended December 31, 2018 is as follows:

	<b>Amounts prior to adoption of IFRS 15</b>	<b>Impact of adopting IFRS 15</b>	<b>As reported on the consolidated financial statements</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	8,571	(765)	7,806
Sales and marketing expenses	1,741	(765)	976
Net income (loss)	-	-	-

The Company's revised revenue recognition accounting policy is described below:

### *Customized equipment sales contracts*

The Company designs and builds customized dehydration equipment to meet customers' specific needs. The Company typically receives a deposit prior to starting work on an equipment contract, and receives interim payments as work progresses. The Company recognizes a liability for advance payments in excess of revenue recognized and presents it as contract liability on the consolidated balance sheet in customer deposits and deferred revenue. The advance payment typically is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract.

The Company receives payments from customers based on a billing schedule, as established in the equipment purchase contracts. Amounts are billed as work progresses in accordance with the terms of the contract, either upon achievement of contractual milestones or at periodic intervals.

When an equipment purchase contract is for a customized machine design that is specific to a customer's equipment specification, the Company generally recognizes revenue over time because of continuous transfer of control to the customer. Because of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and the Company typically uses the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as costs are incurred on contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionately as costs are incurred. Costs to fulfil the performance obligation are recognised as cost of goods sold in the period they are incurred. Typically, the customized machine contracts of the Company do not have a duration of greater than 12 months, and the Company has applied the practical expedient under IFRS 15.121.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in thousands of Canadian dollars)

---

Management must make assumptions and estimates regarding the measurement of progress towards completion of the performance obligation over time. These assumptions and estimates relate to the complexity of the work being performed, achievement of technical specifications and milestone events, and the overall estimated cost, including materials, labour and overhead, to meet the performance obligations.

### *Standardized equipment sales contracts*

The Company builds and installs small-scale dehydration equipment of standardized designs. The Company typically receives a deposit when the order for a machine is placed, a second deposit prior to the shipment of the machine, and the final payments become due upon installation of the machine. The Company will recognize a liability in advance of recognizing revenue for the deposits received prior to installation. Revenue from the sale of small-scale, standardized dehydration equipment is recognized at a point in time, upon completion of installation of the machine at the customer's facility.

### *Sales of products*

The Company manufactures and sells food products in the consumer market. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled to, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur. These criteria are generally met at the time the product is shipped and when control transfers to the customer. Revenue is measured based on the price specified in the sales contract and net of discounts. Discounts and certain promotional costs are recorded as a reduction of revenue. In many situations, the Company uses brokers to sell the products and will pay a sales commission. Sales commissions are recorded as sales and marketing expenses, and are not recorded net against revenue from the sale of products.

### *Royalties and licensing fees*

The Company licenses its technology and charges sales-based or usage-based royalties to its licensees. Royalties and licensing fees are recognized at the time the subsequent sale or usage occurs, and when there is a binding right to receive such payments pursuant to the terms of the relevant agreement, which is the period the royalties are generated and earned.

## **IFRS 9 - Financial Instruments**

Beginning on October 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9") which replaces IAS 39, *Financial Instruments: Recognition and Measurement* and related amendments to IFRS 7, *Financial Instruments: Disclosures* and provides detailed guidance on classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. There was no material impact to the Company's consolidated financial statements with regards to the changes in IFRS on the classification and measurement of financial assets and liabilities and hedge accounting.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in thousands of Canadian dollars)

	IAS 39 Classification	IFRS 9 Classification
<b>Financial assets</b>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Due from customers on contract	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Trade and other payables	Other financial liabilities	Amortized cost
Amounts due to related parties	Other financial liabilities	Amortized cost
Customer deposits and deferred revenue	Other financial liabilities	Amortized cost
Other liability	Other financial liabilities	Amortized cost

There has been no change in the carrying value of the financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above.

### Accounting standards and amendments issued and not yet adopted

#### IFRS 16 - Leases

In January 2017, IFRS 16, *Leases*, was issued which requires, among other things, lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. The standard replaces IAS 17, *Leases*, and is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. The Company is in the process of assessing the impact of the new standard.

## 4 Contract assets and contract liabilities

Due from customers on contract consists of unbilled amounts typically resulting from sales under equipment purchase contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. The Company receives payments from customers based on a billing schedule, as established in the contracts. Accounts receivable are recognized when the right to consideration becomes unconditional.

Customer deposits and deferred revenue consists of advance payments and billings in excess of revenue recognized and deferred revenue. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract.

