ENWAVE CORPORATION

Management Discussion and Analysis

Three months ended December 31, 2021

(expressed in thousands of Canadian dollars)

Dated: February 24, 2022

ENWAVE CORPORATION
(“EnWave” or “the Company”)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2021

Date of this report: February 24, 2022

This Management’s Discussion and Analysis (“MD&A”) provides a review of EnWave Corporation’s (“EnWave”, “the Company”, “we”, “us” or “our”) financial performance, on a consolidated basis, for the three months ended December 31, 2021 relative to the three months ended December 31, 2020, and the financial position of the Company at December 31, 2021 relative to September 30, 2021. It should be read in conjunction with EnWave’s unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended December 31, 2021 (“Q1-2022”) and 2020 (“Q1-2021”), as well as the 2021 annual MD&A, the 2021 annual audited consolidated financial statements and accompanying notes, and 2021 Annual Information Form (“AIF”) (available at www.enwave.net or on www.sedar.com). The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which is the required reporting framework for Canadian publicly accountable enterprises.

All financial references are in thousands of Canadian dollars unless otherwise noted.

Management’s Responsibility for Financial Information

The Company’s management is responsible for presentation and preparation of the condensed consolidated interim financial statements and the MD&A. The condensed consolidated interim financial statements have been prepared in accordance with IFRS.

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The condensed consolidated interim financial statements and information in the MD&A necessarily include amounts based on informed judgements and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present judgements and estimates.

Company Overview

Radiant Energy Vacuum (“REV™”) Technology

EnWave Corporation is an applied dehydration technology company that licenses its intellectual property and manufactures commercial-scale proprietary dehydration equipment for applications in the food, cannabis and pharmaceutical sectors. EnWave has entered into **49 royalty-bearing commercial licenses** with and sold REV™ equipment to a diverse portfolio of companies operating in over 20 different countries on five continents. The Company is nearing completion of a toll processing operation at its headquarters in Delta, B.C. that will house a 60kW continuous vacuum microwave line to accelerate the commercialization of products made with EnWave’s patented technology. This tolling operation is branded REVworx™.

REV™ dehydration technology applies microwave energy under vacuum to offer flexible, efficient, low temperature drying suitable for food products, cannabis, biomaterials and certain pharmaceutical ingredients. The Company has two primary commercial scale technologies, *nutra*REV®, a drum-based system, and *quanta*REV®, a tray-based system. The Company has also developed *freeze*REV®, a pilot-scale technology for pharmaceutical applications, and has entered into a Joint Development Agreement with GEA Lyophil GmbH, a major pharmaceutical equipment manufacturer, to jointly commercialize the pharmaceutical drying technology.

EnWave's mission is to establish its REV™ technology as a new global dehydration standard. The Company is developing markets for its REV™ technology by selectively collaborating with strategic partners focused on creating new or improved product opportunities, increasing throughputs and/or reducing processing costs. Management believes that REV™ technology can produce products with better quality than air-drying, spray-drying and freeze-drying. REV™ technology is also typically faster and more economical than freeze-drying.

EnWave's core business model is to secure multiple, diversified royalty streams through the licensing of its technology. As part of this strategy, EnWave has four primary revenue streams:

1. **Equipment Sales.** EnWave manufactures and sells REV™ equipment built at its fabrication facility in Delta, British Columbia. The Company offers machinery in a variety of sizes, from 10kW batch units through to 120kW large-scale, continuous processing lines.
2. **Royalties and Licensing Fees.** The Company enters royalty-bearing commercial license agreements with companies that utilize REV™ equipment for commercial production. Each license grants the royalty partner access to EnWave's intellectual property portfolio comprising the Company's patents, know-how and trade secrets. The commercial license agreements stipulate royalty payments to be made on a quarterly basis based on a percentage of sales generated or a fee per unit produced from the use of the REV™ technology. In certain cases, the royalty structure can take the form of pre-agreed payments not tied to sales or units produced but equate to a targeted annual royalty amount per REV™ machine capacity. The licenses also restrict the royalty partner's commercial use of the technology to specific products within a limited geographic territory. Royalty partners are typically free to sell their REV™ dried products wherever they are legal to be sold.
3. **Equipment Rentals.** EnWave rents pilot-scale 10kW REV™ units to companies evaluating the Company's patented technology for desired product applications. The rental terms are typically less than a year in duration and the objective is to allow prospective royalty partners to develop products using REV™ technology prior to entering into a license agreement. Many companies often purchase the machine supplied to them during the evaluation period to initiate royalty-bearing commercial production.
4. **Toll Manufacturing.** The Company is launching a toll manufacturing division called REVworx™ to accelerate the commercialization of more food products using REV™ technology. The toll manufacturing operation will utilize both pilot-scale and large-scale REV™ equipment and the Company intends to utilize the installed capacity to produce commercial products on a fee-for-service basis. This new division is intended to complement the current equipment sales and royalty-licensing business model of the Company and will serve as a lower barrier entry point for consumer packaged goods ("CPG") companies seeking to market trial REV™-dried products. The facility will begin commercial production in February 2022.

EnWave's dehydration technology is currently being used to produce commercial applications in multiple market verticals, including fruits and vegetables, dairy products, ready-to-eat meals (including instant noodles), baked goods, cannabis products, nutraceuticals, and pharmaceuticals. The Company's strategy with respect to existing royalty partners is to collaborate closely with them to develop and commercialize products using REV™ technology and build demand for increased production capacity, which will lead to more equipment sales and ultimately growth in royalty streams.

The Company is actively engaged in many commercially focused research and development projects to expand the number of viable REV™-dried products and to expand the use of REV™ into additional markets.

NutraDried Food Company

The Company's wholly owned subsidiary, NutraDried Food Company, LLC ("NutraDried"), is a limited liability corporation registered in Washington, USA. NutraDried manufactures and sells Moon Cheese®, an all-natural dried cheese snack produced using REV™ technology. NutraDried also co-manufactures REV™-dried cheese for sale in bulk as an ingredient or inclusion for third-party brands. NutraDried currently produces REV™-dried cheese using two 100kW nutraREV® machines. NutraDried produces Moon Cheese® in cheddar, gouda, parmesan garlic, black pepper white cheddar and pepper jack flavours at its manufacturing facility located in Ferndale, Washington State. Moon Cheese® is sold in over 25,000 retail locations across Canada and the United States. Notable retail points of distribution currently include Starbucks, Publix, Target, Safeway/Albertsons, Food Lion, Rite Aid and CVS, Costco Canada, among others. NutraDried recently introduced a new Protein Blitz Mix product sold in Zesty Ranch and Crazy Cheesy flavours.

NutraDried has demonstrated the ability for REV™ technology to operate reliably at scale. This subsidiary began as a proof-of-concept, as it showcased the capabilities of large-scale commercial REV™ machinery to potential royalty partners and has grown into a growing snack business. Furthermore, NutraDried's business model has established a precedent for analysis by dairy companies considering the commercialization of innovative, shelf-stable dairy snacks. The Company's strategy is to grow NutraDried's business through increased retail distribution, online distribution and introducing new, innovative product extensions into its portfolio. The Company also seeks to supply third-party brands with bulk shelf-stable cheese ingredients for use in mixes and other products.

