ENWAVE CORPORATION

Condensed Consolidated Interim Financial Statements

Three and six months ended March 31, 2023 and 2022

(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 condensed consolidated interim 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 (Loss) Income

For the three and six months ended March 31, 2023 and 2022

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

	Note	Three months ended		Six months ended	
		March 31, 2023 $	March 31, 2022 $	March 31, 2023 $	March 31, 2022 $
Revenues	16	**4,635**	1,498	**7,420**	5,564
Direct costs		**(2,371)**	(935)	**(4,127)**	(2,724)
		2,264	563	**3,293**	2,840
Expenses					
General and administration		**697**	745	**1,252**	1,464
Sales and marketing		**276**	521	**890**	1,105
Research and development		**415**	550	**812**	1,087
Stock-based compensation	14(d)	**197**	378	**365**	612
Amortization of intangible assets		**1**	29	**9**	60
Other income	18	**-**	-	**-**	(147)
Finance expense (income), net		**-**	(8)	**(11)**	(23)
Foreign exchange (gain) loss		**(9)**	47	**32**	66
		1,577	2,262	**3,349**	4,224
Income(loss) from continuing operations before income taxes		**687**	(1,699)	**(56)**	(1,384)
Income tax expense					
Current		**-**	-	**-**	-
Deferred		**-**	-	**-**	-
Income(loss) from continuing operations		**687**	(1,699)	**(56)**	(1,384)
Loss from discontinued operations	20	**(3,386)**	(687)	**(4,672)**	(1,255)
Loss for the period		**(2,699)**	(2,386)	**(4,728)**	(2,639)
Net income(loss) per share:					
Continuing operations, basic and diluted		**0.01**	(0.02)	**(0.00)**	(0.01)
Discontinued operations, basic and diluted		**(0.03)**	(0.00)	**(0.04)**	(0.01)
		(0.02)	(0.02)	**(0.04)**	(0.02)
Weighted average number of common shares outstanding:					
Basic		**111,500,055**	110,380,055	**110,474,011**	110,341,602
Diluted		**111,047,872**	110,380,055	**110,474,011**	110,341,602

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

EnWave Corporation

Condensed Consolidated Interim Statements of Comprehensive (Loss) Income

For the three and six months ended March 31, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Three months ended		Six months ended	
	March 31, 2023 $	March 31, 2022 $	March 31, 2023 $	March 31, 2022 $
Loss for the period	**(2,699)**	(2,386)	**(4,728)**	(2,639)
Other comprehensive loss				
Items that may be subsequently reclassified to profit or loss				
Foreign exchange translation loss	**(4)**	(41)	**(71)**	(357)
Total comprehensive loss for the period	**(2,703)**	(2,427)	**(4,799)**	(2,996)

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

EnWave Corporation

Condensed Consolidated Interim Statements of Financial Position

As at March 31, 2023 and September 30, 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Note	March 31, 2023 $	September 30, 2022 $
Assets			
Current assets			
Cash and cash equivalents		**3,487**	6,199
Restricted cash	4	**610**	614
Trade receivables	6	**3,909**	1,980
Due from customers on contract	5	**813**	852
Loans receivable, current	9	**824**	515
Inventory	8	**4,404**	6,622
Prepaids and other receivables	7	**561**	678
Income taxes receivable		**30**	540
		14,638	18,000
Non-current assets			
Loans receivable, non-current	9	**702**	268
Deposits and other receivables		**54**	51
Plant and equipment		**2,751**	5,539
Right-of-use assets	12(a)	**1,375**	1,968
Intangible assets		**3**	21
		4,885	7,847
Total assets		**19,523**	25,847
Liabilities			
Current liabilities			
Loan payable	10	**-**	4
Trade and other payables	11	**4,381**	4,476
Customer deposits and deferred revenue	5	**286**	1,311
Current portion of lease liabilities	12(b)	**497**	820
Current portion of other liability		**-**	5
		5,164	6,616
Non-current liabilities			
Loan payable	10	**-**	220
Long-term portion of lease liabilities	12(b)	**1,165**	1,383
		1,165	1,603
Total liabilities		**6,329**	8,219
Equity			
Share capital	14(b)	**79,639**	79,559
Warrants	14(c)	**-**	1,040
Contributed surplus		**12,404**	11,079
Foreign currency translation reserve		**554**	625
Deficit		**(79,403)**	(74,675)
Total equity		**13,194**	17,628
Total liabilities and equity		**19,523**	25,847
Contingencies and commitments	13		

