ENWAVE CORPORATION

Consolidated Financial Statements

Years ended September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

Independent auditor's report

To the Shareholders of EnWave Corporation

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of EnWave Corporation and its subsidiaries (together, the Company) as at September 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of loss for the years ended September 30, 2024 and 2023;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of financial position as at September 30, 2024 and 2023;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T.: +1 604 806 7000, F.: +1 604 806 7806, Fax to mail: ca_vancouver_main_fax@pwc.com

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended September 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Revenue recognition – total estimated costs at completion of the performance obligation on equipment construction contracts
 	
Refer to note 2 – Basis of preparation, note 3 – Material accounting policies and note 16 – Revenues to the consolidated financial statements.
 	
For the year ended September 30, 2024, the Company recognized revenue from equipment construction contracts of $4.291 million. The Company generally recognizes revenue from equipment construction contracts over time when an equipment purchase contract is for a customized machine design per the customer's specification. Revenue is recognized based on the extent of progress towards completion of the performance obligation. The measure of progress towards completion requires judgment and management typically uses the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as costs are incurred on contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation.
 	
Management must make assumptions and estimates regarding the measurement of progress towards completion of the performance obligation over time. These assumptions and estimates relate to the complexity of the work being performed, achievement of technical specifications and milestone events, and the total estimated costs at
	Our approach to addressing the matter included the following procedures, among others:
	
	• Tested how management determined the total estimated costs at completion of the performance obligation:
	  – Tested the underlying data used for a sample of contracts by:
	    o agreeing key contractual terms back to signed contracts; and
	    o testing the costs incurred to supporting evidence.
	• Evaluated the reasonableness of assumptions related to total estimated costs at completion including costs of materials, labour and overhead by:
	  – For a sample of contracts completed at year-end, performing look-back procedures to compare the originally estimated and the actual costs incurred.
	  – For a sample of in-progress contracts at year-end, testing the total estimated costs at completion by comparing the costs of materials, labour and overhead initially budgeted for the contracts, to the actual costs of materials, labour and overhead incurred.
	  – Interviewing project managers to evaluate the achievement of technical specifications and milestone events, and the total estimated costs at completion, including

Key audit matter	How our audit addressed the key audit matter
completion, including materials, labour and overhead, to meet the performance obligations. We considered this a key audit matter due to the judgments applied by management in determining the total estimated costs at completion of the performance obligation. This in turn led to significant auditor judgments and audit effort in performing procedures to evaluate the total estimated costs at completion.	materials, labour and overhead, to meet the performance obligations. – Comparing information obtained from interviewing project managers to supporting documents.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is David Neale.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 12, 2024

EnWave Corporation

Consolidated Statements of Loss

For the years ended September 30, 2024 and 2023

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

	Note	**2024** **$**	2023 $
Revenues	16	**8,181**	11,363
Direct costs		**5,522**	6,930
		2,659	4,433
Expenses			
General and administration		**2,346**	2,198
Sales and marketing		**1,468**	1,396
Research and development		**1,494**	1,577
Stock-based compensation	14(c)	**248**	556
Impairment of Asset	8,10	**-**	315
Other income	18	**(475)**	-
Foreign exchange (gain) loss		**(1)**	27
Finance income	9	**(211)**	(185)
Finance expense	12(b)	**140**	128
		5,009	6,012
Loss from continuing operations before income taxes		**(2,350)**	(1,579)
Income tax expense			
Current	19	**-**	-
Deferred	19	**-**	-
Loss from continuing operations		**(2,350)**	(1,579)
Loss for the year from discontinued operations	21	**(48)**	(4,933)
Loss for the year		**(2,398)**	(6,512)
Net loss per share:			
Continuing operations, basic and diluted		**(0.02)**	(0.01)
Discontinued operations, basic and diluted		**-**	(0.05)
		(0.02)	(0.06)
Weighted average number of shares outstanding			
Basic and diluted		**110,785,260**	110,548,438

EnWave Corporation

Consolidated Statements of Comprehensive Loss

For the years ended September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Note	**2024** **$**	2023 $
Net loss for the year		**(2,398)**	(6,512)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss: Foreign exchange translation loss (gain)		**9**	(110)
Total comprehensive loss for the year		**(2,389)**	(6,622)

