ENWAVE CORPORATION

Condensed Consolidated Interim Financial Statements

Three months ended December 31, 2024 and 2023

(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, 2024 and 2023

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

	Note	2024 $	2023 $
Revenues	15	**1,177**	1,262
Direct costs		**837**	1,029
		340	233
Expenses			
General and administration		**424**	511
Sales and marketing		**486**	351
Research and development		**358**	401
Stock-based compensation	13(c)	**143**	115
Amortization of intangible assets		**-**	1
Foreign exchange (gain) loss		**(147)**	24
Gain on disposal of assets		**(11)**	-
Finance income	4a, 9	**(47)**	(52)
Finance expense	17	**72**	26
		1,278	1,377
Loss from continuing operations before income taxes		**(938)**	(1,144)
Income tax expense			
Current		**-**	-
Deferred		**-**	-
Loss for the period from continuing operations		**(938)**	(1,144)
Loss for the period from discontinued operations	19	**(8)**	(151)
Loss for the period		**(946)**	(1,295)
Net loss per share:			
Continuing operations, basic and diluted		**0.00**	(0.01)
Discontinued operations, basic and diluted		**0.00**	0.00
		0.00	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		**110,860,000**	110,706,250

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, 2024 and 2023

(Unaudited, expressed in thousands of Canadian dollars)

	Note	**2024** **$**	2023 $
Net loss for the period		**(946)**	(1,295)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Foreign exchange translation gain		**13**	8
Total comprehensive loss for the period		**(933)**	(1,287)

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, 2024 and September 30, 2024

(Unaudited, expressed in thousands of Canadian dollars)

	Note	December 31, 2024	September 30, 2024
		$	$
Assets			
Current assets			
Cash and cash equivalents	4(a)	**3,986**	4,762
Restricted cash	4(b)	**95**	92
Trade receivables	6	**864**	642
Due from customers on contract	5	**252**	298
Loans receivable, current	9	**703**	979
Inventory	8	**2,821**	2,698
Prepaids and other receivables	7	**491**	470
		9,212	9,941
Non-current assets			
Loans receivable, non-current	9	**29**	46
Deposits and other receivables		**152**	56
Plant and equipment		**1,638**	1,811
Right-of-use assets	12(a)	**1,211**	1,293
		3,030	3,206
Total assets		**12,242**	13,147
Liabilities			
Current liabilities			
Trade and other payables	10	**1,387**	1,830
Customer deposits and deferred revenue	5	**272**	322
Current portion of borrowings	11	**120**	-
Current portion of lease liabilities	12(b)	**602**	576
		2,381	2,728
Non-current liabilities			
Long-term portion of borrowings	11	**346**	
Long-term portion of lease liabilities	12(b)	**884**	998
		1,230	998
Total liabilities		**3,611**	3,726
Equity			
Share capital	13(b)	**80,186**	79,973
Contributed surplus		**12,439**	12,509
Foreign currency translation reserve		**537**	524
Deficit		**(84,531)**	(83,585)
Total equity		**8,631**	9,421
Total liabilities and equity		**12,242**	13,147

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, 2024 and 2023

(Unaudited, expressed in thousands of Canadian dollars)

	Share capital				Foreign currency translation		
	Amount	Value $	Warrants $	Contributed surplus $	reserve $	Deficit $	Total $
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 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
Balance – September 30, 2024	**110,825,055**	**79,973**	**-**	**12,509**	**524**	**(83,585)**	**9,421**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(946)**	**(946)**
Effects of foreign currency translation	**-**	**-**	**-**	**-**	**13**	**-**	**13**
Shares issued with restricted share rights	**215,000**	**213**	**-**	**(213)**	**-**	**-**	**-**
Restricted share rights	**-**	**-**	**-**	**16**	**-**	**-**	**16**
Stock-based compensation	**-**	**-**	**-**	**127**	**-**	**-**	**127**
Balance – December 31, 2024	**111,040,055**	**80,186**	**-**	**12,439**	**537**	**(84,531)**	**8,631**

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, 2024 and 2023

(Unaudited, expressed in thousands of Canadian dollars)