NutraDried holds a commercial license for REV™ technology and pays a royalty to EnWave based on its revenue. The royalties from NutraDried, a subsidiary of EnWave, are eliminated from revenue in the consolidated financial statements of the Company.

The quarterly royalty payments from NutraDried to EnWave were as follows:

($ '000s)	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*	*Dec 31, 2020*	*Mar 31, 2021*	*Jun 30, 2021*	*Sep 30, 2021*	*Dec 31, 2021*
NutraDried Royalty(1)	288	236	670	340	166	218	181	137

(1) The royalty payment to EnWave is an intercompany transaction that is eliminated upon consolidation from revenue as reported in the Company's condensed consolidated interim financial statements, and is a non-IFRS financial measure. Please refer to the disclosures under the heading *Non-IFRS Financial Measures*.

Recent Developments

Normal Course Issuer Bid

On October 14, 2021, the Company announced the approval of its normal course issuer bid ("NCIB") by the TSX Venture Exchange ("TSXV"). This NCIB commenced on October 29, 2021 and will end on October 28, 2022 and allows the Company to purchase up to 10,778,194 common shares over a period of 12 months, but no more than 2,204,101 shares in any 30-day period. Purchases are made on the open market through the TSXV by Cormark Securities Inc. at the market price of such common shares at the time of acquisition.

Overall Performance

For Q1 2022, the Company had consolidated revenues of $6,297, compared to $7,533 in the same period in fiscal 2021, a decrease of 16% or $1,236. The Company had a consolidated net loss of $253 in the Q1 2022, compared to a consolidated net loss of $1,371 for Q1 2021, an improvement of $1,118.

The Company reported an Adjusted EBITDA(*) profit of $301 for Q1 2022 compared to an Adjusted EBITDA(*) loss of $911 for Q1 2021, an improvement of $1,212. The EnWave segment reported positive Adjusted EBITDA(*) in Q1 2022 while NutraDried had a negative Adjusted EBITDA(*).

During Q1 2022, EnWave reported revenues of $4,067 compared to $2,676 for Q1 2021, an increase of $1,391 or 52%. EnWave's revenues were higher due to an increase in machine sales paired with higher royalties compared to the prior year. EnWave reported segment income of $600 for Q1 2022 compared to a segment loss of $25 for Q1 2021, an increase of $625. During Q1 2022, the Company had seven customized machines under fabrication, four of which were large-scale machines and three of which were GMP small-scale machines.

EnWave had third-party royalty revenue of $505 for Q1 2022, compared to $320 for Q1 2021, an increase of $185 or 58%. Q1 2022 base royalties increased due to the installation of more royalty-bearing machines and commercial growth in the products being produced. Additionally, the Q1 royalty amounts include annual payments made by certain royalty partners to retain exclusivity under the license agreement.

NutraDried reported revenues of $2,230 for the three months ended December 31, 2021, compared to $4,857 for the three months ended December 31, 2020, a decrease of $2,627 or 54%. NutraDried sales decreased due to lower sales to Costco in Q1 2022 compared to Q1 2021, which had shipments under a national "buy on get one free" promotion at Costco. NutraDried reported segment loss of $853 for Q1 2022, compared to a loss of $1,346 for Q1 2021, an improvement of $493.

(*) Adjusted EDITDA is a non-IFRS Financial Measure. Please see the "*Non-IFRS Financial Measures*" section for more information.

Commercial Licensing and Partnership Development

Commissioning of Dole 10kW and Acquisition of Second Machine

On October 21, 2021, the Company successfully completed the installation and commissioning of a 10kW REV™ machine for Dole Worldwide Food & Beverage Group ("Dole"). Dole will be using the machine for internal product development of fruits and vegetables, as well as to execute focused market trials to bring better-for-you snacking options into select markets.

On February 22, 2022, the Company announced that Dole acquired a second 10kW REV™ machine under a leasing arrangement to expand its production capacity of REV™-dried products for the planned market trials. If market trials are successful, Dole will require large-scale REV™ equipment to launch its new products.

Equipment Purchase Agreement with Dairy Concepts IRL

On December 2, 2021, the Company sold a second 10kW REV™ machine to Dairy Concepts Ireland ("Dairy Concepts"), to double Dairy Concepts' royalty-bearing manufacturing capacity in Ireland. Dairy Concepts has launched an exciting lineup of cheese snack products branded "Cheese O's" made using REV™ technology into the U.K. market (https://www.cheeseos.ie/).

Technology Evaluation with Protein Isolate Plant International Inc.

On December 10, 2021, the Company signed a Technology Evaluation and License Option agreement with Protein Isolate Plant International Inc. ("PIP") to evaluate the potential for REV™ dehydration technology to be used for the drying of pea protein isolate and derivative products. PIP is a Canadian based Agri-food company focused on premium plant-based ingredients and dedicated to the expansion of more sustainable protein solutions.

Equipment Purchase Agreement with Illinois-Based Cannabis Royalty Partner

On December 30, 2021, the Company signed a second equipment purchase agreement with a leading Illinois-based U.S. cannabis company (the "MSO"), for a second 120kW REV™ machine to double its royalty-bearing drying capacity of premium, smokable cannabis product. The MSO signed a royalty-bearing commercial license agreement with EnWave in March 2021 for the purchase of a first 120kW REV™ machine.

EnWave completed the installation and commissioning of the first 120kW system for the MSO in September of 2021, and the MSO is utilizing the EnWave system as part of its post-harvest operations.

Installation of Patatas Fritas Torres 100kW Machine in Spain

In January 2022, the Company completed the installation of a 100kW REV™ machine for Patatas Fritas Torres ("Torres") in Spain. Torres has scaled-up manufacturing capacity for its lineup of shelf-stable cheese snacks marketed under its "Just This" brand (https://justthis-snacks.com/en/).

Equipment Purchase Agreement with Fresh Business

On January 27, 2022, the Company signed an equipment purchase agreement with Consulting Fresh Business ("Fresh Business") for a 10kW REV™ machine to be installed in Spain. Fresh Business plans to use the machine to conduct intensive research and development on REV™-dried products to identify new commercial opportunities to leverage EnWave's technology in Western Europe. Fresh Business also has a 10kW machine and 100kW machine installed in Peru, where it produces a line of premium fruit and vegetable products under its NXTDRIED™ brand (https://www.nxtdried.com/).

Equipment Purchase Agreement with Orto Al Sole

On February 16, 2022, the Company signed an equipment purchase agreement with Orto Al Sole, its Italian royalty partner, for a large-scale 120kW REV™ machine. Orto Al Sole scaled-up its royalty-bearing manufacturing capacity for its product line of healthy, better-for-you snacks made using REV™ technology based on growing demand.

Royalty Partner and REV™ Machine Sales Pipeline

EnWave's royalty partner and REV™ machine sales pipeline is robust with several prospective royalty partners evaluating REV™ technology and existing royalty partners communicating an imminent need to increase their respective REV™ manufacturing capacities. The Company rents REV™ machinery to companies evaluating the technology for specific product applications under Technology Evaluation and License Option Agreements ("TELOAs") and also offers standalone or complementary product and process development services through the use of EnWave's Innovation Centre in Vancouver. The strategy under these arrangements is to co-develop product applications using the technology for specific partner opportunities and to ultimately convert TELOAs into commercial licenses. EnWave earns revenue under TELOAs from short-term REV™ machine rentals as well as fees for access to EnWave's Innovation Centre and product development expertise. EnWave's food scientists and engineers work with the prospective licensees during the term of the TELOA to formulate and optimize innovative products using REV™ and develop a path towards commercialization.