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

EnWave Corporation

Consolidated Statements of Financial Position

As at September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Note	2024 $	2023 $
Assets			
Current assets			
Cash and cash equivalents	4(a)	**4,762**	4,171
Restricted cash	4(b)	**92**	417
Trade receivables	6	**642**	1,183
Due from customers on contract	5	**298**	818
Loans receivable, current	9	**979**	984
Inventory	8	**2,698**	3,353
Prepaids and other receivables	7	**470**	478
Income taxes receivable	19	**-**	672
		9,941	12,076
Non-current assets			
Loans receivable, non-current	9	**46**	462
Deposits and other receivables		**56**	56
Plant and equipment	10	**1,811**	2,271
Right-of-use assets	12(a)	**1,293**	1,166
		3,206	3,955
Total assets		**13,147**	16,031
Liabilities			
Current liabilities			
Trade and other payables	11	**1,830**	2,516
Customer deposits and deferred revenue	5	**322**	443
Current portion of lease liabilities	12(b)	**576**	411
Current portion of other liability	13	**-**	126
		2,728	3,496
Non-current liabilities			
Long-term portion of lease liabilities	12(b)	**998**	973
		998	973
Total liabilities		**3,726**	4,469
Equity			
Share capital	14(b)	**79,973**	79,812
Contributed surplus		**12,509**	12,422
Foreign currency translation reserve		**524**	515
Deficit		**(83,585)**	(81,187)
Total equity		**9,421**	11,562
Total liabilities and equity		**13,147**	16,031

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

EnWave Corporation

Consolidated Statements of Changes in Equity

For the years ended September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Share capital Amount	Share capital Value $	Warrants $	Contributed surplus $	Foreign currency translation 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	-	-	-	-	-	(6,512)	(6,512)
Effects of foreign currency translation	-	-	-	-	(110)	-	(110)
Expiry of warrants	-	-	(1,040)	1,040	-	-	-
Shares repurchased and cancelled	-	-	-	-	-	-	-
Shares issued on exercise of stock options	-	-	-	-	-	-	-
Shares issued with restricted share rights	255,000	253	-	(253)	-	-	-
Restricted share rights	-	-	-	165	-	-	165
Stock-based compensation	-	-	-	391	-	-	391
Balance – September 30, 2023	110,695,055	79,812	-	12,422	515	(81,187)	11,562
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(2,398)**	**(2,398)**
Effects of foreign currency translation	**-**	**-**	**-**	**-**	**9**	**-**	**9**
Expiry of warrants	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares repurchased and cancelled	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued on exercise of stock options	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued with restricted share rights	**130,000**	**161**	**-**	**(161)**	**-**	**-**	**-**
Restricted share rights	**-**	**-**	**-**	**79**	**-**	**-**	**79**
Stock-based compensation	**-**	**-**	**-**	**169**	**-**	**-**	**169**
Balance – September 30, 2024	**110,825,055**	**79,973**	**-**	**12,509**	**524**	**(83,585)**	**9,421**

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

EnWave Corporation

Consolidated Statements of Cash Flows

For the years ended September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Note	2024 $	2023 $
Cash flows from operating activities			
Net loss for the year		**(2,350)**	(1,579)
Items not affecting cash:			
Depreciation and amortization		**1,160**	1,117
Stock-based compensation	14(c)	**248**	556
Finance income	9	**(211)**	(185)
Finance expense	12(b)	**140**	128
Impairment of Assets	8,10	**-**	315
Foreign exchange (gain) loss		**(1)**	27
		(1,014)	379
Changes in non-cash working capital:			
Restricted cash		**325**	198
Trade receivables		**135**	(3)
Prepaids and other receivables		**108**	68
Loan receivables		**411**	(687)
Inventory		**669**	332
Trade and other payables		**70**	(587)
Payment received from security deposits		**3**	(428)
Due from customers on contract and deferred revenue		**409**	(892)
Net cash generated by (used in) operating activities from continuing operations		**1,116**	(1,620)
Net cash generated by (used in) operating activities from discontinued operations		**269**	(894)
Net cash generated by (used in) operating activities		**1,385**	(2,514)
Cash flows from investing activities			
Acquisition of plant and equipment		**(218)**	(46)
Finance income received		**102**	81
Net cash (used in) generated by investing activities from continuing operations		**(116)**	35
Net cash generated by investing activities from discontinued operations		**-**	1,323
Net cash (used in) generated by investing activities		**(116)**	1,358
Cash flows from financing activities			
Payment of lease principal liabilities	12(b)	**(426)**	(382)
Payment of lease interest	12(b)	**(140)**	(128)
Payment received from finance leases		**-**	8
Payment of other liability		**(126)**	121
Net cash used in financing activities from continuing operations		**(692)**	(381)
Net cash used in financing activities from discontinued operations		**-**	(519)
Net cash used in financing activities		**(692)**	(900)
Effect of foreign exchange translation on cash		**14**	28
Increase (decrease) in cash and cash equivalents – continuing operations		**322**	(1,938)
Increase (decrease) in cash and cash equivalents – discontinued operations		**269**	(90)
Cash and cash equivalents - Beginning of the year		**4,171**	6,199
Cash and cash equivalents - End of the year		**4,762**	4,171
Non-cash transactions			
Acquisition of plant and equipment through accounts payable		**6**	(27)
Purchase of inventory through accounts payable		**(14)**	(82)

The accompanying notes are an integral part of these consolidated 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 2 and Note 21.