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 six months ended March 31, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Share capital				Foreign currency translation		
	Number	Value $	Warrants $	Contributed surplus $	reserve $	Deficit $	Total $
Balance – September 30, 2021	110,205,055	79,272	1,040	10,234	190	(67,748)	22,988
Net loss for the period	-	-	-	-	-	(2,639)	(2,639)
Effects of foreign currency translation	-	-	-	-	(118)	-	(118)
Shares repurchased and cancelled (note 13(a))	-	-	-	-	-	-	-
Shares issued on exercise of stock options	-	-	-	-	-	-	-
Shares issued with restricted share rights	175,000	225	-	(225)	-	-	-
Restricted share rights	-	-	-	101	-	-	101
Stock-based compensation	-	-	-	511	-	-	511
Balance – March 31, 2022	110,380,055	79,497	1,040	10,621	72	(70,387)	20,843
Balance – September 30, 2022	110,440,055	79,559	1,040	11,079	625	(74,675)	17,628
Net loss for the period	-	-	-	-	-	(4,728)	(4,728)
Effects of foreign currency translation	-	-	-	-	(71)	-	(71)
Expiry of warrants	-	-	(1,040)	1,040	-	-	-
Shares repurchased and cancelled (note 13(a))	-	-	-	-	-	-	-
Shares issued on exercise of stock options	-	-	-	-	-	-	-
Shares issued with restricted share rights	60,000	80	-	(80)	-	-	-
Restricted share rights	-	-	-	93	-	-	93
Stock-based compensation	-	-	-	272	-	-	272
Balance – March 31, 2023	110,500,055	79,639	-	12,404	554	(79,403)	13,194

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 six months ended March 31, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Note	Six months ended March 31, 2023 $	2022 $
Cash flows generated from (used in) operating activities			
Net loss for the period from continuing operations		**(56)**	(1,384)
Items not affecting cash			
Depreciation and amortization		**565**	446
Stock-based compensation	13(d)	**365**	612
Finance expense (income), net		**(11)**	(23)
Foreign exchange gain		**32**	66
		895	(283)
Changes in non-cash working capital			
Increase in restricted cash		**5**	(294)
Trade receivables		**(168)**	148
Prepaids and other receivables		**86**	71
Loans receivable		**(763)**	270
Inventory		**(183)**	(597)
Trade and other payables		**(423)**	340
Security deposits received		**(68)**	(357)
Due from customers on contract and deferred revenue		**(1,016)**	380
Net cash used in from operating activities before income taxes		**(1,635)**	(322)
Income taxes recovered		**-**	-
Net cash used in operating activities from continuing operations		**(1,635)**	(322)
Net cash used in operating activities from discontinued operations		**(794)**	(664)
Net cash used in from operating activities		**(2,429)**	(986)
Cash flows generated from (used in) investing activities			
Acquisition of plant and equipment		**28**	(949)
Finance income received		**23**	64
Net cash generated from (used in) investing activities from continuing operations		**51**	(885)
Net cash generated from (used in) investing activities from discontinued operations		**343**	(452)
Net cash generated from (used in) investing activities		**394**	(1,337)
Cash flows generated from (used in) financing activities			
Payment of lease principal liabilities	12(b)	**(174)**	(177)
Payment of lease interest	12(b)	**(68)**	(38)
Payment received from finance leases		**8**	37
Payment of other liability		**(5)**	(38)
Net cash used in financing activities from continuing operations		**(239)**	(216)
Net cash used in financing activities from discontinued operations		**(448)**	(202)
Net cash used in financing activities		**(687)**	(418)
Effect of foreign exchange translation on cash		**10**	(12)
Decrease in cash and cash equivalents - continuing operations		**(1,823)**	(1,423)
Decrease in cash and cash equivalents - discontinued operations		**(899)**	(1,318)
Cash and cash equivalents - Beginning of period		**6,199**	11,790
Cash and cash equivalents - End of period		**3,487**	9,037
Non-cash transactions			
Acquisition of plant and equipment through accounts payable		**(25)**	148
Purchase of inventory through accounts payable		**(441)**	51