EnWave's current sales pipeline comprises multiple current royalty partners and companies that have entered into TELOAs as well as many earlier-stage prospects that are in active discussions about using REV™ under mutual non-disclosure agreements. Not every prospective licensee enters into a TELOA and there have been many recent licenses signed where a prospective licensee has bypassed the TELOA phase and entered directly into a commercial license agreement and purchased REV™ machinery. This is often the case when the product application has been previously proven commercially, or when the value proposition and business case are compelling enough for the prospect to enter directly into commercial production.

EnWave has a dedicated sales and marketing team focused on selling additional REV™ machinery, growing the number of commercial license agreements and securing new TELOAs. As of the date of this report, EnWave has **seven TELOAs** with prospective licensees evaluating the use of REV™ technology.

Machine Fabrication and Installation Pipeline:
The table below summarizes the current fabrication and commissioning schedule of machines purchased by EnWave licensees under Equipment Purchase Agreements as of the date of this MD&A:

Licensee	Machine Capacity	Licensed Product	Territory
AvoLov/BranchOut	60kW	Fruits and Vegetables	Americas
Cannaponics	10kW GMP	Cannabis	Australia
Medical Kiwi	10kW GMP	Cannabis	New Zealand
Australian Cannabis Company	10kW GMP	Cannabis	Australia
Cannabis Multi-State Operator	120kW	Cannabis	USA
Cannabis Single-State Operator	120kW	Cannabis	USA
Dairy Concepts	10kW	Dairy	Ireland

REVworx™ Toll Processing Facility

The REVworx™ toll processing facility is nearing completion, and we are in the process of installing and commissioning the 60kW REV™ machine, along with other pre- and post-processing equipment. REVworx™ will be used to provide toll processing services to customers in the food industry that have a desire to launch REV™ dried products without making the high up-front investment in setting up an internal plant. The aim is to use REVworx™ to accelerate commercial product launches and to convert REVworx™ clients into new royalty partners that purchase REV™ manufacturing capacity.The facility will also serve as a demonstration facility for large-scale testing and concept trials for new products made with REV™. The Company completed facility construction in February 2022 and is ready for commercial manufacturing.

NutraDried Food Company

Quarterly sales of Moon Cheese® decreased overall in Q1 2022 compared to Q1 2021, primarily due to the Costco BOGO promotion in Q1 2021. The Company secured a national program with Costco Canada that was expected to begin shipments in late December 2021; however, due to poor local weather conditions in Washington State, the shipments were delayed into January 2022. The delay to these shipments downwardly impacted NutraDried's sales for Q1 2022, but this was due to timing and is expected to be offset in Q2 2022 with the shipments taking place in January.

NutraDried has introduced a new lineup of all-natural cheese sticks that mimic the stick format analog of widely accepted cheese snacks but are made from 100% cheese. This new Moon Cheese Sticks product line will launch in Spring 2022, and customer presentations are underway to secure expanding commitments for this great tasting new item. So far, the Company has confirmed a U.S. national commitment from Whole Foods Market to carry three flavours, and we are aiming to confirm additional commitments in the coming months.

NutraDried's financial performance continued to be challenged by reduced sales volumes to Costco however, in Q1 2022 NutraDried secured an MVM coupon program for gouda flavoured Moon Cheese® with Costco Canada to be on shelves for Q2 2022. NutraDried's Protein Blitz Mix, a new product line created in fiscal 2021, continues to gain traction in the market with increased sales and NutraDried will continue to introduce several new formats and flavours of Moon Cheese® to the product portfolio in fiscal 2022 that are improved versions of its existing product lines.

Crunchy cheese in bulk format is now being sold for ingredient and snack sales to third-party brands for use in mixes and other food products. The management team continues to pursue new private-label and contract manufacturing opportunities to diversify and grow NutraDried's revenue base.

NutraDried aims to continue to grow its national distribution presence in the U.S. and is targeting numerous new retailers and new product lines as part of its strategy. The Company's objective is to continue to grow its core distribution in the U.S. mainstream retail grocery channel by securing new national retail accounts and smaller regional accounts. Recently, NutraDried has confirmed new distribution for Moon Cheese® in several major retailers in the U.S., with most of the new distribution expected to ship in the second half of fiscal year 2022. Target has moved Moon Cheese® from a subset of approximately 500 stores into all 1,800 stores nationally. Kroger has made a commitment to carry three SKUs in up to 2,200 of its stores, representing a major increase in distribution of the core product line.

There are other ongoing initiatives to confirm additional material new distribution with major retailers including Costco and Whole Foods Market, and the Company is expecting the growth from the already confirmed and planned new distribution to materialize in the second half of the fiscal year.

COVID-19 Pandemic Impact

The COVID-19 global pandemic has continued to negatively impact global economic activity, has caused significant volatility and disruption in global financial markets and trade and has introduced significant uncertainty and unpredictability throughout the world. It has been our priority to safeguard the health and safety of our employees and our partners and to continually assess and mitigate the risks to our business operations. Currently, the majority of first world countries' vaccination programs have provided two doses if not more to the overall population protecting them against COVID-19 and as a result, COVID-19 cases are becoming more manageable and the severity of symptoms have decreased. With new variants emerging, there will be continued disruption and interference; however, countries are starting to remove safety precautions as the virus becomes milder and deemed less threatening as it evolves. Travel restrictions have been alleviated but safety measures remain for travel in most countries. International travel has reopened for many markets but at a diminished level. At this time, we cannot forecast the full duration and magnitude of COVID-19 impacts, but the Company expects this pandemic to challenge our results of operations, financial position and cash flows for the fiscal year 2022.

Global supply chains have been significantly impacted by the pandemic, and international trade routes and cargo shipments are in a state of backlog. We are experiencing higher costs of transport, to move materials and products to and from suppliers and customers. We are also experiencing delays to the supply of some components, parts and equipment used in our operations. We are experiencing price increases at rates that exceed typical annual price increases for some input materials. The Company is taking steps to mitigate these supply chain interruptions, including holding more parts inventory on-hand; however, we are not able to forecast the magnitude and extent to which supply chain interruptions may impact our business.

Refer to the disclosures in the Company's 2021 Annual Management Discussion and Analysis and the 2021 Annual Information Form, both available on SEDAR at www.sedar.com for disclosures related to the impact of COVID-19 on the Company's business, as well as risk factors related to the COVID-19 pandemic.