	Note	2024 $	2023 $
Cash flows from operating activities			
Net loss for the year		**(938)**	(1,144)
Items not affecting cash:			
Depreciation and amortization		**293**	275
Stock-based compensation	13(c)	**143**	115
Gain on disposal of assets		**(11)**	-
Finance income	4a,9	**(47)**	(52)
Finance expense	17	**72**	26
Foreign exchange (gain) loss		**(147)**	24
		(635)	(756)
Changes in non-cash working capital:			
Restricted cash		**(4)**	127
Trade receivables		**(176)**	(291)
Prepaids and other receivables		**(123)**	64
Loan receivables		**344**	289
Inventory		**(287)**	8
Trade and other payables		**(366)**	(717)
Payment received from security deposits		**61**	(1)
Due from customers on contract and deferred revenue		**(18)**	594
Net cash used in operating activities from continuing operations		**(1,204)**	(683)
Net cash generated by operating activities from discontinued operations		**13**	675
Net cash used in operating activities		**(1,191)**	(8)
Cash flows from investing activities			
Acquisition of plant and equipment		**16**	(167)
Acquisition of intangible assets		**-**	(3)
Finance income received		**24**	24
Net cash generated by (used in) investing activities from continuing operations		**40**	(146)
Net cash used in investing activities from discontinued operations		**-**	-
Net cash generated by (used in) investing activities		**40**	(146)
Cash flows from financing activities			
Proceeds from Term debt	10	**456**	-
Payment of lease principal liabilities	11(b)	**(139)**	(108)
Payment of lease interest	11(b)	**(35)**	(26)
Net cash generated by (used in) financing activities from continuing operations		**282**	(134)
Net cash used in financing activities from discontinued operations		**-**	-
Net cash generated by (used in) financing activities		**282**	(134)
Effect of foreign exchange translation on cash		**93**	(29)
Decrease in cash and cash equivalents – continuing operations		**(789)**	(992)
Increase in cash and cash equivalents – discontinued operations		**13**	675
Cash and cash equivalents - beginning of the period		**4,762**	4,171
Cash and cash equivalents - end of the period		**3,986**	3,854
Non-cash transactions			
Acquisition of plant and equipment through accounts payable		**9**	(18)
Purchase of inventory through accounts payable		**165**	(32)

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. An orderly wind-down of NutraDried has been completed and the subsidiary is no longer operationally active. Its material assets were sold as outlined in Note 19.

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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), 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 Accounting Standards financial statements and should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended September 30, 2024. 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, 2024.

These interim financial statements were approved for issuance by the Board of Directors on February 20, 2025.

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, 2024.

3 Significant accounting policies

The accounting policies adopted are consistent with the September 30, 2024 annual consolidated financial statements and the unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's 2024 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.

IFRS 18: Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of profit or loss and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Company's consolidated financial statements. From the preliminary assessment performed, the following potential impacts have been identified:

- Although the adoption of IFRS 18 will have no impact on the Company's net profit, the Company expects that grouping items of income and expenses in the statement of profit or loss into the new categories will impact how operating profit is calculated and reported.
- The line items presented in the financial statements might change as a result of the application of the concept of 'useful structured summary' and the enhanced principles on aggregation and disaggregation.
- The way in which the information is grouped in the financial statement notes might change as a result of the aggregation/disaggregation principles. In addition, there will be significant new disclosures required for:
    - management-defined performance measures;
    - a break-down of the nature of expenses for line items presented by function in the operating category of the statement of profit or loss; and
    - for the first annual period of application of IFRS 18, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented by applying IFRS 18 and the amounts previously presented applying IAS 1.

(Unaudited, expressed in thousands of Canadian dollars)

- From a cash flow statement perspective, interest paid will be presented as financing cash flows and interest received as investing cash flows, which is a change from current presentation as part of operating cash flows.

The Company will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 30 September 2026 will be restated in accordance with IFRS.

4 Cash and cash equivalents and restricted cash

a) Cash and cash equivalents

As at December 31, 2024, the Company had $3,986 (September 30, 2024 - $4,762) in cash funds held in current accounts.

b) Restricted cash

As at December 31, 2024, the Company had a $95 (September 30, 2024 - $92) restricted cash deposit held as collateral for the corporate card and banking services.

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.

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

	December 31, 2024 $	**September 30, 2024 $**
Due from customers on contract	252	298
Customer deposits and deferred revenues	(272)	(322)
	(20)	(24)

During the three months ended December 31, 2024, the Company recognized revenue from equipment sales and construction contracts, machine parts, and tolling of $244 (December 31, 2023 - $54) that was included as deferred revenue at the beginning of the period.