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

1 Nature of operations

EnWave Corporation ("EnWave" or "the Company") was incorporated under the Canada Business Corporations Act on July 14, 1999. The Company's principal business is the licensing of its intellectual property through royalty-bearing agreements and the design, construction, marketing and sales of vacuum-microwave dehydration machinery for the food, cannabis and biomaterial industries.

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, EnWave USA Corporation, is an incorporated subsidiary registered in the State of Washington.

NutraDried Food Company, LLC ("NutraDried"), is a wholly owned subsidiary of EnWave USA Corporation and a Limited Liability Corporation registered in Washington State. NutraDried manufactured, marketed and sold certain dehydrated food products manufactured using EnWave's proprietary technology under the Company's Moon Cheese® trademark. NutraDried is in the process of an orderly wind-down and the majority of its material capital assets have been sold as at March 31, 2023 as outlined below in Note 2 and Note 20.

The Company's wholly owned subsidiary, REV Technology Corporation, is an incorporated subsidiary registered in the State of Delaware.

2 Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as applicable to the preparation of interim financial statements, as set out in International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. They do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended September 30, 2022. 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, 2022. Certain prior period amounts have been reclassified to conform with the current period's presentation.

These interim financial statements were approved for issuance by the Board of Directors for issue on May 25, 2023.

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 that 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.

Significant estimates and judgments used in the preparation of the consolidated financial statements are described in the annual audited consolidated financial statements for the year ended September 30, 2022, with the exception of new significant accounting estimates and judgements noted below.

Discontinued operations

Discontinued operations are reported when a component of the Company, representing a separate major line of business or geographical area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element on the consolidated statements of loss and comprehensive loss for both the current and comparative periods.

3 Significant accounting policies

The accounting policies adopted are consistent with the September 30, 2022 annual consolidated financial statements and the unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2022 annual audited consolidated financial statements.

Accounting standards and amendments issued and not yet adopted

IAS 1 - Classification of Liabilities as Current or Non-Current

The amendment clarifies the classification requirements to determine if a liability with an uncertain settlement date should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition.

The amendment is effective for annual reporting periods beginning on or after January 1, 2024 and is to be applied retrospectively, with earlier application permitted. The Company has evaluated the implications of adopting the amendment and does not believe there to be any significant impact on the Company's consolidated financial statements.

4 Cash and cash equivalents and restricted cash

a) Cash and cash equivalents

As at March 31, 2023, the Company had $3,487 (September 30, 2022 - $6,199) in cash funds held in current accounts.

b) Restricted cash

As at March 31, 2023, the Company had $610 (September 30, 2022 - $614) restricted cash deposit held as collateral for the Company's letter of credit facility, foreign exchange contracts and company credit card.

(Unaudited, expressed in thousands of Canadian dollars)

5 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 when the Company performs under the contract.

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

	March 31, 2023 $	September 30, 2022 $
Due from customers on contract	813	852
Customer deposits and deferred revenues	(286)	(1,311)
	527	(459)

During the six months ended March 31, 2023, the Company recognized revenue from equipment sales and construction contracts of $1,182 (2022 - $854) that was included as deferred revenue at the beginning of the period.

6 Trade receivables

	2023 $	2022 $
Trade receivables	4,031	1,980
Less: Provision for expected credit losses	(122)	-
	3,909	1,980

Included in trade receivables is $2,950 related to NutraDried, see Note 20.