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 annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). These consolidated financial statements were approved for issuance by the Board of Directors on December 12, 2024.

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. The Company regularly reviews its estimates and assumptions; however, it is possible that circumstances may arise which may cause actual results to differ from management estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recorded prospectively.

Revenue recognition

The revenue recognition policy for customized equipment sales contracts is the percentage-of-completion method. The stage of completion is measured by reference to the actual contract costs incurred as a percentage of total estimated costs for each contract. Determining the estimated contract cost is considered a significant accounting estimate which requires detailed knowledge of the costs to be incurred based on the required design customizations. If the total actual contract costs were to differ by 10% from management's estimated contract costs, the amount of revenue recognized in the period would be increased or decreased by $358 (2023 - $299).

Impairment of inventory

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

Leases

The right-of-use asset and lease liability valuations are based on the present value of the lease payments over the lease term. The lease term is determined as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to extend or terminate the lease, and any modifications to the lease term will result in the revaluation of the lease. The present value of the lease payments is dependent on the incremental borrowing rate used, which the Company applies estimates when determining the rates.

Estimated useful lives of property, plant and equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives and residual values which are determined through knowledge of the business and judgment. Residual values, useful lives and depreciation methods are reviewed annually for relevancy and changes are accounted for prospectively. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic conditions, market conditions and the useful lives of the assets.

Impairment of non-financial assets

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

Warranty provision

The Company recognizes revenue from the sale of machines to customers. Machines are sold with a manufacturer's warranty valid for a set period of time. The Company estimates, based on past experience with similar sales, that the warranty costs will not exceed 1% of revenues. The Company therefore recognizes a provision for warranty equal to 1% of revenue recognized.

Share-based compensation

The fair value of stock options and warrants is calculated using the Black-Scholes option pricing model. When determining the fair value of stock options and warrants, management is required to make assumptions and estimates related to expected lives, volatility, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate the fair value could result in materially different results.

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. NutraDried has been classified and reported as a discontinued operation.

3 Material accounting policies

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

Basis of measurement

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention.

IFRS Accounting Standards and amendments issued and not yet adopted

The following IFRS Accounting 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.

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 financial performance 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.
- 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 18.

Principles of consolidation and non-controlling interest

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

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

When the Company ceases to consolidate a subsidiary due to a loss of control of the entity, the investment in the entity is re-measured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Foreign currency translation

Functional and reporting currency

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

Transactions and balances

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

Consolidation

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

- assets and liabilities are translated at the closing rate at the date of that statement of financial position;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognized in other comprehensive income (loss) and accumulated in other comprehensive income (loss) within equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months to a year and redeemable after one to three months.

Restricted cash

Restricted cash is cash and cash equivalents that has been pledged as collateral for the Company's corporate card and banking facilities.

Financial instruments

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

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

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

Impairment of financial and non-financial assets

Financial assets

The Company's financial assets that are subject to IFRS 9's expected credit loss model consist of loans and trade receivables, all of which are measured at amortized cost. While cash, cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the impairment loss is insignificant as all cash, cash equivalents and restricted cash are placed with high credit quality financial institutions.

For trade receivables and loan receivables, the Company applies the simplified expected credit loss model which requires the recognition of loss allowance based on lifetime expected credit loss. The Company has determined that due to extremely low credit risk from its receivables, the expected credit loss provision is de minimis.

Non-financial assets

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

For the purpose of impairment testing, assets are grouped together in the smallest group of assets that generate cash inflows from continuing use that is largely independent of the cash inflows of other assets or groups of assets or cash generating units ("CGUs"). The recoverable amount of an asset or CGU is the greater of its value in use and fair value less costs to sell. In assessing value in use, future discounted cash flows are estimated. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of loss. The Company evaluates impairment losses for potential reversals (other than goodwill) when events or circumstances warrant such consideration.

Inventory

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

The Company rents its machinery on a short-term basis to companies evaluating the machinery. When the term of the rental agreement is less than 12 months, the machinery is recorded as an asset in inventory. Amortization is not recorded where leases are short term in nature as the asset can be redeployed without significant modification. When the term of the rental agreement exceeds 12 months, the machinery is recorded as an asset in plant and equipment as commercial equipment and amortized to income.

