ENWAVE
CORPORATION

Management Discussion and Analysis

Three months ended December 31, 2022

(expressed in thousands of Canadian dollars)

Dated: February 22, 2023

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

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED DECEMBER 31, 2023

Date of this report: February 22, 2023

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, 2022 relative to the three months ended December 31, 2021, and the financial position of the Company at December 31, 2022 relative to September 30, 2022. 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, 2022 (“Q1-2023”) and 2021 (“Q1-2022”), as well as the 2022 annual MD&A, the 2022 annual audited consolidated financial statements and accompanying notes, and 2022 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 **51 royalty-bearing commercial licenses** with and sold REV™ equipment to a diverse portfolio of companies operating in over 20 different countries on five continents. EnWave also operates REVworx™, a toll processing facility located in Delta, B.C., that offers vacuum-microwave contract manufacturing services. The REVworx™ facility houses both a batch 10kW and 60kW continuous vacuum-microwave line to accelerate the commercialization of products made with EnWave’s patented technology.

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.

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 at it's facility located in Ferndale, Washington State. Moon Cheese® is sold in retail locations across Canada and the United States with notable retail points of distribution at Starbucks, Publix, Whole Foods and Kroger among others.

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, 2021*	*Jun 30, 2021*	*Sep 30, 2021*	*Dec 31, 2021*	*Mar 31, 2022*	*Jun 30, 2022*	*Sep 30, 2022*	*Dec 31, 2022*
NutraDried Royalty(1)	166	218	181	137	341	175	153	125

(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

Management and Board Directors

On December 1, 2023, the Company announced the appointment of Mr. Dylan Murray as the Company's Chief Financial Officer. Mr. Murray is a Chartered Professional Accountant and brings over ten years of progressive financial leadership to the Company with diversified experience in the real estate and cannabis industries, working in both public and private sector companies.

Normal Course Issuer Bid

On November 21, 2022, the Company renewed its Normal Course Issuer Bid ("NCIB") with the TSX Venture Exchange ("TSXV"). This NCIB commenced on November 24, 2022 and will end on November 23, 2023 and allows the Company to purchase up to 10,798,644 Common Shares over a period of 12 months, but no more than 2,208,801 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.

During the Company's previous NCIB which ran from October 29, 2021 through until October 28, 2022, and the renewed NCIB, the Company did not purchase any common shares as at the date of this report.

NutraDried Operational Wind-Down

On January 23, 2023 the Company announced it will commence an orderly wind-down and value maximization process for it's operating subsidiary NutraDried. NutraDried's financial performance over the past three fiscal years had deteriorated materially and after assessment of long-term prospects, EnWave's Board of Directors and Executive Management determined that the performance standards that EnWave requires for future ownership and support will not be achieved. NutraDried's diminishing performance over the past three years has been linked to abnormally high block pricing for cheese which combined with overall lower sales across several of its key distribution channels are expected to continue in the near to long-term future.

NutraDried intends to fulfill purchase orders from customers through the next few months pursuant to available inventory.

EnWave will explore a number of value maximizing options including but not limited to, a joint venture with a seasoned industry operator, the sale of brand assets and a sale of some or all of the capital equipment and will pursue the options most advantageous to the Company. This will allow EnWave to materially reduce expenditures and direct capital toward advancing the core business strategy of the Company. Management believes that the completion of this process will be cash neutral or cash positive to EnWave and completed by the end of fiscal 2023.

As part of the orderly wind-down and as of the date of this report, 12 NutraDried employees are no longer with the Company, including Brad Lahrman, NutraDried's former CEO. NutraDried continues to employ approximately 21 people to assist in the orderly wind-down and value maximization process.

Overall Performance

For Q1 2023, the Company had consolidated revenues of $4,714, compared to $6,297 in the same period in fiscal 2022, a decrease of 25% or $1,583. The Company had a consolidated net loss of $2,029 in Q1 2023, compared to $253 for Q1 2022, a decrease of $1,776. The Company reported an Adjusted EBITDA(*) loss of $1,151 for Q1 2023 compared to an Adjusted EBITDA(*) profit of $301 for Q1 2022, a decrease of $1,452.

