ENWAVE CORPORATION

Condensed Consolidated Interim Financial Statements

Three months ended December 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

For the three months ended December 31, 2023 and 2022

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

	Note	2023 $	2022 $
Revenues	15	**1,262**	2,785
Direct costs		**1,029**	1,756
		233	1,029
Expenses			
General and administration		**511**	555
Sales and marketing		**351**	614
Research and development		**401**	397
Stock-based compensation	13(c)	**115**	168
Amortization of intangible assets		**1**	8
Foreign exchange loss		**24**	41
Finance income	4a, 9	**(52)**	(46)
Finance expense	11b	**26**	35
		1,377	1,772
Loss from continuing operations before income taxes		**(1,144)**	(743)
Income tax expense			
Current		**-**	-
Deferred		**-**	-
Loss for the period from continuing operations		**(1,144)**	(743)
Loss for the period from discontinued operations	18	**(151)**	(1,286)
Loss for the period		**(1,295)**	(2,029)
Net loss per share:			
Continuing operations, basic and diluted		**(0.01)**	(0.01)
Discontinued operations, basic and diluted		**0.00**	(0.01)
		(0.01)	(0.02)
Weighted average number of shares outstanding			
Basic and diluted		**110,706,250**	110,448,533

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

EnWave Corporation

Condensed Consolidated Interim Statements of Comprehensive Loss

For the three months ended December 31, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Note	2023 $	2022 $
Net loss for the period		**(1,295)**	(2,029)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss: Foreign exchange translation gain (loss)		**8**	(67)
Total comprehensive loss for the period		**(1,287)**	(2,096)

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 December 31, 2023 and September 30, 2023

(Unaudited, expressed in thousands of Canadian dollars)

	Note	**December 31, 2023**	September 30, 2023
		$	$
Assets			
Current assets			
Cash and cash equivalents	4(a)	**3,854**	4,171
Restricted cash	4(b)	**290**	417
Trade receivables	6	**1,066**	1,183
Due from customers on contract	5	**362**	818
Loans receivable, current	9	**861**	984
Inventory	8	**3,377**	3,353
Prepaids and other receivables	7	**482**	478
Income taxes receivable		**-**	672
		10,292	12,076
Non-current assets			
Loans receivable, non-current	9	**278**	462
Deposits and other receivables		**32**	56
Plant and equipment		**2,283**	2,269
Right-of-use assets	11(a)	**1,062**	1,166
Intangible assets		**4**	2
		3,659	3,955
Total assets		**13,951**	16,031
Liabilities			
Current liabilities			
Trade and other payables	10	**1,574**	2,516
Customer deposits and deferred revenue	5	**585**	443
Current portion of lease liabilities	11(b)	**365**	411
Current portion of other liability	12(a)	**126**	126
		2,650	3,496
Non-current liabilities			
Long-term portion of lease liabilities	11(b)	**911**	973
		911	973
Total liabilities		**3,561**	4,469
Equity			
Share capital	13(b)	**79,889**	79,812
Contributed surplus		**12,460**	12,422
Foreign currency translation reserve		**523**	515
Deficit		**(82,482)**	(81,187)
Total equity		**10,390**	11,562
Total liabilities and equity		**13,951**	16,031
Contingencies and commitments	12(a)		

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, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Share capital				Foreign currency translation		
	Amount	**Value $**	**Warrants $**	**Contributed surplus $**	**reserve $**	**Deficit $**	**Total $**
Balance – September 30, 2022	110,440,055	79,559	1,040	11,079	625	(74,675)	17,628
Net loss for the period	-	-	-	-	-	(2,029)	(2,029)
Effects of foreign currency translation	-	-	-	-	(67)	-	(67)
Expiry of warrants	-	-	(1,040)	1,040	-	-	-
Shares repurchased and cancelled	-	-	-	-	-	-	-
Shares issued on exercise of stock options	-	-	-	-	-	-	-
Shares issued with restricted share rights	60,000	80	-	(80)	-	-	-
Restricted share rights	-	-	-	47	-	-	47
Stock-based compensation	-	-	-	121	-	-	121
Balance – December 31, 2022	110,500,055	79,639	-	12,207	558	(76,704)	15,700
Balance – September 30, 2023	**110,695,055**	**79,812**	**-**	**12,422**	**515**	**(81,187)**	**11,562**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(1,295)**	**(1,295)**
Effects of foreign currency translation	**-**	**-**	**-**	**-**	**8**	**-**	**8**
Shares repurchased and cancelled	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued on exercise of stock options	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued with restricted share rights	**85,000**	**77**	**-**	**(77)**	**-**	**-**	**-**
Restricted share rights	**-**	**-**	**-**	**28**	**-**	**-**	**28**
Stock-based compensation	**-**	**-**	**-**	**87**	**-**	**-**	**87**
Balance – December 31, 2023	**110,780,055**	**79,889**	**-**	**12,460**	**523**	**(82,482)**	**10,390**