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to December 31, 2021 reported in Canadian dollars, the Company's presentation currency:

	2020			2021				2022
($ '000s)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
Revenues	7,492	5,998	10,784	7,533	4,686	7,351	6,906	6,297
Direct costs	(5,629)	(4,441)	(8,629)	(5,835)	(4,208)	(4,737)	(4,529)	(3,581)
Gross profit	1,863	1,557	2,155	1,698	478	2,614	2,377	2,716
Expenses	(3,907)	(3,542)	(3,184)	(3,764)	(3,965)	(2,239)	(3,370)	(3,116)
Other income	-	690	929	325	483	225	306	147
Income tax (expense) recovery	194	129	101	370	718	70	(451)	-
Net (loss) income after income tax	(1,850)	(1,166)	1	(1,371)	(2,286)	670	(1,138)	(253)
Adjusted EBITDA(1)	(1,462)	(1,034)	20	(911)	(1,968)	937	(223)	301
Loss per share – Basic and diluted	(0.02)	(0.01)	(0.00)	(0.01)	(0.02)	0.00	(0.01)	(0.00)
Total assets	39,704	38,190	40,663	34,633	33,301	32,568	30,641	29,990
Total liabilities	10,194	9,885	12,312	7,622	8,427	7,224	7,653	7,047

(1) Adjusted EBITDA is a non-IFRS Financial Measure. Please see the *"Non-IFRS Financial Measures"* section for more information including a reconciliation net loss.

EnWave's revenues, direct costs and net loss fluctuate based on the timing of machine orders from companies in our sales pipeline. Management works closely with each company evaluating REV™ technology under TELOAs and research and development projects but is not able to accurately predict the timing and frequency of machine orders. The revenue in any given period will vary depending on the number of machine orders received and CLAs signed, and this causes variability in our quarterly financial performance. This variability in timing of machine orders affects our quarterly revenues and operating results. Additionally, the Company generates royalty revenues each quarter from the installed REV™ equipment base with its royalty partners but does not have the ability to direct or control the commercial launch and royalty growth of each partner's product offering, resulting in fluctuations in the royalties earned by the Company each quarter.

The revenues and gross profit also vary from quarter to quarter depending on the timing of Moon Cheese® product rotations at Costco. From Q2 2021 to Q1 2022 sales to Costco declined resulting in lower quarterly revenues for NutraDried. Revenues for Q1 2022 were lower when compared to the prior four quarters, other than Q2 2021, due to lower sales of Moon Cheese®. Revenues in Q3 2021 were higher due to growth in NutraDried's bulk product sales, and growth in EnWave's machine fabrication revenues. Revenues in Q4 2020 were significantly higher than other periods due to a Costco BOGO promotion of Moon Cheese®, which carried into Q1 2021. Revenues from EnWave were higher in Q1 2022 and Q3 to Q4 2021 due to increased machine fabrication revenues.

The Company's direct costs were at the lowest in Q1 2022 relative to any of the prior eight quarters due to reduced sales volumes at NutraDried, paired with the re-sale of a large-scale machine that had a lower direct cost associated with it. Direct costs for the other quarters have fluctuated proportionally with revenues. Expenses in Q1 2022 were lower than for Q4 2021 and most of the prior eight quarters. Expenses in Q1 2022 were lower than for Q1 and Q2 of 2021 due to a cost control program implemented at NutraDried as part of the restructuring of that business unit. Expenses for Q3 of 2021 were lower due to lower sales and marketing spending at NutraDried.

Selected Financial Information

The following table sets out selected consolidated financial information for the periods indicated and has been derived from EnWave's condensed consolidated interim financial statements and accompanying notes for the periods ended December 31, 2021 and 2020 and should be read in conjunction with those financial statements.

($ '000s)	Three months ended December 31,		
	2021	2020	Change %
Revenues	**6,297**	7,533	(16%)
Direct costs	**3,581**	5,835	(39%)
Gross margin	**2,716**	1,698	60%
Operating Expenses			
General and administration	**1,118**	1,126	(1%)
Sales and marketing	**1,132**	1,521	(26%)
Research and development	**577**	569	1%
	2,827	3,216	(12%)
Net loss after taxes	**(253)**	(1,371)	82%
Adjusted EBITDA(1)	**301**	(911)	133%
Loss per share – basic and diluted	**(0.00)**	(0.01)	

(1) Adjusted EBITDA is a non-IFRS financial measure. Please see the "*Non-IFRS Financial Measures*" section for more information, including a reconciliation to net loss.

Discussion of Operations

Revenue

Revenue is earned from two business segments: EnWave and NutraDried. EnWave generates revenue from the sale of REV™ machinery to royalty partners, rental revenue from short-term rentals of REV™ machinery to prospective royalty partners, and royalties earned from commercial license agreements. EnWave anticipates generating revenue from toll manufacturing services beginning in fiscal 2022. NutraDried generates revenue from the sale of Moon Cheese® into retail and wholesale distribution channels, from the sale as bulk product ingredients and co-manufacturing.

($ '000s)	Three months ended December 31, **2021**	**2020**
Revenue	6,297	7,533

Revenue for the three months ended December 31, 2021 was $6,297 compared to $7,533 for the three months ended December 31, 2020, a decrease of $1,236. The decrease in revenue for the three months ended December 31, 2020 was primarily due to shipments made to Costco in Q1 2021 that did not repeat in Q1 2022, offset by an increase to EnWave's machine sales and royalty revenues. The timing and frequency of each large-scale commercial machine order affects the timing of our revenues from the sale of REV™ machinery.

Quarterly Revenue	**2020**			**2021**				**2022**
($ '000s)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
EnWave	2,169	1,609	1,601	2,676	2,348	3,560	3,879	4,067
NutraDried	5,323	4,389	9,183	4,857	2,338	3,791	3,027	2,230
Total	7,492	5,998	10,784	7,533	4,686	7,351	6,906	6,297

EnWave had revenue of $4,067 for the three months ended December 31, 2021, compared to $2,676 for the three months ended December 31, 2020, an increase of $1,391. The increase in EnWave revenue is due to higher sales of its REV™ machinery as well as growth in quarterly royalties. During Q1 2022, EnWave had three customized GMP machines under fabrication and confirmed the sale of a 120kW machine that was fully fabricated in inventory, resulting in additional revenues recognized in the period.

EnWave continues to pursue revenue growth through commercial machine sales and installations, both remote and in-person when safe, by signing additional royalty-bearing licenses that are accompanied by machine purchase orders. Revenue for EnWave is contract-based and is not considered seasonal; however, fluctuations in revenue will occur based on the magnitude and volume of commercial equipment sales contracts open during a given period.

EnWave reported royalties of $505 for the three months ended December 31, 2021, compared to $320 for the three months ended December 31, 2020, an increase of $185 or 58%. The growth in royalties in Q1 2022 was due to the growth of installations of royalty-bearing machines, as well as the payments of annual exclusivity retention royalties that become due at the end of each calendar year. Royalties are payable to EnWave as a percentage of the value of products sold or based on the number of units produced by our royalty partners. The Company's royalties experience some seasonality due to the timing of annual minimum royalty payments required under its commercial license agreements in order to retain licensing exclusivity.

Revenues from NutraDried were $2,230 for the three months ended December 31, 2021, compared to $4,857 for the three months ended December 31, 2020, a decrease of $2,627. The decrease in revenues for the first quarter was primarily due to the decreased volume of Moon Cheese® products sold at Costco comparatively as Q1 2020 had the Costco BOGO promotional program.