During Q1 2023, EnWave reported revenues of $2,785 compared to $4,067 for Q1 2022, a decrease of $1,282 or 32%. EnWave's revenues were lower due to timing of machine fabrication contracts and the sale a high margin machine in Q1 2022 that was repurchased from a cannabis partner. EnWave reported a segment loss of $466 for Q1 2023, inclusive of intercompany revenues, compared to segment income of $600 for Q1 2022, a decrease of $1,066. During the quarter, the Company had seven customized machines, four of which were large-scale machines and three of which were GMP small-scale machines.

EnWave had third-party royalty revenue of $413 for Q1 2023, compared to $505 for Q1 2022, a decrease of $92 or 18%. Royalties are payable to EnWave as a percentage of the value of products sold, the number of units produced by our royalty partners, or a set fee paid quarterly. We also stipulate minimum annual royalty thresholds in our commercial license agreements, if granted, that must be met by the licensee in order for the licensee to retain exclusivity for production in that geographic area. The decrease in royalties for Q1 2023 was a result of some partners foregoing exclusivity. Additionally, some partners had higher base royalties during the calendar year, resulting in a smaller royalty obligation during the quarter to meet the minimum annual royalty threshold.

NutraDried reported revenues of $1,929 for the three months ended December 31, 2022, compared to $2,230 for the three months ended December 31, 2021, a decrease of $301 or 13%. NutraDried sales decreased due to a decline in overall Moon Cheese® sales and an absence of Costco Canada sales in Q1 2023 which was offset by an increase in sales of Moon Cheese® Crunchy Sticks. NutraDried reported a segment loss of $1,732, including intercompany revenue and expenses, for Q1 2023 compared to a loss of $900 for Q1 2022, a decrease of $832.

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

Commercial Licensing and Partnership Development

Global Strategic Partnership with Dole

The Company and Dole Worldwide Food & Beverages Group, a division of Dole Asia Holdings Pte. Ltd. ("Dole") have a strategic partnership where the Company will support Dole to produce a line of better-for-you snack products using EnWave's REV™ technology under the brand Good Crunch™ (https://www.dolefoodservice.com/good-crunch).

Currently, Dole has purchased a 10kW REV™ machine and a 120kW REV™ large-scale continuous machine and leased three 10kW REV™ machines to bridge production capacity until the large-scale 120kW machine is commissioned for production at its Asia processing plant in the first half of fiscal 2023.

Technology, Evaluation and License Option Agreement with Foodservice Supplier of Egg

On December 6, 2022, the Company signed a Technology, Evaluation and License Option Agreement ("TELOA") with one of the largest United States foodservice suppliers of egg products ("Partner). The Partner will lease a 10kW REV™ machine to facilitate in-house product development focused on egg and egg-based applications, the first of its kind.

Equipment Purchase Agreement and License Agreement with a Major Canadian Cannabis Company

On January 18, 2023, the Company signed a royalty-bearing commercial license agreement with an undisclosed, major Canadian cannabis company and granted the non-exclusive rights to produce cannabis products in Canada. The Cannabis Partner purchased a 120kW REV™ machine to initiate commercial production of premium smokeable flower, cannabis plant material destined for extraction and several edible products.

The machine was purchased back from a U.S. cannabis licensee of EnWave whom satisfied all payment obligations, but never took possession of the equipment due to operational challenges. The amount paid to acquire the machinery from the U.S. cannabis licensee for re-sale allows for EnWave to realize a margin comparable to the margin that would be recognized from the manufacture and sale of a new 120kW REV™ machine. It is expected that the machine will be operational in the first half of fiscal 2023.