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, 2023 and 2022

(Unaudited, expressed in thousands of Canadian dollars)

	Note	2023 $	2022 $
Cash flows from operating activities			
Net loss for the year		**(1,144)**	(743)
Items not affecting cash:			
Depreciation and amortization		**275**	289
Stock-based compensation	13(c)	**115**	168
Finance income	4a,9	**(52)**	(46)
Finance expense	11b	**26**	35
Foreign exchange loss		**24**	42
		(756)	(255)
Changes in non-cash working capital:			
Restricted cash		**127**	-
Trade receivables		**(291)**	(79)
Prepaids and other receivables		**64**	75
Loan receivables		**289**	107
Inventory		**8**	(612)
Trade and other payables		**(717)**	(139)
Payment received from security deposits		**(1)**	-
Due from customers on contract and deferred revenue		**594**	(405)
Net cash used in operating activities from continuing operations		**(683)**	(1,308)
Net cash generated by (used in) operating activities from discontinued operations		**675**	(379)
Net cash used in operating activities		**(8)**	(1,687)
Cash flows from investing activities			
Acquisition of plant and equipment		**(167)**	14
Acquisition of intangible assets		**(3)**	-
Finance income received		**24**	46
Net cash (used in) generated by investing activities from continuing operations		**(146)**	60
Net cash used in investing activities from discontinued operations		**-**	(170)
Net cash used in investing activities		**(146)**	(110)
Cash flows from financing activities			
Payment of lease principal liabilities	11(b)	**(108)**	(74)
Payment of lease interest	11(b)	**(26)**	(35)
Payment received from finance leases		**-**	8
Payment of other liability		**-**	(5)
Net cash used in financing activities from continuing operations		**(134)**	(106)
Net cash used in financing activities from discontinued operations		**-**	(113)
Net cash used in financing activities		**(134)**	(219)
Effect of foreign exchange translation on cash		**(29)**	16
Decrease in cash and cash equivalents – continuing operations		**(992)**	(1,338)
Increase (decrease) in cash and cash equivalents – discontinued operations		**675**	(662)
Cash and cash equivalents - beginning of the period		**4,171**	6,199
Cash and cash equivalents - end of the period		**3,854**	4,199
Non-cash transactions			
Acquisition of plant and equipment through accounts payable		**(18)**	(74)
Purchase of inventory through accounts payable		**(32)**	185

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. NutraDried is in the process of an orderly wind-down and its material capital assets have been sold as outlined in Note 18.

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, 2023. 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, 2023. 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 on February 22, 2024.

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, 2023.

3 Significant accounting policies

The accounting policies adopted are consistent with the September 30, 2023 annual consolidated financial statements and the unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2023 annual audited consolidated financial statements.

Accounting standards and amendments issued and not yet adopted

The following IFRS standards have been issued by the ISAB and pronouncements that are not expected to have a significant impact have been excluded.

Amendments to 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.

New accounting standard IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

The new accounting standard requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

The amendment is effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted as long as *IFRS S2 Climate-related Disclosures* is also applied. The company is in the process of evaluating the implications of the new standard and the potential impact on the Company's consolidated financial statements.

New accounting standard IFRS S2: Climate-related Disclosures

The new accounting standard requires an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.

The amendment is effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted as long as *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* is also applied. The company is in the process of evaluating the implications of the new standard and the potential impact on the Company's consolidated financial statements.

4 Cash and cash equivalents and restricted cash

a) Cash and cash equivalents

As at December 31, 2023, the Company had $3,854 (September 30, 2023 - $4,171) in cash funds held in current accounts.

b) Restricted cash

As at December 31, 2023, the Company had a $290 (September 30, 2023 - $417) restricted cash deposit held as collateral for the Company's foreign exchange derivative contracts and corporate card. Restricted cash includes $nil (September 30, 2023 - $126) received from the Food Processing Growth Fund on behalf of the British Columbia Investment Agriculture Foundation, see Note 12(a).

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 receivables 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.