Net contract assets (contract liabilities) consisted of the following:

	December 31, 2018	September 30, 2018
	\$	\$
Due from customers on contract	521	727
Customer deposits and deferred revenues	(1,914)	(1,201)
	<u>(1,393)</u>	<u>(474)</u>

During the three months ended December 31, 2018, the Company recognized revenue from equipment sales and construction contracts of \$405 that was included as deferred revenue at the beginning of the period.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

### 5 Prepaids and other receivables

	December 31, 2018 \$	September 30, 2018 \$
Prepaid expenses	422	279
Indirect tax receivables	-	5
Other receivables	-	1
	<u>422</u>	<u>285</u>

### 6 Inventory

	December 31, 2018 \$	September 30, 2018 \$
Machine parts and work-in-progress	2,020	1,718
Food products	1,036	942
Packaging supplies	247	213
	<u>3,303</u>	<u>2,873</u>

### 7 Trade and other payables

	December 31, 2018 \$	September 30, 2018 \$
Trade payables	1,305	1,432
Accrued liabilities	736	1,221
Personnel related accruals	346	218
Provision for warranty	163	153
Indirect tax payable	20	13
	<u>2,570</u>	<u>3,037</u>

### 8 Contingencies and commitments

#### a) Commitments payable to vendors by the Company

The Company has entered into various lease agreements for the rental of office space, plant facilities, and laboratory facilities. The Company also pays additional rent to cover its share of operating costs and property taxes.

	December 31, 2018 \$	September 30, 2018 \$
Less than 1 year	745	657
Between 1 and 5 years	1,283	1,337
Total	<u>2,028</u>	<u>1,994</u>

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

---

### b) 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. On March 28, 2018, the Company renewed its INAP License for the exclusive worldwide rights to the know-how related to the MIVAP Vacuum microwave technology, and agreed to pay minimum annual royalties. The agreements with INAP cover the US, Canadian and worldwide rights. Pursuant to the INAP APA and INAP License, the Company agreed to pay a portion of the license or royalty fees collected from the Company's customers who purchase EnWave equipment that makes use of the acquired patents and know-how. For usage in North America, the Company remits 25% for food applications and 12.5% for non-food applications, and the agreement expires on February 3, 2019. For usage outside of North America, the Company remits 25% for food applications and 12.5% for non-food applications, and the agreement expires on October 15, 2022. Additionally, the Company agreed to pay INAP a fee equal to 2.5% of the net purchase price of each machine sold that makes use of the acquired patents and know-how.

The acquired intangible asset was recorded at the fair value of the estimated minimum royalty amounts and subsequently at each reporting date at amortized cost. As at December 31, 2018, there was no remaining minimum royalty obligation payable by the Company, and the amount of the other liability \$444 (September 30, 2018 - \$445).

	<b>Undiscounted royalties payable USD \$</b>	<b>Undiscounted royalties payable CAD \$</b>
2019	75	102
2020	100	136
2021	100	136
2022	100	136
2023	4	5
Total	<u>379</u>	<u>515</u>

## 9 Share capital

- a) Authorized: unlimited number of voting common shares without par value. Issued and outstanding: 101,802,236.

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

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

b) Issued and fully paid:

	Share capital	
	Number	Value \$
Balance – October 1, 2017	90,832,759	54,967
Shares issued on exercise of Agent's Warrants (i)	225,000	207
Shares issued with the Offering (ii)	9,530,000	8,884
Share issue costs (ii)	-	(1,069)
Shares issued on exercise of Underwriter's Warrants (ii)	10,975	14
Shares issued on exercise of Investor's Warrants	75	0
Shares issued on exercise of stock options	247,600	303
Shares issued on vesting of RSRs	80,000	85
Balance – September 30, 2018	100,926,409	63,391
Shares issued on exercise of Underwriter's Warrants (ii)	23,327	30
Shares issued on exercise of Investor's Warrants	12,500	18
Shares issued on exercise of stock options	840,000	1,094
Balance – December 31, 2018	101,802,236	64,533

- i) On October 17, 2018, the Company issued 225,000 common shares upon the exercise of 225,000 agent's warrants that were issued in connection with an October 22, 2015 private placement (the "Agent's Warrants") for gross proceeds of \$180. A reclassification of \$27 from contributed surplus to share capital was recorded on the exercise of the Agent's Warrants.
- ii) On November 15, 2018, the Company completed a prospectus offering of 8,760,000 Units concurrently with a private placement of 770,000 Units for an aggregate of 9,530,000 Units of the company at a purchase price of \$1.05 per Unit (the "Offering"). Each Unit (a "Unit") consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$1.50 per share expiring November 15, 2022. The aggregate gross proceeds of the Offering was \$10,006.