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 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
Cannaponics	10kW GMP	Cannabis	Australia(1)
Australian Cannabis Company	10kW GMP	Cannabis	Australia(1)
Cannabis Multi-State Operator	120kW	Cannabis	USA(1)
Orto Al Sole	120kW	Fruits and Vegetables	Italy(1)
European Cannabis Company	10kW GMP	Cannabis	Europe(1)
Dole	120kW	Fruits and Vegetables	Asia
Japanese Snack Company	60kW	Fruits and Vegetables	Asia
Canadian Cannabis Company	120kW	Cannabis	Canada

Notes:

(1) The Company has completed fabrication of the machine for the royalty partner and is awaiting shipment or installation for commercial production.

NutraDried Food Company

NutraDried's strategy has been to expand distribution for its product lines into major U.S. grocery retailers and to grow the e-commerce channel through mooncheese.com and Amazon.

The U.S. retail grocery landscape is challenging, and many retailers have made changes to the respective categories NutraDried is targeting. This has led to many retail decisions being delayed or postponed and as a result, impacted overall sales for NutraDried. The expansion into new retail channels for NutraDried's products has not taken the predicted trajectory required for continued operations. Additionally, macroeconomic factors and input costs have increased over the past two years, resulting in higher cost of sales and compressed margins.

NutraDried is exposed to commodity price fluctuations for block cheese, its primary raw material input cost. Cheese pricing for a 40-pound cheddar block on the Chicago Mercantile Exchange remained above $2.00/lb for most of Q1 2023 and above the historical average, resulting in higher input costs which negatively impacts cost of goods. When possible, NutraDried used forward contracts to mitigate the impacts of commodity price fluctuations.

NutraDried had revenue of $1,929 (2022 - $2,230), direct costs to revenue of 111% (2022 – 80%) and a net loss of $1,732 (2022 - $900) for the three months ended December 31, 2022. As a result of NutraDried's historical performance, including this most recent quarter, the Company decided to commence an orderly wind-down and value maximization process.

EnWave initially created NutraDried to demonstrate that its commercial-scale, continuous REV™ dehydration machinery could operate consistently and reliably. This demonstration de-risked the adoption of REV™, helping to improve the success of EnWave's commercialization efforts. There are now 51 commercial license holders using REV™ technology to process food and cannabis products globally.

The following is the segmented balance sheet information for NutraDried as at December 31, 2022 and for the comparative period:

As at	December 31, 2022 $	September 30, 2022 $
Assets		
Trade receivables	868	1,167
Inventory	3,405	3,072
Plant and equipment	2,098	2,287
Right-of-use assets	285	384
Intangible assets	7	8
	6,663	6,918
Liabilities		
Trade and other payables	1,831	1,855
Loan payable	222	224
Lease liabilities	328	439
	2,381	2,518

The orderly wind-down and value maximization process is expected to be completed in fiscal 2023.

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to December 31, 2022 reported in Canadian dollars, the Company's presentation currency:

	2021			2022				2023
($ '000s)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
Revenues	4,686	7,351	6,906	6,297	6,881	5,554	4,971	4,714
Direct costs	(4,208)	(4,737)	(4,529)	(3,581)	(5,538)	(4,090)	(4,203)	(3,905)
Gross profit	478	2,614	2,377	2,716	1,343	1,464	768	809
Expenses	(3,965)	(2,239)	(3,370)	(3,116)	(3,729)	(3,479)	(3,069)	(2,838)
Other income	483	225	306	147	-	-	-	-
Income tax (expense) recovery	718	70	(451)	-	-	-	28	-
Net (loss) income after income tax	(2,286)	670	(1,138)	(253)	(2,386)	(2,015)	(2,273)	(2,029)
Adjusted EBITDA(1)	(1,968)	937	(223)	301	(1,218)	(1,096)	(1,479)	(1,151)
Loss per share – Basic and diluted	(0.02)	0.00	(0.01)	(0.00)	(0.02)	(0.02)	(0.02)	(0.02)
Total assets	33,301	32,568	30,641	29,990	29,362	27,629	25,847	23,306
Total liabilities	8,427	7,224	7,653	7,047	8,519	8,315	8,219	7,606

(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.