We expect NutraDried will grow its revenues over the fiscal year as the retail landscape and economic conditions in the U.S. have improved, unit velocities have increased, and increased distribution channels have been secured. NutraDried continues to focus on expanding new retail distribution for its products and securing co-manufacturing opportunities to leverage its installed REV™ capacity.

Direct costs

Direct costs comprise the cost of materials, packaging, components, manufacturing labour, overhead costs, depreciation of manufacturing plant and equipment, warranty costs and product transportation costs. Direct costs comprise all direct costs related to the revenue generating operations of the Company.

	Three months ended December 31,	
($ '000s)	**2021**	**2020**
Direct costs	3,581	5,835
% of revenue	57%	77%

Direct costs for the three months ended December 31, 2021 were $3,581, compared to $5,835 for the three months ended December 31, 2020, a decrease of $2,254. Direct costs as a percentage of revenues for the three months ended December 31, 2021 decreased by 20% compared to the three months ended December 31, 2020.

Direct costs for EnWave are driven by direct materials and overhead costs associated with commercial machine selling and construction activity. During the three months ended December 31, 2021, EnWave yielded a ratio of direct costs to revenue of 44%, compared to 69% during the three months ended December 31, 2020, a significant increase to gross margin. The increase in gross margin was due to one of the large machines sold during Q1 2022 being a fully fabricated unit that was repurchased, resulting in lower direct costs. Additionally, royalty revenues were $185 higher than for Q1 2021, and do not have any direct costs.

The ratio of direct costs to revenue was 80% for NutraDried for the three months ended December 31, 2021, compared to 85% in the three months ended December 31, 2020, a decrease of 5%. The increase in gross margin at NutraDried was due to not repeating the discount provided in Q1 2021 on the Costco BOGO promotion, which had increased trade spending. We expect that NutraDried's gross margin can continue to improve as we use more of the installed plant capacity, resulting in increased overhead cost absorption.

Direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices for the three months ended December 31, 2021 were stable and changes did not significantly impact direct costs. We continuously monitor the impact of commodity price fluctuations and may employ hedging tactics, where appropriate, to mitigate risk.

General and administration

General and administration ("G&A") expenses consist of wages, administration, accounting and audit fees, legal fees, investor relations, depreciation, insurance, and other corporate expenses.

	Three months ended December 31,	
($ '000s)	**2021**	**2020**
General and administration	1,118	1,126
% of revenue	18%	15%

G&A expenses for the three months ended December 31, 2021 were $1,118 compared to $1,126 for the three months ended December 31, 2020, a decrease of $8. G&A expenses remained relatively stable comparatively for the period and was due to NutraDried's reduced personnel and administrative costs which was offset by an increase in EnWave's legal costs and insurance premium expenses.

Sales and marketing

Sales and marketing ("S&M") expenses include salaries and wages, travel expenses, consulting fees, promotional and marketing fees, commissions, agency fees, and office expenses related to selling and marketing activities.

	Three months ended December 31,	
($ '000s)	**2021**	**2020**
Sales and marketing	1,132	1,521
% of revenue	18%	20%

S&M expenses for the three months ended December 31, 2021 were $1,132 compared to $1,521 for the three months ended December 31, 2020, a decrease of $389.

S&M expenses for EnWave were $583 for the three months ended December 31, 2021 compared to $287 for the three months ended December 31, 2020, an increase of $296. The increase in S&M expenses was due to increased travel costs and tradeshow costs for business development, and commissions paid to third-party sales representatives. With improved global travel conditions, the Company will invest in sales and marketing activities to advance its commercialization goals, while continuing to use lower cost digital sales and marketing tools to engage and communicate with both prospective and current partners.

S&M expenses for NutraDried were $549 for the three months ended December 31, 2021 compared to the $1,234 for the three months ended December 31, 2020, a decrease of $685. The decrease in S&M expenses for the period was primarily due to a reduction in staffing levels and reduced use of third-party marketing and branding agencies. NutraDried seeks to invest modestly in select areas of marketing to support its distribution and brand awareness but has significantly reduced the sales and marketing spending when compared to Q1 2021.

Research and development

Research and development expenses include the salaries of the pilot plant technicians and scientists, global patent filing and maintenance costs, pilot plant facility costs, and R&D staff travel expenses. R&D expenses also include depreciation expense for R&D equipment and product development activities at NutraDried.

	Three months ended December 31,	
($ ‘000s)	**2021**	**2020**
Research and development	577	569
% of revenue	9%	8%

R&D expenses for the three months ended December 31, 2021 were $577 compared to $569 for the three months ended December 31, 2020, an increase of $8. Our R&D expenses fluctuate depending on the timing and filing of additional patents and patent maintenance fees related to the Company’s intellectual property, and NutraDried’s new product development activities. R&D expenses for the period did not change significantly, and an increase in R&D expenses related to new patent filing and maintenance fees was offset by a reduction of R&D expenses at NutraDried for external consultants. We plan to invest in our global patent portfolio for new intellectual property in instances where there is a viable commercial application for the invention, and it strengthens our intellectual property position.

Stock-based compensation

Stock-based compensation expense was $234 for the three months ended December 31, 2021, compared to $254 for the three months ended December 31, 2020. The slight decrease to stock-based compensation expense was due to the vesting of stock options and restricted share rights (“RSRs”) granted during previous quarters which was partially offset by the grant of stock options to employees in December 2021 that have related expenses recorded over an eighteen-month vesting period.

	Three months ended December 31,	
($ ‘000s)	**2021**	**2020**
Stock-based compensation	234	254

Foreign exchange loss

Foreign exchange loss for the three months ended December 31, 2021 was $19 compared to $227 for the three months ended December 31, 2020, a difference of $208. The majority of the Company’s foreign exchange gain or loss amounts consists of foreign exchange differences driven by our monetary assets and liabilities in US dollars (“USD”). The fluctuation of foreign exchange is consistent with the Canadian dollar’s appreciation or depreciation as measured against the USD for each period due to global macroeconomic factors.

	Three months ended December 31,	
($ ‘000s)	**2021**	**2020**
Foreign exchange loss	19	227

Other income

Other income relates to government assistance the Company received from stimulus programs introduced by the Canadian government due to the COVID-19 pandemic. For the three months ended December 31, 2021, EnWave received $147 of financial relief from the Canadian federal government under both the CEWS program to subsidize payroll costs and the CERS program to subsidize rent costs. The subsidy funds received are non-repayable to the government as long as the Company continues to meet the eligibility criteria. The amounts reported for the three months ended December 31, 2020 also relate to subsidies received under the CEWS and CERS programs.

	Three months ended December 31,	
($ ‘000s)	**2021**	**2020**
Other income	147	325

Liquidity and Capital Resources

Working capital

The components of the Company’s working capital on December 31, 2021 and September 30, 2021 are:

($ ‘000s)	**December 31, 2021**	September 30, 2021
Current assets		
Cash and cash equivalents	**8,435**	11,790
Restricted cash	**587**	288
Trade receivables	**3,262**	2,130
Due from customers on contract	**2,194**	1,535
Loans receivable, current	**627**	847
Inventory	**6,368**	5,722
Prepaids and other receivables	**812**	833
Income taxes receivable	**982**	986
	23,267	24,131
Current liabilities		
Borrowings	**634**	-
Trade and other payables	**4,001**	4,421
Customer deposits and deferred revenue	**721**	1,323
Current portion of lease liabilities	**768**	753
Current portion of other liability	**96**	121
	6,220	6,618
Working capital	**17,047**	17,513

As at December 31, 2021, the Company had working capital of $17,047, compared to $17,513 as at September 30, 2021. As at December 31, 2021 the cash and cash equivalents balance is $8,435 compared to $11,790 as at September 30, 2021, a decrease of $3,355. The change in cash and cash equivalents is primarily due to the Company’s increase in trade receivables and inventory, as well as the reduction to other payables. The Company used $3,374 of cash in operating activities for the three months ended December 31, 2021.