Total share issue costs with respect to the Offering amounted to \$1,201, which consisted of cash share issue costs of \$1,014 related to underwriters' commissions, underwriters' and Company legal fees, transfer agent fees and other expenses, and \$187 non-cash share issue costs related to the fair value of 525,539 warrants issued as compensation to the underwriters (the "Underwriter's Warrants").

c) Warrants

The continuity of share purchase warrants during the three months ended December 31, 2018 and 2017 is as follows:



# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in thousands of Canadian dollars)

	Number of warrants	Weighted average exercise price \$	Fair value at grant date \$
Balance September 30, 2017	3,350,000	1.17	0.25
Exercised:			
Agent's Warrants (i)	(225,000)	0.80	0.35
Issued:			
Investor Warrants (i) (ii)	4,877,500	1.49	0.27
Underwriter's Warrants (iii)	525,539	1.05	0.36
Balance – December 31, 2017	8,528,039	1.36	0.27

	Number of warrants	Weighted average exercise price \$	Fair value at grant date \$
Balance – September 30, 2018	8,522,476	1.36	0.27
Exercised:			
Underwriter's Warrants (iii)	(23,327)	1.05	0.36
Investor's Warrants (i)	(12,500)	1.20	0.46
Issued:			
Investor's Warrants (ii)	11,663	1.50	0.27
Balance – December 31, 2018	8,498,312	1.36	0.27

- i) On October 17, 2018, the Company issued 112,500 warrants in connection with the exercise of 225,000 Agent's Warrants. Each warrant issued entitles the holder to purchase one common share of the Company at \$1.20 expiring on October 22, 2020. The fair value of the Investor Warrants at the date of grant was estimated at \$0.46 per warrant using the Black-Scholes model based on the following assumptions: Stock price volatility 58%, risk-free interest rate 1.55%, dividend yield 0%, and expected life of 3.0 years.
- ii) On November 15, 2018 the company issued 4,765,000 warrants in connection with the Offering. Each Unit from the Offering consisted of one common share and one-half of a share purchase warrant. Each whole warrant issued is exercisable into one common share of the Company at an exercise price of \$1.50 per share expiring on November 15, 2022. The fair value of the warrants at the date of grant was estimated at \$0.27 per warrant using the Black-Scholes model based on the following assumptions: Stock price volatility 39%, risk-free interest rate 1.63%, dividend yield 0%, and expected life of 5.0 years.
- iii) On November 15, 2018, in connection with the Offering, the Company issued 525,539 Underwriter's Warrants to the underwriters as compensation for the Offering. The fair value of the Underwriter's Warrants was calculated using the Black-Scholes model to be \$187, or \$0.36 per each Underwriter's Warrant, and was included in the share issue costs of the Offering. The following assumptions were used in estimating the fair value of the Underwriter's Warrants: Stock price volatility 42%, risk-free interest rate 1.44%, dividend yield 0%, and expected life of 2.0 years. Each Underwriter's Warrant entitles the holder to purchase one common share and one-half of a share purchase warrant at an exercise price of \$1.05, and expire on November 15, 2019. The share purchase warrants issued on exercise will have the same terms as the warrants issued as part of the Offering.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

The following table summarizes the warrants that remain outstanding as at December 31, 2018:

Exercise price \$	Number of warrants	Expiry date
1.05	491,237	November 15, 2019
1.20	3,225,000	October 22, 2020
1.50	4,782,075	November 15, 2022
	<b>8,498,312</b>	

### 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.

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 changes in options for the three months ended December 31, 2018 and 2017 were as follows:

	2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of the period	7,291,001	1.12	6,611,000	1.14
Options granted	1,260,000	1.34	-	-
Options exercised	(840,000)	0.99	-	-
Options expired	(135,001)	1.40	(675,000)	1.37
<b>Outstanding, end of the period</b>	<b>7,576,000</b>	<b>1.17</b>	<b>5,936,000</b>	<b>1.11</b>
<b>Exercisable, end of the period</b>	<b>4,495,899</b>	<b>1.17</b>	<b>4,662,668</b>	<b>1.11</b>

The following weighted average assumptions were used in calculating the fair value of the stock options granted using the Black-Scholes model for the three months ended December 31, 2018:

	Three months ended December 31, 2018
Risk-free interest rate	2.26%
Expected life	3.21 years
Estimated volatility	43%
Forfeiture rate	1.25%
Dividend rate	0.00%

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

There were no stock options granted during the three months ended December 31, 2017.