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, 2022 and 2021 and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended December 31,**		
	2022	2021	Change **%**
Revenues	**4,714**	6,297	(25%)
Direct costs	**3,905**	3,581	9%
Gross margin	**809**	2,716	(70%)
Operating Expenses			
General and administration	**1,049**	1,118	(6%)
Sales and marketing	**1,171**	1,132	3%
Research and development	**403**	577	(30%)
	2,623	2,827	(7%)
Net loss after taxes	**(2,029)**	(253)	(702%)
Adjusted EBITDA(1)	**(1,151)**	301	(482%)
Loss per share – basic and diluted	**(0.02)**	(0.00)	

(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 in fiscal 2023. NutraDried generates revenue from the sale of Moon Cheese® into retail and wholesale distribution channels, and from the sale as bulk product ingredients and co-manufacturing.

	Three months ended December 31,	
($ '000s)	**2022**	**2021**
Revenue	4,714	6,297

Revenue for the three months ended December 31, 2022 was $4,714 compared to $6,297 for the three months ended December 31, 2021, a decrease of $1,583. EnWave revenue decreased primarily due to the timing of machine fabrication contracts and the sale of a high margin machine in Q1 2022, that was repurchased from a cannabis partner, and not replicated in Q1 2023. The timing and frequency of each large-scale commercial machine order affects the timing of our revenues from the sale of REV™ machinery. NutraDried revenue decreased as a result of slower Moon Cheese® sales with no rotations in Costco Canada or Target in Q1 2023.

Quarterly Revenue	**2021**			**2022**				**2023**
($ '000s)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
EnWave	2,348	3,560	3,879	4,067	1,494	2,663	2,824	2,785
NutraDried	2,338	3,791	3,027	2,230	5,387	2,891	2,147	1,929
Total	4,686	7,351	6,906	6,297	6,881	5,554	4,971	4,714

EnWave had revenue of $2,785 for the three months ended December 31, 2022, compared to $4,067 for the three months ended December 31, 2021, a decrease of $1,282. During Q1 2023, EnWave had one large scale machine in fabrication compared to three machines in fabrication in Q1 2022. There were three large scale and two small GMP machines awaiting commissioning at the end of the quarter compared to two large scale machines and one small GMP machine in the prior period. EnWave sold one small scale machine during the quarter and three in Q1 2022. EnWave revenues for the prior fiscal quarters fluctuate due to the number of machines and the machines progress and stage of completion.

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 $413 for the three months ended December 31, 2022, compared to $505 for the three months ended December 31, 2021, a decrease of $92 or 18%. Royalties are payable to EnWave as a percentage of the value of products sold, the number of units produced by our royalty partners, or a set fee paid quarterly. We also stipulate minimum annual royalty thresholds in our commercial license agreements, if granted, that must be met by the licensee in order for the licensee to retain exclusivity for production in that geographic area. The decrease in royalties for Q1 2023 was a result of some partners foregoing exclusivity. Additionally, some partners had higher royalties during the calendar year, resulting in a smaller royalty obligation during the quarter to meet the minimum annual royalty threshold.

We expect our royalties to grow as we sign new license agreements and supply additional REV™ machine capacity to our royalty partners.

Revenues from NutraDried were $1,929 for the three months ended December 31, 2022, compared to $2,230 for the three months ended December 31, 2021, a decrease of $301. The decrease in revenues for the first quarter was primarily due to the lack of Moon Cheese® products sold at Costco Canada and Target, offset by an increase in sales of Moon Cheese® Crunchy Stick sales. Revenues from NutraDried have been decreasing since Q3 2021, with the exception of Q2 2022 which had a Costco Canada rotation.

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)	**2022**	**2021**
Direct costs	3,905	3,581
% of revenue	83%	57%

Direct costs for the three months ended December 31, 2022 were $3,905, compared to $3,581 for the three months ended December 31, 2021, an increase of $324. Direct costs as a percentage of revenues for the three months ended December 31, 2022 increased by 26% compared to the three months ended December 31, 2021.