(Unaudited, expressed in thousands of Canadian dollars)

6 Trade receivables

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

	December 31, 2024 $	September 30, 2024 $
Trade receivables	864	642
	864	642

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

7 Prepaids and other receivables

	December 31, 2024 $	September 30, 2024 $
Prepaid expenses	435	429
Indirect tax receivable	4	41
Other receivables	52	-
	491	470

8 Inventory

	December 31, 2024 $	September 30, 2024 $
Machine parts and work-in-progress	2,821	2,698
	2,821	2,698

During the three months ended December 31, 2024, the Company recognized inventory impairment as an expense of $nil (2023 - $86) related to machine parts and work-in-progress associated with discontinued operation, see Note 19.

9 Loans receivable

	December 31, 2024 $	September 30, 2024 $
Current	703	979
Non-current	29	46
	732	1,025

(Unaudited, expressed in thousands of Canadian dollars)

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 10%, have remaining terms ranging from 1 to 6 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, 2024 $	September 30, 2024 $
Trade payables	726	931
Accrued liabilities	249	341
Personnel related accruals	230	411
Security deposits	61	3
Provision for warranty	121	144
	1,387	1,830

(Unaudited, expressed in thousands of Canadian dollars)

11 Indebtedness

Term Loan

On October 07, 2024, the Company signed a $500 loan agreement (the "Term Loan") with Desjardins Tech and Innovation Banking of the Desjardins Group ("Desjardins"). The Term Loan has an amortization period of 48 months and is to be repaid monthly on equal and consecutive payments of principal plus interest at a rate of Canadian prime plus 2.00%. The following is the carrying amount of the Term Loan and movements during the three months ended December 31, 2024:

Borrowings:	**$**
Balance, October 01, 2024	-
Term Loan	500
Debt issue costs	(13)
Repayment of principal	(21)
Balance, December 31, 2024	466
Current	120
Non-current	346
	466

Desjardins Revolving Credit Facility

Concurrent with the Term Loan, the Company signed a revolving credit facility agreement (the "Credit facility") with Desjardins. The amount available to the Company under the facility is calculated as the lesser of the $5,000 and a function of royalties, receivables and inventory at an interest rate of Canadian prime plus 1.50%. The Company incurs a monthly standby fee on the undrawn portion of the Credit Facility of 0.50%. The Credit Facility is supported by a performance security guarantee from Export Development Canada through the Trade Expansion and Lending Program ("TELP"). The Company incurs annual TELP fees of 1% of the Credit Facility, paid quarterly. As at December 31, 2024, the Company had not drawn on the $1,857 available under the Credit Facility.

The Credit Facility and Term Loan are secured by the Company's assets and includes a Minimum Liquidity Position covenant (the "Covenant") which requires EnWave to maintain a liquidity position greater than or equal to the greater of the 6-month trailing or projected cash burn, calculated on a free cash flow basis. The Covenant is tested monthly. As at December 31, 2024, the Company is in compliance with the covenant.

(Unaudited, expressed in thousands of Canadian dollars)

12 Leases

a) The following is the carrying amounts of right-of-use assets recognized and the movements during the three months ended December 31, 2024:

Leased buildings:	**$**
Balance, September 30, 2023	1,166
Lease modifications	616
Depreciation expense	(489)
Balance, September 30, 2024	1,293
Lease modifications	51
Depreciation expense	(133)
Balance, December 31, 2024	1,211

b) The following is the carrying amounts of lease liabilities and the movements for the three months ended December 31, 2024:

	$
Balance, September 30, 2023	1,384
Lease modifications	616
Lease payments	(566)
Interest expense on lease liabilities	140
Balance, September 30, 2024	1,574
Lease modifications	51
Lease payments	(174)
Interest expense on lease liabilities	35
Balance, December 31, 2024	1,486
Current	602
Non-current	884
	1,486

As at December 31, 2024, the lease liabilities are payable on an undiscounted basis as follows:

	Undiscounted lease payments $
Less than one year	710
One to five years	958
More than five years	-
	1,668

(Unaudited, expressed in thousands of Canadian dollars)

13 Share capital

a) Authorized: unlimited number of voting common shares without par value. Issued and outstanding: 111,040,055.