EnWave had trade receivables of $1,724 as at December 31, 2021, compared to $898 as at September 30, 2021, and NutraDried had trade receivables of $1,538 as at December 31, 2021 compared to $1,232 as at September 30, 2021. The increase in EnWave’s trade receivables relates to the increase in royalties invoiced but not collected in the period, as well as performance milestones on equipment contracts. The increase of NutraDried's trade receivables relates to timing of collections on account for amounts owing to the Company as at December 31, 2021.

Due from customers on contract to EnWave as at December 31, 2021 was $2,194 compared to $1,535 as at September 30, 2021, with the increase related to progress on construction contracts in advance of billings. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

EnWave had inventory of $2,649 as at December 31, 2021 compared to inventory of $3,060 at September 30, 2021, a decrease of $411. The inventory of EnWave relates to 10kW machines used for rentals and those under fabrication, as well as components for larger machines. The decrease in inventory is primarily due to the sale of a fully fabricated 120kW machine in Q1 2021 that was in inventory on September 30, 2021.

NutraDried had inventory of $3,719 as at December 31, 2021 compared to $2,662 as at September 30, 2021, an increase of $1,057. NutraDried's inventory is comprised of food product and packaging supplies. Inventory at NutraDried was higher than at December 31, 2021 compared to September 30, 2021 due the build-up of inventory for a national program with Costco Canada, which was shipped in Q2 2022.

EnWave had current loans receivable of $627 as at December 31, 2021, compared to $847 as at September 30, 2021 that relate to equipment finance loans made to customers under equipment purchase arrangements. The loans receivable bear interest at annual interest rates ranging between 6% and 12%, have fixed terms ranging from 12 to 48 months and are amortized with monthly blended payments of interest and principal.

NutraDried had current borrowings of $634 as at December 31, 2021 compared to $nil at September 30, 2021. The increase is due to the draw on the line of credit facility that is available to assist with short-term, temporary working capital needs.

Trade and other payables as at December 31, 2021 includes $2,215 of trade payables and accrued liabilities related to EnWave, compared to $2,946 as at September 30, 2021, the decrease is associated with the timing of payments made to vendors and other counterparties. Trade and other payables for NutraDried were $1,786 as at December 31, 2021, compared to $1,475 as at September 30, 2021, with the increase associated increased purchasing of inventory.

Financing and liquidity

Cash and cash equivalents were $8,435 as at December 31, 2021 compared to $11,790 as at September 30, 2021. As at December 31, 2021, the Company had a net working capital $17,047, compared to $17,513 as at September 30, 2021.

The change in cash consists of:

	Three months ending December 31,	
($ '000s)	**2021**	2020
Cash generated from (used in) operating activities	**(3,374)**	4,228
Cash used in investing activities	**(434)**	(615)
Cash (used in) generated from financing activities	**426**	(745)

We believe that our current cash balance of $8,435 and working capital surplus of $17,047 is sufficient to meet our financing needs, maintain right-sized operations and to grow in the near-to-mid-term. We structure most of our machine purchase and installation contracts with a deposit payable at the time of order, which provides advanced liquidity for the construction of the machine.

NutraDried has a demand line of credit with a Washington State bank with a credit limit of US$500 that can be drawn upon to meet short-term liquidity needs. NutraDried had fully drawn upon the line of credit as at December 31, 2021.

The Company is targeting to fund operations through cash flows generated from machine sales and royalties from the commercialization of *nutra*REV® and *quanta*REV® technologies. The Company is not exposed to any externally imposed capital requirements. While we plan to fund our operations through sales of REV™ machinery, royalty generation, Moon Cheese® sales, and toll manufacturing services in the future, there can be no assurance that sufficient revenue will be generated to meet our cash needs.

The ability to achieve our targeted future operating results is based on a number of assumptions that involve significant judgements and estimates, which cannot be assured. If we are unable to achieve our targeted operating results, our liquidity could be adversely impacted. Our operating results could adversely affect our ability to raise additional capital to fund our operations and there is no assurance that debt or equity financing will be available in sufficient amount, on acceptable terms, or in a timely basis.

Normal course issuer bid

On October 14, 2021, the Company announced the approval of its normal course issuer bid ("NCIB") by the TSX Venture Exchange ("TSXV"). This NCIB commenced on October 29, 2021 and will end on October 28, 2022 and allows the Company to purchase up to 10,778,194 common shares over a period of 12 months, but no more than 2,204,101 shares in any 30-day period. Purchases are made on the open market through the TSXV by Cormark Securities Inc. at the market price of such common shares at the time of acquisition. At the time of this report, no shares have been purchased or cancelled in the current fiscal year.

Capital expenditures

During the three months ended December 31, 2021, we incurred capital expenditures of $465 related to the purchase of food processing equipment. NutraDried accounted for $97 of the capital expenditures for the period with additions to production equipment. EnWave accounted for $368 of the capital expenditures for the period primarily for assets under construction for the REVworx™ toll manufacturing facility.

The Company has completed its REVworx™ toll manufacturing facility at its corporate headquarters in Delta, B.C. in February 2022. The REVworx™ facility is designed to meet all the necessary quality standards and food safety requirements for commercial food processing. This includes the successful installation and operation of small-scale and large-scale REV™ processing lines, as well as auxiliary food processing and packaging equipment. The plant will be SQF certified once production has started. The facility is ready for commercial food production and line trials with prospective customers. As at December 31, 2021, the Company had $214 of contractual capital expense commitments remaining related to the project.

Although we plan to continue to invest in capital equipment as necessary to support our growth, our business is not overly capital intensive. NutraDried will require additional capital expenditures to fund operations in the near term and may require additional capital in the long term to expand production capacity to support future improved distribution of Moon Cheese®.

Contractual obligations

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2021:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Borrowings	634	-	190	824
Trade and other payables	4,001	-	-	4,001
Lease liabilities	768	637	-	1,405
Other liability	96	-	-	96
Total	**5,499**	**637**	**190**	**6,326**

Contingencies

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

Transactions with Related Parties

During the three months ended December 31, 2021, the Company paid quarterly directors' fees to its five independent directors through a combination of cash and stock-based compensation for their services as directors of the Company.

The table below summarizes the transactions with related parties for the three months ended December 31, 2021 and 2020:

	Three months ended December 31,	
	2021	2020
	$	$
Directors' fees	**50**	50
Stock-based compensation	**23**	77
	73	127

Compensation of key management personnel

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 comprises the following expenses:

($ '000s)	Three months ended December 31,	
	2021	2020
	$	$
Salaries, bonuses and short-term employee benefits	**922**	605
Stock-based compensation	**134**	97
	1,056	702

Critical Accounting Estimates and Judgements

The preparation of condensed consolidated interim 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.