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, 2022, EnWave yielded a ratio of direct costs to revenue of 63%, compared to 44% during the three months ended December 31, 2021.The decrease in gross margin was primarily due to a fully fabricated large machine unit that was repurchased and sold in Q1 2022, resulting in lower direct costs.

The ratio of direct costs to revenue was 111% for NutraDried for the three months ended December 31, 2022, compared to 80% in the three months ended December 31, 2021. The decrease in gross margin at NutraDried was due to increased input costs, increased trade spending and lower production resulting in decreased 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, 2022 were an average price of $2.07/lb. The Company continuously monitors 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)	**2022**	**2021**
General and administration	1,049	1,118
% of revenue	22%	18%

G&A expenses for the three months ended December 31, 2022 were $1,049 compared to $1,118 for the three months ended December 31, 2021, a decrease of $69. G&A remained relatively stable with the reduction in expenses due to decreased legal and consulting fees for EnWave and lower personnel costs for NutraDried.

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)	**2022**	**2021**
Sales and marketing	1,171	1,132
% of revenue	25%	18%

S&M expenses for the three months ended December 31, 2022 were $1,171 compared to $1,132 for the three months ended December 31, 2021, an increase of $39.The increase in S&M expense was due to increased travel costs and tradeshow costs for business development, and commissions paid to third-party sales representatives. S&M resources for EnWave are designed to increase the Company’s presence, amplify sales networks and grow royalty-bearing licenses and machine sales, while continuing to use lower cost digital sales and marketing tools to engage and communicate with both prospective and current partners. NutraDried has significantly reduced the sales and marketing spending and continues to be prudent when looking to invest.

Research and development

Research and development ("R&D") expenses include the salaries of the Innovation Centre technicians and scientists and facility costs, global patent filing and maintenance costs, laboratory costs and R&D travel costs. R&D also includes overhead costs related to the Company's REVworx™ tolling facility, depreciation expense for R&D equipment and product development at NutraDried.

	Three months ended December 31,	
($ '000s)	**2022**	**2021**
Research and development	403	577
% of revenue	9%	9%

R&D expenses for the three months ended December 31, 2022 were $403 compared to $577 for the three months ended December 31, 2021, a decrease of $174. 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. The decrease was related to fewer patent searches compared to Q1 2022, less REVworx™ start-up costs and a decrease in NutraDried personnel.

The Company plans 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 $168 for the three months ended December 31, 2022, compared to $234 for the three months ended December 31, 2021. The decrease to stock-based compensation expense was due fewer stock option grants issued in Q1 2023 and the vesting of stock options and restricted share rights ("RSRs") with the related expense recorded in prior quarters.

	Three months ended December 31,	
($ '000s)	**2022**	**2021**
Stock-based compensation	168	234

Foreign exchange loss

Foreign exchange loss for the three months ended December 31, 2022 was $41 compared to $19 for the three months ended December 31, 2021, a difference of $22. 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)	**2022**	**2021**
Foreign exchange loss	41	19

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. EnWave received funding from two Canadian federal programs: the Canada Emergency Wage Subsidy ("CEWS") program to subsidize payroll costs, and the Canada Emergency Rent Subsidy ("CERS") program to subsidize rent costs. The subsidy funds are non-repayable to the government if the Company continues to meet the eligibility criteria. EnWave received $nil for the three months ending December 31, 2022 compared to $147 for the three months ending December 31, 2021.

	Three months ended December 31,	
($ '000s)	**2022**	**2021**
Other income	-	147

Liquidity and Capital Resources

Working capital
The components of the Company's working capital on December 31, 2022 and September 30, 2022 are:

($ '000s)	**December 31, 2022**	September 30, 2022
Current assets		
Cash and cash equivalents	**4,199**	6,199
Restricted cash	**610**	614
Trade receivables	**1,747**	1,980
Due from customers on contract	**658**	852
Loans receivable, current	**452**	515
Inventory	**7,915**	6,622
Prepaids and other receivables	**596**	678
Income taxes receivable	**30**	540
	16,207	18,000
Current liabilities		
Loan Payable	**11**	4
Trade and other payables	**4,620**	4,476
Customer deposits and deferred revenue	**745**	1,311
Current portion of lease liabilities	**742**	820
Current portion of other liability	**-**	5
	6,118	6,616
Working capital	**10,089**	11,384