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, 2023	**110,695,055**	**79,812**
Shares issued on vesting of restricted share rights	130,000	161
Balance – September 30, 2024	**110,825,055**	**79,973**
Shares issued on vesting of restricted share rights	215,000	213
Balance – December 31, 2024	**111,040,055**	**80,186**

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, 2024, the Company did not purchase nor cancel any common shares.

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, 2024 and 2023 were as follows:

(Unaudited, expressed in thousands of Canadian dollars)

	December 31, 2024		December 31, 2023	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, beginning of the year	3,978,769	0.71	5,662,981	1.04
Options granted	3,260,000	0.23	-	-
Options exercised	-	-	-	-
Options expired or forfeited	(383,384)	1.23	(28,549)	1.26
Outstanding, end of the period	**6,855,385**	**0.45**	**5,634,432**	**1.04**
Exercisable, end of the period	**3,328,718**	**0.68**	**3,430,606**	**1.38**

The weighted average fair value of options granted during the three months ended December 31, 2024 was $0.23 per option (2023 - $nil).

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, 2024:

	2024	2023
Risk-free interest rate	2.69%	N/A
Expected life	3.77 years	N/A
Estimated volatility	72.1%	N/A
Dividend rate	0.00%	N/A

Stock options outstanding as at December 31, 2024 have the following expiry dates and exercise prices:

Year of expiry	Exercise price per share $	Number of options
2025	1.06 - 1.25	600,000
2026	0.90	510,000
2027	0.44 - 0.63	310,000
2028	0.27 - 0.75	2,175,385
2029	0.19 - 0.23	3,260,000
		6,855,385

During the three months ended December 31, 2024, the Company recorded stock-based compensation expense of $143 (2023 - $115), 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.

(Unaudited, expressed in thousands of Canadian dollars)

The changes in RSRs for the three months ended December 31, 2024 and 2023 were as follows:

	December 31, 2024		December 31, 2023	
	Number of RSRs	Weighted average grant date fair value $	Number of RSRs	Weighted average grant date fair value $
Outstanding, beginning of the year	360,000	0.97	500,000	1.04
RSRs granted	90,000	0.22	-	-
RSRs vested	(215,000)	0.99	(85,000)	0.90
RSRs forfeited	(25,000)	0.23	-	-
Outstanding, end of the year	**210,000**	**0.72**	**415,000**	**1.07**

During the three months ended December 31, 2024, stock-based compensation expense of $16 (2023 - $28) was recorded for the RSRs vested during the period. RSRs vest three years from the award date, in accordance with the RSR Plan.

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, 2024 and 2023 comprises the following expenses:

	2024 $	2023 $
Salaries, bonuses, and short-term employee benefits	223	215
Stock-based compensation	84	53
	307	268

(Unaudited, expressed in thousands of Canadian dollars)

b) Purchases from related parties

The Company had purchases from related parties for the three months ended December 31, 2024 and 2023 in the normal course of business as shown in the table below:

	2024 $	2023 $
Directors' fees	15	20
Stock-based compensation	5	8
	20	28

15 Revenues

a) Revenue breakdown for the three months ended December 31, 2024 and 2023 is as follows:

	2024 $	2023 $
Equipment sales	125	78
Equipment construction contracts	252	645
Royalties and licensing fees	559	480
Equipment rental fees, tolling, testing fees and other	241	59
	1,177	1,262

Individual customers representing over 10% of the total revenue during the three months ended December 31, 2024 and 2023 were as follows:

	2024		2023	
Customer	**$**	**%**	**$**	**%**
A	391	33	444	35
B	205	17	241	19
Others	581	50	577	46
	1,177	100	1,262	100

(Unaudited, expressed in thousands of Canadian dollars)

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

	December 31, 2024		September 30, 2024	
Customer	**$**	**%**	**$**	**%**
X	166	19	178	28
Y	117	14	153	24
Others	581	67	311	48
	864	100	642	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, 2024 and 2023 are shown below.

Details of expenses by nature	**2024 $**	**2023 $**
Cost of materials	180	386
Salaries, wages and employee expenses	1,032	1,111
Travel and promotional costs	285	110
Professional services	145	238
Depreciation of plant and equipment	293	274
Rent	72	62
Office and courier	67	73
Other expenses	31	38
Total expenses	2,105	2,292

17 Finance Expense

Finance expense breakdown for the three months ended December 31, 2024 and 2023 is as follows

	2024 $	**2023 $**
Financing and interest expense on Indebtedness (Note 11)	37	-
Interest expense on lease liabilities (Note 12)	35	26
Total finance expenses	72	26

18 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, 2024, the Company has recorded a $nil (2023 - $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, 2024:

	Neither past due nor impaired	Past due but not impaired		
	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Trade receivables	749	10	105	-
Due from customers on contract	252	-	-	-
Loans receivable	732	-	-	-
Indirect tax receivable	4	-	-	
	1,737	10	105	-

(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.