Plant and equipment

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

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

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

Leases

At inception of a contract, the Company determines if a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset the Company assesses whether:

- the contract involves the use of an identified asset;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- the Company has the right to direct the use of the asset.

Lease accounting

For contracts assessed as or containing a lease, the Company records a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, consisting of:

- the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The Company uses the relevant incremental borrowing rate as the rate implicit in the Company's leases cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- amounts expected to be payable under a residual value guarantee.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise purchase, extension or termination options.

Provisions

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

Share capital

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

Loss per share

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

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

Revenue recognition

Equipment construction contracts

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

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

The Company generally recognizes revenue over time when an equipment purchase contract is for a customized machine design per the customer's specification. In some circumstances, revenue is recognized following the passing of a deemed installation date which is dictated by the terms of the equipment purchase contract. Revenue is recognized based on the extent of progress towards completion of the performance obligation. The measure of progress towards completion requires judgement and the Company typically uses the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as costs are incurred on contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionately as costs are incurred. Costs to fulfil the performance obligation are recognized as cost of goods sold in the period they are incurred. Typically, the customized machine contracts of the Company do not have a duration of greater than 12 months, and the Company has applied the practical expedient under IFRS 15.121.

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

Equipment sales contracts

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

Royalties and licensing fees

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

Equipment rental fees

The Company rents its dehydration equipment on a short-term basis to certain companies in the technology evaluation process. The rental income is recorded on a straight-line basis over the rental period.

Tolling services

The Company provides tolling services through its REVworx™ facility located in Delta, British Columbia. Tolling services revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled. These criteria are met at the time the product is shipped and when control transfers to the customer. Revenue is measured based on the price specified in the sales contract.

Product sales

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

Research and development

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

Stock-based compensation

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

Current and deferred income taxes

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxable benefit will be realized. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. To the extent that future taxable income and the application of existing tax laws differ significantly from the Company's estimate, the ability of the Company to realize the deferred tax assets could be impacted.

4 Cash and cash equivalents and restricted cash

a) Cash and cash equivalents

As at September 30, 2024, the Company had $4,762 (2023 - $4,171) in cash funds held in current accounts.

b) Restricted cash

As at September 30, 2024, the Company had a $92 (2023 - $417) restricted cash deposit held as collateral for the corporate card and banking facilities.

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. Trade receivables are recognized when the right to consideration becomes unconditional.

(expressed in thousands of Canadian dollars)

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:

	2024 $	2023 $
Due from customers on contract	298	818
Customer deposits and deferred revenues	(322)	(443)
	(24)	375

During the year ended September 30, 2024, the Company recognized revenue from equipment sales and construction contracts of $443 (2023 - $1,270) that was included as deferred revenue at the beginning of the period.

6 Trade receivables

	2024 $	2023 $
Trade receivables	642	1,183
	642	1,183

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

7 Prepaids and other receivables

	2024 $	2023 $
Prepaid expenses	429	374
Indirect tax receivable	41	104
	470	478

8 Inventory

	2024 $	2023 $
Machines, machine parts and work-in-progress	2,698	3,353
	2,698	3,353

During the year ended September 30, 2024, the Company recorded $nil (2023 - $190) of inventory write-downs related to machine parts and work in progress. This was recognized as an expense and included in impairment of assets in the condensed consolidated statement of loss in the fiscal year 2023. An inventory impairment of $nil (2023 - $639) was recognized related to food products and packaging supplies associated with discontinued operations, see Note 21.

(expressed in thousands of Canadian dollars)

9 Loans receivable

	2024 **$**	**2023** **$**
Current	979	984
Non-current	46	462
	1,025	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 10%, have remaining terms ranging from 1 to 20 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.

(expressed in thousands of Canadian dollars)

10 Plant and equipment

	Office plant and equipment $	Manufacturing plant and equipment $	Commercial equipment $	Leasehold improvements $	Total $
Year ended September 30, 2023					
Opening net book value	87	2,467	1,419	1,566	5,539
Additions	22	161	10	2	195
Disposals - cost	(246)	(8,558)	-	(715)	(9,519)
Disposals – accumulated depreciation	208	6,775	-	624	7,607
Depreciation	(34)	(525)	(282)	(310)	(1,151)
Reclassification	-	(342)	(118)	1	(459)
Reclassification – accumulated	-	216	(1)	1	216
Impairment	-	-	(126)	1	(125)
Currency translation adjustments	-	(33)	-	(1)	(34)
Closing net book value	37	161	902	1,169	2,269
At September 30, 2023					
Cost	343	263	1,406	2,203	4,215
Accumulated depreciation	(306)	(102)	(504)	(1,034)	(1,946)
Net book value	37	161	902	1,169	2,269