(Unaudited, expressed in thousands of Canadian dollars)

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

	December 31, 2023 $	September 30, 2023 $
Due from customers on contract	362	818
Customer deposits and deferred revenues	(585)	(443)
	(223)	375

During the three months ended December 31, 2023, the Company recognized revenue from equipment sales and construction contracts of $54 (December 31, 2022 - $638) that was included as deferred revenue at the beginning of the period.

6 Trade receivables

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

	December 31, 2023 $	September 30, 2023 $
Trade receivables	1,066	1,183
	1,066	1,183

The company's provision for expected losses is de minimis.

7 Prepaids and other receivables

	December 31, 2023 $	September 30, 2023 $
Prepaid expenses	346	374
Indirect tax receivable	96	104
Other receivables	40	-
	482	478

8 Inventory

	December 31, 2023 $	September 30, 2023 $
Machine parts and work-in-progress	3,377	3,353
	3,377	3,353

During the three months ended December 31, 2023 inventory impairment of $86 (2022 - $33) was recognized related to food products and packaging supplies associated with discontinued operations, see Note 18.

(Unaudited, expressed in thousands of Canadian dollars)

9 Loans receivable

	December 31, 2023 $	September 30, 2023 $
Current	861	984
Non-current	278	462
	1,139	1,446

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 9%, have terms ranging from 8 to 29 months and are amortized with monthly blended payments of interest and principal. The loans receivables are measured at amortized cost using the effective interest method and are secured by the underlying equipment purchased by the customer. The company's provision for expected credit losses is de minimis.

10 Trade and other payables

	December 31, 2023 $	September 30, 2023 $
Trade payables	441	709
Accrued liabilities	772	1,059
Personnel related accruals	150	544
Security deposits	43	44
Provision for warranty	168	160
	1,574	2,516

(Unaudited, expressed in thousands of Canadian dollars)

11 Leases

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

Leased buildings:	**$**
Balance, September 30, 2022	1,968
Disposal	(150)
Impairment of lease	(60)
Depreciation expense	(589)
Currency translation adjustments	(3)
Balance, September 30, 2023	1,166
Depreciation expense	(104)
Balance, December 31, 2023	1,062

b) The following is the carrying amounts of lease liabilities and the movements for the three months ended December 31, 2023:

	$
Balance, September 30, 2022	2,203
Lease disposal	(148)
Lease payments	(805)
Interest expense on lease liabilities	139
Changes due to foreign exchange rates	(5)
Balance, September 30, 2023	1,384
Lease payments	(134)
Interest expense on lease liabilities	26
Balance, December 31, 2023	1,276
Current	365
Non-current	911
	1,276

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

	Undiscounted lease payments $
Less than one year	452
One to five years	1,030
More than five years	-
	1,482

(Unaudited, expressed in thousands of Canadian dollars)

12 Contingencies and commitments

a) Other liabilities

On August 15th, 2023 the Company received a grant from the Food Processing Growth Fund ("FPGF") on behalf of the British Columbia Investment Agriculture Foundation ("IAF") to purchase a seasoning machine and packaging system for the REVworx facility (the "Grant"). As at December 31, 2023, the Company has received proceeds from the FPGF of $126 (2022 - $nil). The Grant is contingent on the completion of the project by December 31, 2024 and if this condition is not met, the Company is required to repay the Grant in full to the FPGF.

b) Claims and litigation

On September 20, 2022, 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 at December 31, 2023.

13 Share capital

a) Authorized: unlimited number of voting common shares without par value. Issued and outstanding: 110,780,055.

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, 2022	**110,440,055**	**79,559**
Shares issued on vesting of restricted share rights	255,000	253
Balance – September 30, 2023	**110,695,055**	**79,812**
Shares issued on vesting of restricted share rights	85,000	77
Balance – December 31, 2023	**110,780,055**	**79,889**

i) On December 5, 2023, 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 10,799,564 common shares, representing approximately 10% of the public float as of December 5, 2023, but no more than 2,213,901 in any 30-day period. The NCIB period commenced on December 5, 2023 and will end on the earlier of December 6, 2024, and the completion of purchases under the NCIB. All repurchased shares will be cancelled. During the three months ended December 31, 2023,the Company did not purchase nor cancel any common shares.

(Unaudited, expressed in thousands of Canadian dollars)

c) Stock options

The Company's stock option plan (the "Option Plan") is available to eligible persons, whereby up to 10% of the issued common shares of the Company may be reserved for issuance under the Option Plan. The aggregate number of common shares reserved for issuance to any person within any one year may not exceed 5% of the number of outstanding common shares, on a non-diluted basis.