7 Prepaids and other receivables

	March 31, 2023 $	September 30, 2022 $
Prepaid expenses	434	586
Indirect tax receivable	33	66
Other receivables	94	19
Lease receivables	-	7
	561	678

(Unaudited, expressed in thousands of Canadian dollars)

8 Inventory

	March 31, 2023 $	September 30, 2022 $
Machine parts and work-in-progress	4,300	3,550
Food products	104	2,470
Packaging supplies	-	602
	4,404	6,622

During the six months ended March 31, 2023, the Company recorded $634 (2022 - $nil) of inventory write-offs related to food products, machine parts and packaging supplies associated with discontinued operations, see Note 20.

9 Loans receivable

	March 31, 2023 $	September 30, 2022 $
Current	824	515
Non-current	702	268
	1,526	783

The Company provides equipment finance loans to certain customers to finance equipment purchased from the Company. The loans receivable bear interest at a weighted average rate of 8%, have terms ranging from 5 to 25 months and are amortized with monthly blended payments of interest and principal. The loans receivable are measured at amortized cost using the effective interest method and are secured by the underlying equipment purchased by the customer.

10 Loan Payable

	March 31, 2023 $	September 30, 2022 $
Current	-	4
Non-current	-	220
Total loan payable	-	224

On June 15, 2020, NutraDried received proceeds from an Economic Injury Disaster Loan (“EIDL”) with the U.S. Small Business Administration of $203 (US$150). The loan is amortized over 30 years and accrues interest at the rate of 3.75% annually. The EIDL is secured by all tangible and intangible personal property including, but not limited to, inventory and equipment. The Company repaid the EIDL on March 28, 2023 as part of the NutraDried wind-down, see Note 20.

(Unaudited, expressed in thousands of Canadian dollars)

11 Trade and other payables

	March 31, 2023 $	September 30, 2022 $
Trade payables	2,000	1,390
Accrued liabilities	657	1,304
Personnel related accruals	1,002	1,059
Security deposits	403	472
Provision for warranty	288	251
PST payable	31	-
	4,381	4,476

12 Lease liabilities

a) The following is the carrying amounts of right-of-use assets recognized and the movements during the six months ended March 31, 2023 and 2022:

Leased buildings:	**$**
Balance, September 30, 2021	1,405
Lease modifications	1,273
Depreciation expense	(754)
Currency translation adjustments	44
Balance, September 30, 2022	1,968
Lease modifications	-
Disposal	(222)
Depreciation expense	(380)
Currency translation adjustments	9
Balance, March 31, 2023	1,375

(Unaudited, expressed in thousands of Canadian dollars)

b) The following is a continuity schedule of lease liabilities for the six months ended March 31, 2023 and 2022:

	$
Balance, September 30, 2021	1,592
Lease modifications	1,273
Lease payments	(840)
Interest expense on lease liabilities	147
Changes due to foreign exchange rates	31
Balance, September 30, 2022	2,203
Lease modifications	-
Lease disposal	(148)
Lease payments	(466)
Interest expense on lease liabilities	78
Changes due to foreign exchange rates	(5)
Balance, March 31, 2023	1,662
Current	497
Non-current	1,165
	1,662

As at March 31, 2023, the lease liabilities are payable on an undiscounted basis as follows:

	March 31, 2023 **$**
Less than one year	610
One to five years	1,346
More than five years	-
	1,956

13 Contingencies and commitments

a) Claims and litigation

On September 20, 2021, a civil counterclaim commenced against the Company in the Supreme Court of British Columbia by certain former directors and officers of the Company. The counterclaim was filed in response to a civil claim filed by the Company against the former directors and officers. The counterclaim alleges breach of contract and breach of privacy with respect to the cessation of employment of one of the former directors. The Company believes the action to be without merit and intends to defend the counterclaim. No provision has been recognized as of March 31, 2023.

On November 21, 2022, a purported class action proceeding was commenced in the Superior Court of the State of California for the County of Orange against NutraDried, the Company's subsidiary, on behalf of persons who purchased 3-ounce Moon Cheese® products in the State of California. The complaint alleged, inter alia, that the Company's 3-ounce Moon Cheese® products misled consumers based on the size of the package and the amount of snack product contained therein being commensurate with the size of the package. The claim was settled on March 21, 2023.