	Office plant and equipment $	Manufacturing plant and equipment $	Commercial equipment $	Leasehold improvements $	Total $
Year ended September 30, 2024					
Opening net book value	37	161	902	1,169	2,269
Additions	42	393	25	1	461
Disposals - cost	(110)	(61)	-	-	(171)
Disposals – accumulated depreciation	110	61	-	-	171
Depreciation	(19)	(93)	(280)	(278)	(670)
Reclassification	-	(398)	149	-	(249)
Closing net book value	60	63	796	892	1,811
At September 30, 2024					
Cost	274	197	1,580	2,204	4,255
Accumulated depreciation	(214)	(134)	(784)	(1,312)	(2,444)
Net book value	60	63	796	892	1,811

During the year ended September 30, 2024, the Company recorded $nil (2023 - $125) of fixed asset write-downs related to machine parts. This was recognized as an expense and included in impairment of assets in the consolidated statements of loss.

(expressed in thousands of Canadian dollars)

11 Trade and other payables

	2024 $	2023 $
Trade payables	931	709
Accrued liabilities	341	1,059
Personnel related accruals	411	544
Security deposits	3	44
Provision for warranty	144	160
	1,830	2,516

12 Leases

a) The following is the carrying amounts of right-of-use assets recognized and the movements during the year:

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
Lease modifications	616
Depreciation expense	(489)
Balance, September 30, 2024	**1,293**

(expressed in thousands of Canadian dollars)

b) The following is the carrying amounts of lease liabilities and the movements during the year:

	$
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 modifications	616
Lease payments	(566)
Interest expense on lease liabilities	140
Balance, September 30, 2024	1,574
Current	576
Non-current	998
	1,574

As at September 30, 2024, the lease liabilities are payable on an undiscounted basis as follows:

	Undiscounted lease payments $
Less than one year	694
One to five years	1,087
More than five years	-
	1,781

c) The following are the amounts recognized in the consolidated statements of loss:

	2024 $	**2023 $**
Income from subleasing right-of-use assets	73	64
Depreciation expense of right-of-use assets	(489)	(589)
Interest expense on lease liabilities	(140)	(139)
Expenses relating to variable lease payments not included in lease liabilities	(251)	(264)
Total amount recognized in net loss	(807)	(928)

The total cash outflow for leases in 2024 was $744. The Company has no lease contracts that have not commenced as at September 30, 2024.

13 Grants

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 to purchase a seasoning machine and packaging system for the REVworx™ facility. As of September 30, 2024, the Company has received proceeds from the FPGF of $257 (2023 - $126). Due to the completion of the project, the Company recognized the grant, $257, against the carrying cost of the seasoning machine and packaging system in plant and equipment.

(expressed in thousands of Canadian dollars)

14 Share capital

a) Authorized: unlimited number of voting common shares without par value. Issued and outstanding: 110,825,055

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

b) Issued and fully paid:

	Share capital Number	Share capital 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	130,000	161
Balance – September 30, 2024	**110,825,055**	**79,973**

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 year ended September 30, 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.

(expressed in thousands of Canadian dollars)

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 years ended September 30, 2024 and 2023 were as follows:

	2024		2023	
	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	-	-	3,019,648	0.53
Options expired or forfeited	(1,684,212)	1.83	(5,684,934)	1.20
Outstanding, end of the year	**3,978,769**	**0.71**	**5,662,981**	**1.04**
Exercisable, end of the year	**3,436,972**	**0.74**	**2,840,000**	**1.54**

During the year ended September 30, 2024, no stock options were issued. The weighted average fair value of options granted during the year ended September 30, 2024, was $nil per option (2023 - $0.11). The weighted average remaining contractual life of the outstanding stock options as at September 30, 2024 is 2.92 years (2023 – 3.24 years).

The following weighted average assumptions were used in calculating the fair value of the stock options granted using the Black-Scholes model for the years ended September 30, 2024 and 2023:

	2024	2023
Risk-free interest rate	N/A	2.75%
Expected life	N/A	2.60 years
Estimated volatility	N/A	50%
Forfeiture rate	N/A	1.25%
Dividend rate	N/A	0.00%

Stock options outstanding as at September 30, 2024 have the following calendar expiry dates and exercise prices:

Year of expiry	Exercise price per share $	Number of options
2024	1.74	185,000
2025	1.06 - 1.25	600,000
2026	0.90	510,000
2027	0.44 - 0.63	310,000
2028	0.27 - 0.75	2,373,769
		3,978,769

(expressed in thousands of Canadian dollars)

During the year ended September 30, 2024, the Company recorded stock-based compensation expense of $248 (2023 - $556), 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 years ended September 30, 2024 and 2023 were as follows:

	2024		**2023**	
	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 vested	(130,000)	1.23	(255,000)	0.99
RSRs forfeited	(10,000)	0.90	-	-
Outstanding, end of the year	**360,000**	**0.97**	**500,000**	**1.04**

During the year ended September 30, 2024, stock-based compensation expense of $79 (2023 - $165) 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.