The exercise price of the options will be determined by the Board of Directors at the time of grant of the options, such price not to be less than the last daily closing price of the Company's common shares 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 three months ended December 31, 2023 and 2022 were as follows:

	December 31, 2023		**December 31, 2022**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding, beginning of the year	5,662,981	1.04	8,328,267	1.33
Options granted	-	-	300,000	0.44
Options exercised	-	-	-	-
Options expired or forfeited	(28,549)	1.34	(121,667)	0.91
Outstanding, end of the period	**5,634,432**	**1.04**	**8,506,600**	**1.31**
Exercisable, end of the period	**3,430,714**	**1.38**	**7,141,601**	**1.44**

During the three months ended December 31, 2023 no stock options were issued. The weighted average fair value of options granted during the three months ended December 31, 2023 was $nil per option (2022 - $0.23).

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, 2022:

	2023	**2022**
Risk-free interest rate	N/A	3.89%
Expected life	N/A	3.64 years
Estimated volatility	N/A	67%
Forfeiture rate	N/A	1.25%
Dividend rate	N/A	0.00%

(Unaudited, expressed in thousands of Canadian dollars)

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

Year of expiry	Exercise price per share $	Number of options
2024	1.37 - 2.19	1,470,000
2025	1.06 - 1.25	600,000
2026	0.90	535,000
2027	0.44 - 0.67	310,000
2028	0.27 - 0.75	2,719,432
		5,634,432

During the three months ended December 31, 2023, the Company recorded stock-based compensation expense of $115 (2022 - $168), which includes compensation expense for stock options and for 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.

d) 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 three months ended December 31, 2023 and 2022 were as follows:

	December 31, 2023		December 31, 2022	
	Number of RSRs	Weighted average grant date fair value $	Number of RSRs	Weighted average grant date fair value $
Outstanding, beginning of the year	500,000	1.04	755,000	1.02
RSRs granted	-	-	-	-
RSRs vested	(85,000)	0.90	(60,000)	1.34
RSRs forfeited	-	-	-	-
Outstanding, end of the year	**415,000**	**1.07**	**695,000**	**1.00**

During the three months ended December 31, 2023, stock-based compensation expense of $28 (2022 - $47) was recorded for the RSRs vested during the period. RSRs vest three years from the award date, in accordance with the RSR Plan.

(Unaudited, expressed in thousands of Canadian dollars)

14 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, 2023 and 2022 comprises the following expenses:

	2023 $	2022 $
Salaries, bonuses, and short-term employee benefits	421	602
Stock-based compensation	53	96
	474	698

b) Purchases from related parties

The Company had purchases from related parties for the three months ended December 31, 2023 and 2022 in the normal course of business as shown in the table below:

	2023 $	2022 $
Directors' fees	20	20
Stock-based compensation	8	14
	28	34

15 Revenues

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

	2023 $	2022 $
Equipment sales	78	323
Equipment construction contracts	645	1,767
Royalties and licensing fees	480	413
Equipment rental fees, testing fees and other	59	282
	1,262	2,785

(Unaudited, expressed in thousands of Canadian dollars)

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

	2023		2022	
Customer	**$**	**%**	**$**	**%**
A	444	35	844	30
B	241	19	702	25
C	-	-	272	10
Others	577	46	967	35
	1,262	100	2,785	100

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

	December 31, 2023		September 30, 2023	
Customer	**$**	**%**	**$**	**%**
X	232	22	274	23
Y	133	12	-	-
Others	701	66	909	77
	1,066	100	1,183	100

16 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, 2023 and 2022 are shown below.

Details of expenses by nature	**2023 $**	**2022 $**
Cost of materials	386	1,059
Salaries, wages and employee expenses	1,111	1,374
Travel and promotional costs	110	176
Professional services	238	215
Depreciation of plant and equipment	274	280
Rent	62	54
Office and courier	73	87
Other expenses	38	77
Total expenses	2,292	3,322

17 Financial instruments and risk management

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.

(Unaudited, expressed in thousands of Canadian dollars)

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 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, ensures customers are reputable companies, filing a lien on the equipment in the country the machine resides and using the machine equipment as collateral. As at December 31, 2023, the Company has recorded a $nil (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.

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

	Neither past due nor impaired	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Trade receivables	755	188	123	-
Due from customers on contract	362	-	-	-
Loans receivable	1,139	-	-	-
Indirect tax receivable	7	-	89	
	2,263	188	212	-

(Unaudited, expressed in thousands of Canadian dollars)

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. At December 31, 2023, the Company held no foreign exchange derivatives outstanding.