(Unaudited, expressed in thousands of Canadian dollars)

b) Letter of credit to customers

As at March 31, 2023, the Company had a letter of credit for US$205 (CA$277) issued in favour of a customer related to the terms of an equipment purchase contract. The letter of credit is guaranteed by cash collateral provided by the customer and is not subject to any other collateral requirements by the Company. The letter of credit will be returned to the Company upon confirmation that the VAT taxes due upon importation into the destination country have been satisfied by the customer.

14 Share capital

a) Authorized: unlimited number of voting common shares without par value.
Issued and outstanding: 110,500,055.

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

b) Issued and fully paid:

	Share capital	
	Number	**Value $**
Balance – October 1, 2021	**110,205,055**	**79,272**
Shares issued on vesting of restricted share rights	235,000	287
Balance – September 30, 2022	110,440,055	79,559
Shares issued on vesting of restricted share rights	60,000	80
Balance – March 31, 2023	**110,500,055**	**79,639**

i) On November 21, 2022, the TSX Venture Exchange (“TSXV”) accepted the Company’s notice of intention to commence a Normal Course Issuer Bid (“NCIB”). Pursuant to the NCIB, the Company may repurchase up to 10,798,644 common shares, representing approximately 10% of the public float as of November 21, 2022, but no more than 2,208,801 in any 30-day period. The NCIB period commenced on November 24, 2022 and will end on the earlier of November 23, 2023, and the completion of purchases under the NCIB. All repurchased shares will be cancelled. During the six months ended March 31, 2023, the Company did not purchase nor cancel any common shares.

(Unaudited, expressed in thousands of Canadian dollars)

c) Warrants

The continuity of share purchase warrants is as follows:

	Number of warrants	**Weighted average exercise price $**	**Fair value at grant date $**
Balance – September 30, 2021	**5,012,202**	**1.50**	**0.27**
Balance – September 30, 2022	**5,012,202**	**1.50**	**0.27**
Expired:			
Investor's Warrants	(5,012,202)	1.50	0.27
Balance – March 31, 2023 (i)	**-**	**-**	**-**

i) Each Investor Warrant issued was 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 of 1.63%, dividend yield %, and expected life of 5.0 years.

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 TSXV.

Options issued under the Option Plan will vest according to 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 six months ended March 31, 2023 and 2022 were as follows:

(Unaudited, expressed in thousands of Canadian dollars)

	March 31, 2023		March 31, 2022	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, beginning of the period	8,328,267	1.33	7,160,667	1.46
Options granted	600,000	0.36	1,885,000	0.91
Options exercised	-	-	-	0.00
Options expired	(1,447,933)	1.17	(577,400)	1.26
Outstanding, end of the period	**7,480,334**	**1.29**	**8,468,267**	**1.34**
Exercisable, end of the period	**6,373,699**	**1.41**	**5,619,693**	**1.51**

The weighted average fair value of options granted during the six months ended March 31, 2023, was $0.18 per option (2022 - $0.43).

The following weighted average assumptions were used in calculating the fair value of the stock options granted using the Black-Scholes model for the six months ended March 31, 2023 and 2022:

	Six months ended March 31, 2023	2022
Risk-free interest rate	3.78%	0.44%
Expected life	3.65 years	3.01 years
Estimated volatility	67%	64%
Forfeiture rate	1.25%	1.69%
Dividend rate	0.00%	0.00%

Stock options outstanding as at March 31, 2023 have the following expiry date and exercise prices:

Year of expiry	**Exercise price per share $**	**Number of options**
2023	1.17 - 1.45	1,543,667
2024	1.37 - 2.19	1,865,000
2025	1.06 - 1.25	1,000,000
2026	0.90 - 1.47	2,421,667
2027	0.44 - 0.97	350,000
2028	0.27	300,000
		7,480,334

During the six months ended March 31, 2023, the Company recorded stock-based compensation expense of $365 (2022 - $612), 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 condensed consolidated interim statement of loss over the vesting period, and the related credit is included in contributed surplus.