Stock options outstanding as at December 31, 2018 have the following expiry date and exercise prices:

Year of expiry	Exercise price per share \$	Number of options
2019	1.10 - 1.40	1,275,000
2020	0.80 - 1.00	136,000
2021	0.87 - 1.28	1,462,400
2022	1.00 - 1.10	1,490,000
2023	1.07 - 1.45	3,212,600
		7,576,000

During the three months ended December 31, 2018, the Company recorded stock-based compensation expense of \$357 (2017 - \$147), which includes compensation expense for stock options and for restricted share rights ("RSRs"). 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) Restricted share rights

On March 23, 2015, the shareholders of the Company approved 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.

The changes in RSRs for the three months ended December 31, 2018 and 2017 were as follows:

	Three months ended December 31, 2018		Three months ended December 31, 2017	
	Number of RSRs	Weighted average grant date fair value \$	Number of RSRs	Weighted average grant date fair value \$
Outstanding, beginning of the period	710,000	1.21	380,000	1.02
RSRs granted	205,000	1.34	-	-
RSRs vested	-	-	-	-
RSRs forfeited	(90,000)	1.29	-	-
<b>Outstanding, end of the period</b>	<b>825,000</b>	<b>1.23</b>	<b>380,000</b>	<b>1.02</b>

During the three months ended December 31, 2018, stock-based compensation expense of \$66 (2017 - \$33) was recorded for the RSRs vested during the period. RSRs vest three years from the award date, in accordance with the RSR Plan.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

### 10 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 during the three months ended December 31, 2018 and 2017 comprises the following expenses:

	Three months ended December 31,	
	2018	2017
	\$	\$
Salaries, bonuses and short-term employee benefits	531	406
Stock-based compensation	221	62
	<u>752</u>	<u>468</u>

b) Purchases from related parties

The Company had purchases from related parties for the three months ended December 31, 2018 and 2017 in the normal course of business as shown in the table below:

	Three months ended December 31,	
	2018	2017
	\$	\$
Consulting, management and directors' fees	23	23
Stock-based compensation	221	29
Facilities rent and other	-	5
	<u>244</u>	<u>57</u>

### 11 Revenues

a) Revenue breakdown for the three months ended December 31, 2018 and 2017 is as follows:

	Three months ended December 31,	
	2018	2017
	\$	\$
Equipment sales and construction contracts	1,033	1,628
Product sales	6,328	2,398
Equipment rental fees, testing fees and other	194	290
Royalties and licensing fees	251	203
	<u>7,806</u>	<u>4,519</u>

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

Individual customers representing over 10% of the total revenues during the three months ended December 31, 2018 and 2017 were as follows:

Customer	Three months ended December 31, 2018		Three months ended December 31, 2017	
	\$	%	\$	%
A	3,862	49	608	14
B	753	10	558	12
C	-	-	518	11
Others	3,191	41	2,835	63
	<u>7,806</u>	<u>100</u>	<u>4,519</u>	<u>100</u>

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

Customer	December 31, 2018		September 30, 2018	
	\$	%	\$	%
X	1,105	25	1,083	31
Y	473	11	405	12
Z	-	-	372	11
Others	2,789	64	1,662	46
	<u>4,367</u>	<u>100</u>	<u>3,522</u>	<u>100</u>

## 12 Expenses by nature

Details of consolidated expenses by nature for direct costs, general and administration, sales and marketing, and research and development expenses for the three months ended December 31, 2018 and 2017 are shown below.

Details of expenses by nature	Three months ended December 31,	
	2018 \$	2017 \$
Cost of materials	3,173	1,971
Salaries, wages and employee expenses	1,930	1,295
Commissions, travel and promotion	518	401
Depreciation of plant and equipment	441	344
Professional services	398	218
Other expenses	418	151
Rent	148	120
Office and courier	58	48
Total expenses	<u>7,084</u>	<u>4,548</u>

## 13 Financial instruments and risk management

Fair value measurement requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques, as follows:

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

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

---

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 financial liabilities are classified into the following categories:

#### **Financial assets**

Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade receivables	Amortized cost
Due from customers on contract	Amortized cost

#### **Financial liabilities**

Trade and other payables	Amortized cost
Amounts due to related parties	Amortized cost
Customer deposits and deferred revenue	Amortized cost
Other liability	Amortized cost

The fair value of financial assets and financial liabilities classified as amortized costs approximates their carrying value due to their short-term nature.

The Company uses derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates. The fair value measurement of the foreign exchange derivatives is classified within Level 2 of the fair value hierarchy.

### 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, trade receivables, and due from customers on contract. 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 December 31, 2018, and September 30, 2018, the Company has recorded \$nil allowance for doubtful accounts.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in thousands of Canadian dollars)

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.