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. At December 31, 2024, the Company had cash and cash equivalents of $3,986 to settle current liabilities of $2,381

a) Financial assets maturity table:

	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Cash and cash equivalents and restricted cash	3,986	52	43	-
Trade receivables	864	-	-	-
Due from customers on contract	252	-	-	-
Loans receivable	182	239	282	29
Indirect tax receivables	4	-	-	-
	5,288	291	325	29

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

	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Trade and other payables	1,225	162	-	-
Customer deposits and deferred revenues	37	199	36	-
Borrowings	10	20	90	346
Lease liabilities	48	97	457	884
	1,320	478	583	1,230

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 instruments 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, Term Loan and Credit Facility. The Company earns interest on deposits based on current market interest rates which during the three months ended December 31, 2024 ranged from 2.50% to 3.75% (2023 – 5.00% to 5.40%). The interest rate on the Term Loan during the three months ended December 31, 2024, ranged from 7.45% to 8.45% (2023 – nil%). A 1% change in interest rates would affect the results of operations by approximately $26 (2023 - $19).

(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 is exposed to currency risk through suppliers with purchase orders denominated in US dollars.

(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, 2024, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

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, 2024 and 2023 as follows:

	2024	**2023**
	$	**$**
Currency		
US dollar	285	175

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.

(Unaudited, expressed in thousands of Canadian dollars)

19 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”).

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, 2024, $128 USD is outstanding, $126 USD is recognized in loans receivable paid monthly over the remaining 4-month term. The remaining revenue of $2 USD will be recognized as interest income for continuous operations over the remainder of the term.

The results of operations of NutraDried are presented as discontinued operations for the three months ended December 31, 2024 and 2023:

	Three months ended December 31	
	2024 **$**	**2023** **$**
Revenues	**-**	-
Inventory write down	**-**	(86)
	-	(86)
Expenses		
General and administration	**(8)**	(75)
Loss before other items	**(8)**	(161)
Other items:		
Other income	**-**	10
Total other items	**-**	10
Loss from discontinued operations	**(8)**	(151)

(Unaudited, expressed in thousands of Canadian dollars)

Cash flows from discontinued operations are as follows:

	Three months ended December 31,	
	2024	**2023**
	$	**$**
Cash flows generated from operating activities from discontinued operations		
Net loss for the period from discontinued operations	**(8)**	(151)
Items not affecting cash		
Inventory write off	**-**	86
	(8)	(65)
Changes in non-cash working capital		
Trade receivables	**22**	310
Trade and other payables	**(1)**	(251)
Income taxes receivable	**-**	677
Other	**-**	4
Net cash generated from the activities from discontinued operations	**13**	675
Cash flows used in investing activities		
Net cash used in investing activities from discontinued operations	**-**	-
Cash flows used in financing activities		
Net cash used in financing activities from discontinued operations	**-**	-
Increase in cash and cash equivalents from discontinued operations	**13**	675

(Unaudited, expressed in thousands of Canadian dollars)

20 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, 2024**			**September 30, 2024**		
	EnWave $	**NutraDried $**	**Total $**	**EnWave $**	**NutraDried $**	**Total $**
Assets						
Trade receivables	864	-	864	642	-	642
Due from customers on contract	252	-	252	298	-	298
Loan Receivables	732	-	732	1,025	-	1,025
Inventory	2,821	-	2,821	2,698	-	2,698
Plant and equipment	1,638	-	1,638	1,811	-	1,811
Right-of-use assets	1,211	-	1,211	1,293	-	1,293
	7,518	-	7,518	7,767	-	7,767
Liabilities						
Trade and other payables	1,327	60	1,387	1,773	57	1,830
Customer deposits and deferred revenue	272	-	272	322	-	322
Lease liabilities	1,486	-	1,486	1,574	-	1,574
Borrowings	466	-	466	-	-	-
	3,551	60	3,611	3,669	57	3,726