Remuneration of key management personnel of the Company during the years ended September 30, 2024 and 2023 comprises the following expenses:

	2024 $	**2023 $**
Salaries, bonuses, and short-term employee benefits	861	1,338
Stock-based compensation	143	350
	1,004	1,688

(expressed in thousands of Canadian dollars)

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b) Purchases from related parties

The Company had purchases from related parties for the years ended September 30, 2024 and 2023 in the normal course of business as shown in the table below:

	2024 $	2023 $
Directors' fees	70	80
Stock-based compensation	26	47
	96	127

16 Revenues

a) Revenue breakdown for the years ended September 30, 2024 and 2023 is as follows:

	2024 $	2023 $
Equipment sales	1,180	2,753
Equipment construction contracts	4,291	6,257
Royalties and licensing fees	1,961	1,465
Equipment rental fees, tolling, testing fees and other	749	888
	8,181	11,363

Included in due from customers on contract on the consolidated statement of financial position is $298 (2023 - $818) related to work performed on equipment construction contracts where revenue has been recognized; the amounts are still to be invoiced to the customer based on the contract terms.

Individual customers representing over 10% of the total revenue during the years ended September 30, 2024 and 2023 were as follows:

	2024		2023	
Customer	**$**	**%**	**$**	**%**
A	3,922	48	1,907	17
B	910	11	1,684	15
C	-	-	1,557	14
D	-	-	1,372	12
Others	3,349	41	4,843	42
	8,181	100	11,363	100

(expressed in thousands of Canadian dollars)

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

	2024		2023	
Customer	**$**	**%**	**$**	**%**
X	178	28	274	23
Y	153	24	-	-
Others	311	48	909	77
	642	100	1,183	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 years ended September 30, 2024 and 2023 are shown below.

Details of expenses by nature	**2024** **$**	**2023** **$**
Cost of materials	2,785	4,289
Salaries, wages and employee expenses	4,270	4,579
Travel and promotional costs	712	550
Professional services	1,144	909
Depreciation of plant and equipment	1,160	1,105
Rent	251	241
Office and courier	271	276
Other expenses	224	142
Bad debt	13	-
Total expenses	10,830	12,091

18 Legal Claim Settlement

On September 20, 2022, a civil counterclaim was commenced against the Company in the Supreme Court of British Columbia by certain former directors and officers of the Company (the “Durance Defendants”). The counterclaim was filed in response to a civil claim filed by the Company against the Durance Defendants and others. The counterclaim alleges breach of contract and breach of privacy related to the cessation of employment of one of the former directors.

In Q4 2024, the Company reached global settlements of its civil claim and the civil counterclaim in the Supreme Court of British Columbia with the Durance Defendants. Pursuant to the settlement, Durance Defendants are permanently restrained and enjoined from, directly or indirectly, selling, attempting to sell, supplying, delivering or installing vacuum microwave dryers. A defendant company operated by the Durance Defendants was also obligated to assign all issued and pending patents in the name of the defendant company to EnWave.

(expressed in thousands of Canadian dollars)

19 Income taxes

a) Reconciliation of the effective tax rate on continuing operations

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

	2024 $	2023 $
Loss from continuing operations before income taxes	(2,352)	(1,579)
Statutory tax rate	27.00%	27.00%
Income tax (recovery) at the statutory tax rate	(635)	(426)
Permanent differences and others	74	415
Effect of foreign tax rate differences	8	6
Effect of unrecognized deferred tax assets	553	5
Income tax expense (recovery)	-	-

The Company's income tax is allocated as follows:

	2024 $	2023 $
Current tax (recovery)	-	-
Deferred tax (recovery)	-	-
Income tax (recovery)	-	-

b) Reconciliation of the effective tax rate on discontinued operations

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

	2024 $	2023 $
Loss from discontinued operations before income taxes	(54)	(4,903)
Statutory tax rate	27.00%	27.00%
Income tax (recovery) at the statutory tax rate	(15)	(1,324)
Permanent differences and others	1	25
Effect of foreign tax rate differences	3	220
Effect of changes in enacted tax rate	158	-
Effect of changes in estimates and true-up	210	92
Effect of unrecognized deferred tax assets	(357)	1,017
Income tax (recovery)	-	30