(Unaudited, expressed in thousands of Canadian dollars)

e) Restricted share rights

The Company has reserved up to a maximum of 1,895,000 common shares to be issued as RSRs under its restricted share rights plan ("RSR Plan").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 six months ended March 31, 2023 and 2022 were as follows:

	March 31, 2023		**March 31, 2022**	
	Number of RSRs	**Weighted average grant date fair value $**	**Number of RSRs**	**Weighted average grant date fair value $**
Outstanding, beginning of period	755,000	1.16	715,000	1.16
RSRs granted	-	-	275,000	0.90
RSRs vested	(60,000)	1.34	(175,000)	1.29
RSRs forfeited	-	-	-	-
Outstanding, end of period	**695,000**	**1.00**	**815,000**	**1.02**

During the six months ended March 31, 2023, stock-based compensation expense of $93 (2022 - $101) was recorded for the RSRs vested during the period. RSRs vest three years from the award date, in accordance with the RSR Plan.

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.

(Unaudited, expressed in thousands of Canadian dollars)

Remuneration of key management personnel of the Company during the three and six months ended March 31, 2023 and 2022 comprises the following expenses:

	Three months ended March 31,		**Six months ended March 31,**	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Salaries, bonuses, and short-term employee benefits	188	316	790	1,237
Stock-based compensation	151	195	246	329
	339	511	1,036	1,566

b) Transactions with related parties

The Company had transactions with related parties for the three and six months ended March 31, 2023 and 2022 in the normal course of business as shown in the table below:

	Three months ended March 31,		**Six months ended March 31,**	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Directors' fees	20	50	40	100
Stock-based compensation	13	23	26	46
	33	73	66	146

16 Revenues

a) Revenue breakdown for the three and six months ended March 31, 2023 and 2022 is as follows:

	Three months ended March 31,		**Six months ended March 31,**	
	2023 $	**2022 $**	**2023 $**	**2022 $**
Equipment construction contracts	2,464	980	4,231	3,645
Equipment sales	1,577	82	1,901	853
Royalties and licensing fees	277	245	690	750
Equipment rental fees, testing fees and other	317	191	598	316
	4,635	1,498	7,420	5,564

Individual customers representing over 10% of the total revenue during the six months ended March 31, 2023 and 2022 were as follows:

(Unaudited, expressed in thousands of Canadian dollars)

	March 31, 2023		March 31, 2022	
Customer	**$**	**%**	**$**	**%**
A	1,720	23	1,937	35
B	1,369	18	560	10
C	1,270	17	-	-
D	952	13		
Others	2,109	29	3,067	55
	7,420	100	5,564	100

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

	March 31, 2023		September 30, 2022	
Customer	**$**	**%**	**$**	**%**
X	1,838	47	348	18
Y	381	10	281	14
Others	1,690	43	1,351	68
	3,909	100	1,980	100

17 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 and six months ended March 31, 2023 and 2022 are shown below:

	Three months ended March 31,		Six months ended March 31,	
Details of expenses by nature	**2023 $**	**2022 $**	**2023 $**	**2022 $**
Cost of materials	1,612	377	2,671	1,705
Salaries, wages and employee expenses	1,139	1,449	2,513	2,754
Commissions, travel and promotional costs	99	162	275	363
Depreciation of plant and equipment	275	213	556	385
Professional services	258	362	473	772
Other expenses	126	72	202	150
Office and courier	71	67	158	158
Facility expenses	57	49	111	93
Bad debt	122	-	122	-
Total expenses	3,759	2,751	7,081	6,380

18 Government assistance

EnWave received COVID-19 financial relief in Canada under the Canada Emergency Wage Subsidy (“CEWS”) and the Canada Emergency Rent Subsidy (“CERS”) programs. The CEWS program is a wage subsidy program launched by the Canadian federal government to qualifying employers to subsidize payroll costs during the COVID-19 pandemic. The CERS program provides commercial rent and mortgage support to eligible businesses affected by COVID-19. The qualified subsidy amounts received under the programs are non-repayable. The amount of subsidy recognized from the Canadian federal government under the programs for the six months ended March 31, 2023 was $nil (2021 - $147) and has been recorded as other income on the condensed consolidated interim statement of loss.