The Company transacts with a number of Canadian chartered banks and other brokerages. Due to the creditworthiness of its counterparties, the Company regards all changes in fair value of foreign exchange derivatives as arising only from changes in market factors, including foreign exchange rates. The Company monitors the exposure to any single counterparty along with its financial position. If it is determined that a counterparty has become materially weaker, the Company will work to reduce its credit exposure to that counterparty.

The following table provides information regarding the aging of receivables as at December 31, 2018:

	Neither past due nor impaired	Past due but not impaired		
	0 - 30	31 - 90	91 - 365	Over 365
Trade receivables	3,988	21	358	-
Due from customers on contract	521	-	-	-
	4,509	21	358	-

### 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 attempts to ensure that sufficient funds are raised from equity financing 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 December 31, 2018, the Company had cash and cash equivalents of \$9,279 to settle current liabilities of \$4,842.

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

a) Financial assets maturity table:

	0 - 30	31 - 90	91 - 365	Over 365
Cash and cash equivalents and restricted cash	9,279	-	250	-
Trade receivables	3,998	21	348	-
Due from customers on contract	521	-	-	-
	<u>13,798</u>	<u>21</u>	<u>598</u>	<u>-</u>

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

	0 - 30	31 - 90	91 - 365	Over 365
Trade and other payables	2,570	-	-	-
Income tax payable	-	253	-	-
	<u>2,570</u>	<u>253</u>	<u>-</u>	<u>-</u>

### 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 three months ended December 31, 2018 ranged from 1.35% to 2.20% (2017 - 1.10% to 1.87%). A 1% change in interest rates would affect the results of operations by approximately \$15 (2017 - \$38).

#### *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 a portion of its expenses are incurred in US dollars and Euros;
- (ii) The Company is exposed to currency risk through an increasing number of customers with contracts denominated in US dollars;
- (iii) The Company purchases machine parts from European suppliers and is exposed to currency risk as a portion of its expenses are incurred in Euros.

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 December 31, 2018, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.



# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

(Unaudited, expressed in thousands of Canadian dollars)

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. At December 31, 2018, and September 30, 2018 the Company held no foreign exchange contracts. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

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 three months ended December 31, 2018 and 2017 as follows:

<b>Currency</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
US dollar	103	197
Euro	(4)	(3)

### 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 period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 14 Segmented information

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

<b>Three months ended</b>	<b>December 31, 2018</b>			
	<b>EnWave Canada \$</b>	<b>EnWave USA \$</b>	<b>Elimination adjustments \$</b>	<b>Total \$</b>
Revenues – external customers	1,478	6,328	-	7,806
Revenues – other segments	565	-	(565)	-
Total revenues	2,043	6,328	(565)	7,806
Expenses	(3,204)	(5,182)	565	(7,821)
Net income (loss)	(1,161)	1,146	(0)	(15)

# EnWave Corporation

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements (Unaudited, expressed in thousands of Canadian dollars)

Three months ended	December 31, 2017			
	EnWave Canada \$	EnWave USA \$	Elimination adjustments \$	Total \$
Revenues – external customers	2,121	2,398	-	4,519
Revenues – other segments	478	-	(478)	-
Total revenues	2,599	2,398	(478)	4,519
Expenses	(2,997)	(2,330)	411	(4,916)
Net income (loss)	(398)	68	(67)	(397)

  

As at	December 31, 2018			September 30, 2018		
	EnWave Canada \$	EnWave USA \$	Total \$	EnWave Canada \$	EnWave USA \$	Total \$
<b>Assets</b>						
Trade receivables	1,702	2,665	4,367	940	2,582	3,522
Inventory	1,764	1,539	3,303	1,717	1,156	2,873
Plant and equipment	846	3,976	4,822	966	3,486	4,452
Intangible assets	780	37	817	914	38	952
	<u>5,092</u>	<u>8,217</u>	<u>13,309</u>	<u>4,537</u>	<u>7,262</u>	<u>11,799</u>
<b>Liabilities</b>						
Trade and other payables	1,217	1,353	2,570	1,588	1,449	3,037
Amounts due to related parties	-	-	-	1	18	19
Customer deposits and deferred revenue	1,914	-	1,914	1,188	13	1,201
Other liability	444	-	444	445	-	445
	<u>3,575</u>	<u>1,353</u>	<u>4,928</u>	<u>3,222</u>	<u>1,480</u>	<u>4,702</u>

Revenues for EnWave Canada comprise all equipment sales and construction contracts, royalties and licensing fees, and equipment rental fees, testing fees and other referred to in note 11(a) and account for approximately 19% of the consolidated revenues. Revenues for EnWave USA relate to product sales referred to in note 11(a) and account for approximately 81% of the consolidated revenues.