The Company's income tax is allocated as follows:

	2024 $	2023 $
Current tax expense (recovery)	-	30
Deferred tax expense (recovery)	-	-
Income tax expense (recovery)	-	30

(expressed in thousands of Canadian dollars)

c) *Unrecognized deductible temporary differences*

In Canada, deferred tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets due to the uncertainty of future taxable profits in Canada. The Company's unrecognized deductible temporary differences are as follows:

	2024 **$**	**2023** **$**
Non-capital losses	23,673	22,407
Net capital losses	4,338	4,338
Scientific research and experimental development expenses	7,668	7,668
Investment tax credits	1,848	1,919
Plant and equipment and intangible assets	12,522	12,244
Lease liability	280	217
Other	269	288
Total unrecognized deferred tax assets	50,598	49,081

The Company has non-capital losses for Canadian income tax purposes of approximately $23,673 (2023 - $22,407) that are available to reduce future year's taxable income. These losses will expire from 2029 to 2040.

The Company has investment tax credits for Canadian income tax purposes of approximately $1,848 (2023 - $1,919) that are available to reduce future year's taxes payable. These investment tax credits will expire from 2028 to 2039

In the US, deferred tax assets are recognized for deductible temporary differences to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets due to the uncertainty of future taxable profits in the US. The Company's unrecognized temporary differences are as follows:

	2024 **$**	**2023** **$**
Section 267 interest	1,036	907
Net operating losses	12,500	13,355
Total unrecognized deductible temporary differences	13,536	14,262

The US net operating losses have no expiration date

20 Financial instruments and risk management

The Company's cash and cash equivalents, restricted cash, trade receivables, loan receivables, loan payable, trade and other payables, and lease liabilities are measured at amortized cost subsequent to initial measurement. Fair value measurement requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques, as follows:

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

(expressed in thousands of Canadian dollars)

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

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

Fair values

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

Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Trade receivables	Amortized cost
Due from customers on contract	Amortized cost
Loans receivable	Amortized cost
Income tax receivable	Amortized cost
Loan payable	Amortized cost
Trade and other payables	Amortized cost
Customer deposits and deferred revenue	Amortized cost
Income tax payable	Amortized cost
Lease liabilities	Amortized cost
Other liability	Amortized cost

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

The carrying value of the loans receivables as at September 30, 2024 was $1,025 (2023 - $1,446) which approximates its fair value and is recorded at amortized cost. The carrying value of the loans receivable was determined based on the discounted future cash flows using incremental borrowing rates.

The carrying value of the lease liabilities as at September 30, 2024 was $1,574 (2023 - $1,384) which approximates its fair value and is recorded at amortized cost. The carrying value of the lease liabilities was determined based on the discounted future cash flows using incremental borrowing rates.

The Company does not hold any equity instruments that are measured at fair value or amortized costs during the years ended September 30, 2024, and 2023.

Financial risk factors

The use of financial instruments exposes the Company to a number of risks. These risks include credit risk, liquidity risk, and market risk. The Company has established policies and procedures to manage these risks, with the objective of minimizing the adverse effects that changes in the variable factors underlying these risks could have on the Company's consolidated financial statements.

Credit risk

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

(expressed in thousands of Canadian dollars)

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 September 30, 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. 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 September 30, 2024:

	Neither past due nor impaired	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Trade receivables	484	85	73	-
Due from customers on contract	298	-	-	-
Loans receivable	1,025	-	-	-
Indirect tax receivable	14	26	-	-
	1,821	111	73	-

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.

(expressed in thousands of Canadian dollars)

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.

a) 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 September 30, 2024, the Company had cash and cash equivalents of $4,762 to settle current liabilities of $2,818. Financial assets maturity table:

	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Cash and cash equivalents and restricted cash	4,762	52	40	-
Trade receivables	642	-	-	-
Due from customers on contract	-	298	-	-
Loans receivable	113	226	640	46
Indirect tax receivables	14	26	-	-
	5,531	602	680	46

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

	0 – 30	**31 – 90**	**91 – 365**	**Over 365**
Trade and other payables	1,474	356	-	-
Customer deposits and deferred revenues	241	81	-	-
Lease liabilities	45	92	439	998
	1,760	529	439	998

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents and restricted cash. The Company earns interest on deposits based on current market interest rates, which during the year ended September 30, 2024 ranged from 4.65% to 5.40% (2023 – 3.70% to 5.40%). A 1% change in interest rates would affect the results of operations by approximately $19 (2023 - $30).

Foreign exchange risk

(expressed in thousands of Canadian dollars)

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 September 30, 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 years ended September 30, 2024 and 2023 as follows:

	2024 **$**	**2023** **$**
Currency		
US dollar	872	986

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.