19 Financial instruments risk

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 interim 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, due from customers on contract and loans receivable. The Company mitigates its exposure to credit loss by maintaining the majority of 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, due from customers on contract and loans receivable. Prior to issuing credit, management performs due diligence reviewing the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables and due from customers on contract by maintaining ongoing close contact with customers and by reviewing individual account balances, and proactively following up on overdue amounts. The Company minimizes credit risk associated with loan receivables by performing due diligence prior to issuing loans, ensuring customers are reputable companies, filing a lien on the equipment in the country the machine resides and using the machine equipment as collateral. The Company maintains a provision for credit losses relating to specific losses estimated on an individual exposure. As at March 31, 2023, the Company has recorded a $122 (2022 - $nil) provision for expected credit losses.

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.

(Unaudited, expressed in thousands of Canadian dollars)

The following table provides information regarding the aging of receivables as at March 31, 2023:

	Neither past due nor impaired	**Past due but not impaired**		
	0 – 30 days	**31 – 90 days**	**91 – 365 days**	**Over 365 days**
Trade receivables	3,671	147	91	-
Due from customers on contract	813	-	-	-
Loans receivable	1,526	-	-	-
Indirect tax receivable	-	-	33	-
Income tax receivable	-	-	30	-
	6,010	147	154	-

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. As at March 31, 2023, the Company held no foreign exchange derivatives.

The Company attempts to ensure that sufficient funds are available 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.

a) Financial assets maturity table:

	0 – 30 days	**31 – 90 days**	**91 – 365 days**	**Over 365 days**
Cash and cash equivalents and restricted cash	3,487	-	610	-
Trade receivables	3,909	-	-	-
Due from customers on contract	675	59	79	-
Loans receivable	136	149	539	702
Indirect taxes receivable	-	-	33	-
Income taxes receivable	-	-	30	-
	8,207	208	1,291	702

(Unaudited, expressed in thousands of Canadian dollars)

b) Financial liabilities maturity table:

	0 – 30 days	31 – 90 days	91- 365 days	Over 365 days
Trade and other payables	4,187	114	49	-
Customer deposits and deferred revenue	286	-	-	-
Lease liabilities	46	92	359	1,165
Indirect taxes payable	31	-	-	-
	4,550	206	408	1,165

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, restricted cash, and loan payable. The Company earns interest on deposits based on current market interest rates, which during the six months ended March 31, 2023 ranged from 3.70% to 4.65% (2022 - 0.65% to 1.10%). A 1% change in interest rates would affect the results of operations by approximately $45 (2022 - $42).

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

(ii) the Company is exposed to currency risk through customers with sales contracts denominated in US dollars.

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations. As at March 31, 2023, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts when appropriate to minimize exposure to foreign currencies when appropriate. As at March 31, 2023, 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 net loss from continuing operations for the six months ended March 31, 2023 and 2022 as follows:

(Unaudited, expressed in thousands of Canadian dollars)

Currency	**2023** **$**	**2022** **$**
US dollar	85	315

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.

20 Discontinued Operations

During the three months ended March 31, 2023, management commenced an orderly wind-down and value maximization process for NutraDried and on March 14, 2023, agreed to sell certain assets, including trademarks, auxiliary production equipment and select saleable inventory, to Creations Foods U.S. Incorporated ("Creations"), for consideration of $1,608 USD. As of March 31, 2023, $1,358 USD remains outstanding and is recognized in trade receivables. Of the outstanding balance, $750K USD was received subsequent to March 31, 2023 with the remainder to be paid in installments and due within 270 days from closing.