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	**31 – 90**	**91 – 365**	**Over 365**
Cash and cash equivalents and restricted cash	3,854	-	290	-
Trade receivables	1,066	-	-	-
Due from customers on contract	266	96	-	-
Loans receivable	106	145	610	278
Indirect tax receivables	63	-	33	-
	5,355	241	933	278

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

	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Trade and other payables	1,065	326	183	-
Customer deposits and deferred revenues	585	-	-	-
Lease liabilities	37	74	254	911
	1,687	400	437	911

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, 2023 ranged from 5.00% to 5.40% (2022 – 3.70% to 4.60%). A 1% change in interest rates would affect the results of operations by approximately $19 (2022 - $12).

(Unaudited, expressed in thousands of Canadian dollars)

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 December 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 to minimize exposure to foreign currencies. At December 31, 2023 and 2022, 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, 2023 and 2022 as follows:

	2023 **$**	**2022** **$**
Currency		
US dollar	175	307

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.

(Unaudited, expressed in thousands of Canadian dollars)

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.

18 Discontinued Operations

In fiscal 2023, management commenced an orderly wind-down and value maximization process for NutraDried and 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 December 31, 2023 $nil USD remains outstanding.

Additionally, Creations purchased a 100kW REV™ Machine from EnWave Canada, installed at the NutraDried facility, for consideration of $1,000 USD. As of December 31, 2023, $512 USD is outstanding, $484 USD is recognized in loans receivable paid monthly over an initial 25-month term and the remaining revenue of $28 USD will be recognized as interest income for continuous operations over the remainder of the term.

A write down of $86 was taken on NutraDried inventory respectively and has been recognized in discontinued operations.

The results of operations of NutraDried are presented as discontinued operations for the three months ended December 31, 2023 and 2022:

	Three months ended December 31	
	2023	**2022**
	$	**$**
Revenues	**-**	1,929
Cost of sales	**-**	(1,903)
Inventory write down	**(86)**	-
	(86)	26
Expenses		
General and administration	**(75)**	(138)
Sales and marketing	**-**	(559)
Depreciation	**-**	(383)
Restructuring costs	**-**	-
Professional Fees	**-**	(232)
Loss before other items	**(161)**	(1,286)
Other items:		
Other income	**10**	-
Total other items	**10**	-
Loss from discontinued operations	**(151)**	(1,286)

(Unaudited, expressed in thousands of Canadian dollars)

Cash flows from discontinued operations are as follows:

	Three months ended December 31, 2023 $	2022 $
Cash flows generated from (used in) operating activities from discontinued operations		
Net loss for the period from discontinued operations	**(151)**	(1,286)
Items not affecting cash		
Depreciation and amortization	**-**	383
Inventory write off	**86**	32
Loss on sale of assets	**-**	2
Other	**-**	8
	(65)	(861)
Changes in non-cash working capital		
Trade receivables	**310**	284
Inventory	**-**	1
Trade and other payables	**(251)**	(364)
Income taxes receivable	**677**	505
Other	**4**	56
Net cash generated from (used in) the activities from discontinued operations	**675**	(379)
Cash flows used in investing activities		
Proceeds from sale of plant and equipment	**-**	(170)
Net cash used in investing activities from discontinued operations	**-**	(170)
Cash flows used in financing activities		
Payment of lease principal liabilities	**-**	(107)
Payment of lease interest	**-**	(6)
Net cash used in financing activities from discontinued operations	**-**	(113)
Decrease in cash and cash equivalents from discontinued operations	**675**	(662)

(Unaudited, expressed in thousands of Canadian dollars)

19 Segmented information

The Company has assessed its operating segments to be EnWave and NutraDried, see Note 23, 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	**December 31, 2023**			**September 30, 2023**		
	EnWave $	**NutraDried $**	**Total $**	**EnWave $**	**NutraDried $**	**Total $**
Assets						
Trade receivables	1,066	-	1,066	790	393	1,183
Due from customers on contract	362	-	362	818	-	818
Loan Receivables	1,139	-	1,139	1,446	-	1,446
Inventory	3,377	-	3,377	3,353	-	3,353
Plant and equipment	2,283	-	2,283	2,269	-	2,269
Right-of-use assets	1,062	-	1,062	1,166	-	1,166
Intangible assets	4	-	4	2	-	2
	9,293	-	9,293	9,844	393	10,237
Liabilities						
Trade and other payables	1,019	555	1,574	1,700	816	2,516
Customer deposits and deferred revenue	585	-	585	443	-	443
Lease liabilities	1,276	-	1,276	1,384	-	1,384
Other liability	126	-	126	126	-	126
	3,006	555	3,561	3,653	816	4,469