There have been no changes in the Company's critical accounting estimates during the three months ended December 31, 2021. For more information on the Company's accounting policies and key estimates, refer to the note disclosures in the annual consolidated financial statements and MD&A for the year ended September 30, 2021.

Accounting standards and amendments issued and not yet adopted

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendment clarifies the classification requirements to determine if a liability 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, 2022 and is to be applied retrospectively, with earlier application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Financial Instruments Risk

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

Credit risk

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

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables, 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.

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, 2021:

	Neither past due nor impaired	**Past due but not impaired**		
($ '000s)	**0 – 30 days**	**31 – 90 days**	**91 – 365 days**	**Over 365 days**
Trade receivables	2,786	389	87	-
Due from customers on contract	2,194	-	-	-
Loans receivable	853	-	-	-
Total	5,833	389	87	-

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. As at December 31, 2021, the Company had cash and cash equivalents of $9,022 to settle current liabilities of $6,220.

Financial assets maturity table:

($ '000s)	**0 – 30 days**	**31 – 90 days**	**91 – 365 days**	**Over 365 days**
Cash and cash equivalents and restricted cash	8,435	-	587	-
Trade receivables	3,262	-	-	-
Due from customers on contract	-	1,942	252	-
Loans receivable	80	142	405	226
Indirect tax receivable	36	-	-	-
Income taxes receivable	-	-	982	-
Total	11,813	2,084	2,226	226

Financial liabilities, excluding other liability, maturity table:

($ '000s)	**0 – 30 days**	**31 – 90 days**	**91 – 365 days**	**Over 365 days**
Borrowings	634	-	-	190
Trade and other payables	3,235	80	232	454
Customer deposits and deferred revenue	721	-	-	-
Lease liabilities	62	124	683	536
Total	4,652	204	915	1,180

Market risk

Market risk recognizes 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 rate risk from the interest rate impact on cash and cash equivalents and restricted cash. The Company earns interest on deposits based on current market interest rates, which during the three months ended December 31, 2021 ranged from 0.40% to 0.5%. A 1% change in interest rates would affect the results of operations by approximately $22.

Foreign exchange risk

The Company is exposed to the following foreign exchange risks related to the fluctuation of foreign exchange rates:

(i) the Company operates in the United States and a portion of its expenses are incurred in US dollars; and

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

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations. As at December 31, 2021, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values. At December 31, 2021, the Company held no foreign exchange contracts.

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, 2021 and 2020 as follows:

($ '000s)	**2021** **$**	**2020** **$**
US dollar	103	111

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.

Non-IFRS Financial Measures

In addition to results reported in accordance with IFRS, EnWave also uses certain non-IFRS financial measures that are not prescribed by the International Financial Reporting Standards and as such may not be comparable to similar measures presented by other companies. Management believes that these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons, analysis of business trends and by use of analysts, investors, and interested parties to evaluate financial performance.

While management believes that Non-IFRS measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in accordance with IFRS.

Non-IFRS financial measures include NutraDried Royalties and Adjusted EBITDA.

We reference the NutraDried royalty payment to the Company, which is an intercompany transaction that is eliminated upon consolidation from revenue as reported in the Company's consolidated financial statements. The Company reports the royalty payments to itself from NutraDried because it provides the amount of royalties being paid by NutraDried under its license agreement with the Company. The intercompany royalty revenue does not have any standardized meaning under IFRS and therefore may not be comparable to other similar measures presented by other issuers.

The table below provides a reconciliation of the NutraDried royalty to revenues as reported the Company's condensed consolidated interim financial statements:

($ '000s)	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*	*Dec 31, 2020*	*Mar 31, 2021*	*Jun 30 2021*	*Sep 30, 2021*	*Dec 31, 2021*
NutraDried Royalty	288	236	670	340	166	218	118	137
Intercompany revenue adjustment(1)	(288)	(236)	(670)	(340)	(166)	(218)	(118)	(137)
Revenues(2)	7,492	5,998	10,784	7,533	4,686	7,351	6,906	6,297
Revenues	7,492	5,998	10,784	7,533	4,686	7,351	6,906	6,297

Notes:

(1) Adjustment to eliminate intercompany revenue from the condensed consolidated interim financial statements.

(2) Revenues as reported in the Company's condensed consolidated interim statements of loss for the period.

We define Adjusted EBITDA as earnings before deducting amortization and depreciation, stock-based compensation, foreign exchange gain or loss, finance expense or income, income tax expense or recovery and non-recurring impairment, restructuring and severance charges and government assistance. We believe that Adjusted EBITDA is a useful measure as it provides an indication of the operational results of the business after adjusting for non-recurring income and expenses, and non-cash expenses. We consider Adjusted EBITDA to be a key measure as it provides an alternative measure of profitability, before taking into account the Company's non-cash expenses, and it is used by management to measure performance; however, this metric is not defined under IFRS. As a result, this amount may not be comparable to those calculated by other issuers.

Below is a reconciliation of our quarterly net loss to Adjusted EBITDA for the last eight quarters:

($ '000s)	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*	*Dec 31, 2020*	*Mar 31, 2021*	*Jun 30, 2020*	*Sep 30, 2021*	*Dec 31, 2021*
Net (loss) income after income tax	(1,850)	(1,166)	1	(1,371)	(2,286)	670	(1,138)	(253)
Amortization and depreciation(1)	407	513	759	670	594	639	610	447
Stock-based compensation(2)	374	314	227	254	185	198	187	234
Foreign exchange loss (gain)(3)	(338)	151	92	227	52	(275)	(19)	19
Finance (income) expense, net(4)	(26)	(27)	(29)	4	(3)	-	(8)	1
Income tax expense (recovery)	(194)	(129)	(101)	(370)	(718)	(70)	451	-
Non-recurring impairment and restructuring costs(5)	165	-	-	-	691	-	-	-
Government assistance(6)	-	(690)	(929)	(325)	(483)	(225)	(306)	(147)
Adjusted EBITDA	(1,462)	(1,034)	20	(911)	(1,968)	937	(223)	301

Notes:

(1) Amortization and depreciation of property plant and equipment and intangible assets is a non-cash expense and therefore does not require any cash outlay by the Company.

(2) These include awards that are settled though shares issued from treasury and generally do not require any cash outlay by the Company and are excluded to provide investors with a greater visibility to the underlying performance of operations.
(3) Foreign exchange gains or losses arise from fluctuations in foreign exchange rates of the currencies we transact in, which are driven by macro-economic conditions that are generally not reflective of our business operations.
(4) Finance income, net is total finance income net of finance expenses and does not relate to costs to operate our ongoing operations.
(5) Non-recurring impairment and restructuring costs are not included in Adjusted EBITDA as they relate to non-recurring costs that that do not form part of the costs to operate our ongoing operations and are not expected to reoccur in the future.
(6) Government grants are excluded as they relate to grants received by the Company from governments under COVID-19 relief and stimulus programs, they do not relate to revenues received from business operations and are non-recurring.

Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS, and other companies may calculate these measures differently. The presentation of non-IFRS financial measures is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Forward-looking Statements

Certain statements in this MD&A constitute forward-looking statements, based on management's expectations, estimates and projections. All statements that address expectations or projections about the future, including statements about the Company's strategy for growth, R&D, market position, expected expenditures and financial results are forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company and other results and occurrences may differ from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation:

- EnWave's ultimate success in selling, licensing or generating a sustainable royalty stream from its *nutra*REV® and *quanta*REV® technologies in the cannabis and food industries will depend, in large part, on whether these targeted markets view our technologies ("the EnWave technologies") as safe, effective and economically beneficial. Market acceptance will also depend on the Company's ability to demonstrate that the EnWave technologies are attractive alternatives to existing options. If the Company fails to demonstrate feasibility, commercially viable scale that yields acceptable product quality and equipment performance standards, or competes successfully against existing or potential competitors, its operating results may be adversely affected.
- EnWave's technologies targeted for use in the cannabis and pharmaceutical industries will be subject to regulatory approval by a number of government entities and legal systems. Technology development within this regulatory and legal framework may take a number of years and may involve substantial expenditures that vary for each jurisdiction. Any delays in obtaining regulatory and/or legal approval would have an adverse impact on the Company's ability to earn future revenues.
- R&D activities for new technologies are costly and may not be successful. There is no assurance that any of EnWave's technologies will be approved for marketing by the FDA or the equivalent regulatory agency of any other country. There is also no assurance that the Company will be able to generate additional technology candidates for its pipeline, either through internal R&D, or through the in-licensing or acquisition of other technologies. Even if a technology is approved for marketing by the applicable regulatory agency, there is no assurance that the Company will be able to ultimately deliver this technology on a commercial scale or obtain approvals for other technology platforms in the development pipeline.
- EnWave's business is dependent upon securing proprietary rights to its technologies and the Company may be subject to intellectual property infringement claims by others or may not

ultimately receive issued patents in all jurisdictions where patents are pending or for new applications.

- EnWave is partially dependent on third-party groups for developing its technology. The inability to design and build commercial scale technology in a timely manner could result in significant delays in development and commercialization of its technologies, which could adversely affect the Company's business, financial condition and results of operations.
- EnWave depends on third-party collaborators to license, co-develop and jointly commercialize some of its technologies. There is no guarantee these third-parties will meet the Company's expectations or be able to find commercial opportunities with the technology to support successful commercialization of the EnWave technologies.
- EnWave's business success and progress is dependent upon securing additional funding to expand its business and develop new technologies. If the Company cannot raise capital from investors or secure grants, it may limit the Company's business expansion, ongoing testing programs, regulatory approvals and ultimately impact its ability to commercialize its technologies.
- The impact of the COVID-19 pandemic on the Company's business, operations, capital resources and/or financial results. See the *"Risk Factors"* section in the Company's Annual Information Form for further information about related risks and uncertainties.

Actual results could, however, be substantially different due to the risks and uncertainties associated with and inherent to EnWave's business, as more particularly described in the *"Risk Factors*" section of the Company's 2021 Annual Information Form. Additional risks and uncertainties applicable to the forward-looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; EnWave will become involved in material litigation; material defects and component quality of parts and raw materials sourced from EnWave suppliers; unforeseen changes to food safety and compliance regulations in the U.S. food processing industry; R&D efforts may not result in the creation of new or enhanced products in a timely or cost-effective fashion or at all; EnWave's royalty partners' and licensees' unwillingness to continue doing business with EnWave on favourable terms or at all; EnWave's business development efforts may not result in increased vertical and market penetration in the global dehydration industry; EnWave's technology may not function as intended or be suitable for the end users it is intended for; unknown or unexpected defects with EnWave's technology that are not correctable in a timely or cost-effective fashion or at all; necessary additional financing may not be available on favourable terms or at all; inability to recruit and retain qualified personnel; legal or regime changes, including changes to import and export requirements of foreign jurisdictions; political risk of domestic and foreign nations; war, terrorism, rebellion, revolt, protests, or other civil conflict; unionization, strikes or labour unrest; the global economic climate; general market trends; EnWave's intellectual property may not be sufficiently protected against third party infringement or misappropriation; EnWave's products may materially infringe on a third party's intellectual property rights; the ongoing ability and desirability of licensees to continue paying EnWave patent licensing royalties on a timely basis or at all; material litigation may arise; material unexpected costs related to EnWave's technology liability or warranty; loss of Starbucks, Costco or other major customer(s) of NutraDried; produce recalls or other food safety issues and regulatory actions could arise; information technology data and security breaches; fire, flood, earthquake, or other natural events; failure to obtain necessary permits, certifications, and authorizations; foreign currency fluctuations; dairy and other food commodity pricing fluctuations; share price volatility; unfavourable legal environments for the deployment of REV™ machinery for cannabis processing in certain jurisdictions; deficiencies in accounting policies or internal controls and procedures over financial reporting; insufficiency of insurance; unavailability of certain tax credits; unexpected tax liabilities; business interruptions and/or shutdowns caused by the COVID-19 pandemic.

Although EnWave has attempted to identify factors that may cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, predicted, estimated or intended. Also, many of the factors are beyond the control of EnWave. Accordingly, readers should not place undue reliance on forward-looking statements. EnWave undertakes no obligation to reissue or update any forward-looking statements as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

Off-balance Sheet Arrangements

As of the date of this report, the Company has a US$205 (CA $261) letter of credit issued in favour of a customer related to an equipment purchase contract. There are no other material off-balance sheet arrangements.

Capital Structure and Outstanding Share Data

The common shares, warrants, options and RSRs outstanding and exercisable as at the following dates are shown below:

	December 31, 2021		February 24, 2022	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	110,380,055	N/A	110,380,055	N/A
Options				
Outstanding	8,870,667	1.33	8,890,667	1.33
Exercisable	5,961,832	1.48	5,971,415	1.48
RSRs				
Outstanding	815,000	N/A	815,000	N/A
Warrants				
Investor warrants	5,012,202	1.50	5,012,202	1.50

As of the date of this MD&A, the Company has 110,380,055 common shares issued and outstanding. We maintain a Stock Option Plan (the “Option Plan”) that enables us to grant options to directors, officers, employees and consultants. We maintain a Restricted Share Rights Plan (the “RSR Plan”) that enables us to grant RSRs to directors, officers, employees and consultants. The Option Plan and RSR Plan permits the granting of compensation securities up to an aggregate maximum of 10% of our issued and outstanding common shares from time to time on a non-diluted basis, and the maximum number of RSRs granted thereunder is further limited to 1,895,000.

Other MD&A Requirements

Information pursuant to National Instrument 51-102.

Copies of all previously published financial statements, MD&A, meeting materials, press releases, etc., are available on Company's website at www.enwave.net, or on the SEDAR website at www.sedar.com.

Directors and officers as at the date of this MD&A:

Directors
John P.A. Budreski
Brent Charleton
Dr. Stewart Ritchie
Mary C. Ritchie
Stephen Sanford
Patrick Turpin
Pablo Cussatti

Senior Officers	Position
John P.A. Budreski	Executive Chairman
Brent Charleton, CFA	President and Chief Executive Officer
Dan Henriques, CPA, CA	Chief Financial Officer

Contact information:

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