Additionally, Creations purchased a 100kW REV™ Machine from EnWave Canada, installed at the NutraDried facility, for consideration of $1,000 USD of which $935 USD has been recognized in revenue for continuous operations for the three months ended March 31, 2023. As of March 31, 2023, $800 USD is outstanding, $735 USD is recognized in loans receivable paid monthly over a 25 month term and the remaining revenue of $65 USD will be recognized as interest income over the 25 month term.

A write down of $634, $389 and $60 was taken on NutraDried inventory, plant and equipment and right-of-use assets respectively and has been recognized in discontinued operations.

(Unaudited, expressed in thousands of Canadian dollars)

The results of operations of NutraDried are presented as discontinued operations for the six months ended March 31, 2023:

	Six months ended	
	March 31, 2023 $	**March 31, 2022 $**
Revenues	**5,499**	7,617
Cost of sales	**(5,730)**	(6,006)
Inventory write down	**(634)**	-
	(865)	1,611
Expenses		
General and administration	**(450)**	(525)
Sales and marketing	**(1,004)**	(1,476)
Depreciation	**(899)**	(736)
Restructuring costs	**(794)**	-
Professional Fees	**(211)**	(107)
Loss before other items	**(4,223)**	(1,233)
Other items:		
Loss on the sale of assets	**(389)**	(22)
Impairment of right of use asset	**(60)**	-
Total other items	**(449)**	(22)
Loss from discontinued operations	**(4,672)**	(1,255)

(Unaudited, expressed in thousands of Canadian dollars)

Cash flows from discontinued operations are as follows:

	Six months ended March 31, 2023 $	2022 $
Cash flows generated from (used in) operating activities from discontinued operations		
Net loss for the period from discontinued operations	**(4,672)**	(1,255)
Items not affecting cash		
Depreciation and amortization	**899**	736
Inventory write off	**634**	-
Loss on sale of assets	**449**	22
Other	**14**	32
	(2,676)	(465)
Changes in non-cash working capital		
Trade receivables	**(785)**	(552)
Inventory	**2,299**	194
Trade and other payables	**(203)**	61
Income taxes receivable	**504**	48
Other	**67**	50
Net cash used in discontinued operations	**(794)**	(664)
Cash flows used in investing activities		
Proceeds from sale of plant and equipment	**339**	44
Acquisition of plant and equipment	**(1)**	(491)
Proceeds of sale of intangible assets	**5**	(5)
Net cash generated from (used in) investing activities from discontinued operations	**343**	(452)
Cash flows used in financing activities		
Repayment of debt	**(224)**	-
Payment of lease principal liabilities	**(214)**	(180)
Payment of lease interest	**(10)**	(22)
Net cash used in financing activities from discontinued operations	**(448)**	(202)
Decrease in cash and cash equivalents-discontinued operations	**(899)**	(1,318)

(Unaudited, expressed in thousands of Canadian dollars)

21 Segmented information

The Company has assessed its operating segments to be EnWave and NutraDried according to the manner in which information is used by the Chief Operating Decision Maker (the "CODM"). The Company has determined that the Chief Executive Officer of the parent company is its CODM. The results of operations and the assets for each segment are shown below:

As at	March 31, 2023			September 30, 2022		
	EnWave $	NutraDried $	Total $	EnWave $	NutraDried $	Total $
Assets						
Trade receivables	959	2,950	3,909	813	1,167	1,980
Due from customers on contract	813	-	813	852	-	852
Inventory	4,300	104	4,404	3,550	3,072	6,622
Loans receivable	1,526	-	1,526	783	-	783
Plant and equipment	2,751	-	2,751	3,252	2,287	5,539
Right-of-use assets	1,375	-	1,375	1,584	384	1,968
Intangible assets	3	-	3	13	8	21
	11,727	3,054	14,781	10,847	6,918	17,765
Liabilities						
Trade and other payables	2,607	1,774	4,381	2,621	1,855	4,476
Customer deposits and deferred revenue	286	-	286	1,311	-	1,311
Loan payable	-	-	-	-	224	224
Lease liabilities	1,590	72	1,662	1,764	439	2,203
Other liability	-	-	-	5	-	5
	4,483	1,846	6,329	5,701	2,518	8,219