21 Discontinued Operations

During the year ended September 30, 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 September 30, 2024, $nil USD remains outstanding.

(expressed in thousands of Canadian dollars)

Additionally, Creations purchased a 100kW REV™ Machine from EnWave, installed at the NutraDried facility, for consideration of $1,000 USD. As of September 30, 2024, $229 USD is outstanding, $218 USD is recognized in loans receivable paid monthly over the remaining 7-month term. The remaining revenue of $11 USD will be recognized as interest income over the remainder of the term.

The results of operations of NutraDried are presented as discontinued operations for the year ended September 30, 2024:

	Year ended September 30	
	2024 **$**	**2023** **$**
Revenues	**-**	5,167
Cost of sales	**-**	(6,000)
Inventory write down	**-**	(631)
	-	(1,464)
Expenses		
General and administration	**(82)**	(679)
Sales and marketing	**110**	(1,237)
Depreciation	**-**	(870)
Restructuring costs	**-**	(573)
Professional Fees	**-**	(303)
Loss before other items	**28**	(5,126)
Other items:		
Loss on the sale of assets	**(86)**	(387)
Income tax (expense) recovery	**-**	(30)
Employee Retention Tax Credit	**-**	670
Other Income	**10**	-
Impairment of right of use asset	**-**	(60)
Total other items	**(76)**	193
Loss from discontinued operations	**(48)**	(4,933)

(expressed in thousands of Canadian dollars)

Cash flows from discontinued operations are as follows:

	Year ended September 30, 2024 $	2023 $
Cash flows generated from (used in) operating activities from discontinued operations		
Net loss for the period from discontinued operations	**(48)**	(4,933)
Items not affecting cash		
Depreciation and amortization	**-**	870
Inventory write off	**-**	631
Loss on sale of assets	**86**	447
Income tax expense	**-**	30
Other	**-**	(47)
	38	(3,002)
Changes in non-cash working capital		
Trade receivables	**316**	744
Prepaids	**3**	-
Inventory	**-**	1,949
Trade and other payables	**(764)**	(619)
Income taxes receivable	**676**	(110)
Other	**-**	144
Net cash generated by (used in) the activities from discontinued operations	**269**	(894)
Cash flows generated from investing activities		
Proceeds from sale of plant and equipment	**-**	1,355
Acquisition of plant and equipment	**-**	(32)
Net cash generated from investing activities from discontinued operations	**-**	1,323
Cash flows used in financing activities		
Repayment of debt	**-**	(223)
Payment of lease principal liabilities	**-**	(284)
Payment of lease interest	**-**	(12)
Net cash used in financing activities from discontinued operations	**-**	(519)
Increase (decrease) in cash and cash equivalents from discontinued operations	**269**	(90)

(expressed in thousands of Canadian dollars)

22 Segmented information

The Company has assessed its operating segments to be EnWave and NutraDried, see Note 21, 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	**September 30, 2024**			**September 30, 2023**		
	EnWave $	**NutraDried $**	**Total $**	**EnWave $**	**NutraDried $**	**Total $**
Assets						
Trade receivables	642	-	642	790	393	1,183
Due from customers on contract	298	-	298	818	-	818
Loan Receivables	1,025	-	1,025	1,446	-	1,446
Inventory	2,698	-	2,698	3,353	-	3,353
Plant and equipment	1,811	-	1,811	2,271	-	2,271
Right-of-use assets	1,293	-	1,293	1,166	-	1,166
	7,767	-	7,767	9,844	393	10,237
Liabilities						
Trade and other payables	1,773	57	1,830	1,700	816	2,516
Customer deposits and deferred revenue	322	-	322	443	-	443
Lease liabilities	1,574	-	1,574	1,384	-	1,384
Other liability	-	-	-	126	-	126
	3,669	57	3,726	3,653	816	4,469

23 Subsequent Events

Subsequent to year end, EnWave signed a revolving credit facility agreement (the "Credit Facility") with Desjardins Tech & Innovation Banking of the Desjardins Group ("Desjardins"). The amount available to the Company under the Credit Facility is calculated as the lesser of $5,000 and a function of royalties, receivables and inventory at an interest rate of Canadian prime plus 1.50%.

Additionally, the Company signed a $500 loan agreement with Desjardins (the "Term Loan") with an amortization period of 48 months. The Term Loan is to be repaid monthly on equal and consecutive payments of principal plus interest at a rate of Canadian prime plus 2.00%.

The Credit Facility and Term Loan are subject to a minimum liquidity 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 Credit Facility and Term Loan are secured by the Company's assets.