As at December 31, 2022, the Company had working capital of $10,089, compared to $11,384 as at September 30, 2022. As at December 31, 2022 the cash and cash equivalents balance is $4,199 compared to $6,199 as at September 30, 2022, a decrease of $2,000. The change in cash and cash equivalents is primarily due to the Company's increase in inventory, a reduction to customer deposits and deferred revenues, investments made into plant and equipment for NutraDried packaging line and receipt of a tax refund. The Company has net cash outflows from operating activities of $1,687 for the three months ended December 31, 2022.

EnWave had trade receivables of $879 as at December 31, 2022, compared to $813 as at September 30, 2022, and NutraDried had trade receivables of $868 at December 31, 2022 compared to $1,167 as at September 30, 2022. The slight increase in EnWave's trade receivables relates to the increase in royalties invoiced but not collected in the period, as well as collections on performance milestones on equipment contracts. The decrease of NutraDried's trade receivables relates to timing of collections on account for amounts owing to the Company as at December 31, 2022.

Due from customers on contract to EnWave as at December 31, 2022 was $658 compared to $852 as at September 30, 2022, with the decrease 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 $4,510 as at December 31, 2022 compared to inventory of $3,550 at September 30, 2022, an increase of $960. There was an increase in 10kW machines used for rentals and those under fabrication, as well as components purchased for several large machines. Additionally, the machinery that was purchased back from a U.S. cannabis licensee of EnWave and resold to a major Canadian cannabis company in Q2 2023 is included in inventory as at December 31, 2022. The increase in inventory is primarily to mitigate supply chain risks and ensure critical components are available for machine fabrication.

NutraDried had inventory of $3,405 as at December 31, 2022 compared to $3,072 as at September 30, 2022, an increase of $333. NutraDried's inventory is comprised of food product and packaging supplies. Inventory at NutraDried was higher at December 31, 2022 compared to September 30, 2022 due timing of shipments and products sold.

EnWave had current loans receivable of $452 as at December 31, 2022, compared to $515 as at September 30, 2022 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 terms ranging from 8 to 27 months and are amortized with monthly blended payments of interest and principal.

Trade and other payables for EnWave as at December 31, 2022 was $2,789 compared to $2,621 at September 30, 2022. NutraDried trade and other payables were $1,831 as at December 31, 2022, compared to $1,855 as at September 30, 2022. The changes are associated with the timing of payments made to vendors and other counterparties.

Financing and liquidity

Cash and cash equivalents were $4,199 as at December 31, 2022 compared to $6,199 as at September 30, 2022. As at December 31, 2022, the Company had net working capital of $10,089, compared to $11,384 as at September 30, 2022.

	Three months ending December 31,	
($ '000s)	**2022**	2021
Cash generated from (used in) operating activities	**(1,687)**	(3,374)
Cash used in investing activities	**(110)**	(434)
Cash (used in) generated from financing activities	**(219)**	426

We believe that our current cash balance of $4,199 and working capital surplus of $10,089 is sufficient to meet our financing needs, maintain right-sized operations and to grow in the near-to-mid-term. Management will continuously evaluate capital needs and make decisions based on current circumstances. 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 will require some additional capital to facilitate the wind-down and value maximization process. This capital will come from fulfilling purchase orders from customers through the next few months pursuant to available inventory. Management believes that the completion of the wind-down and value maximization process will be cash neutral or cash positive to EnWave and completed by the end of fiscal 2023.

The Company has drawn from its cash position to finance its operations in Q1 2023. 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, toll manufacturing opportunities and to mitigate any future excess capital requirements with the wind-down of NutraDried by the end of the fiscal year. 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, 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. Our ability to fund our operating requirements depends on future operating performance and cash flows, which are subject to economic, financial, competitive and business conditions, and other factors, some of which are beyond our control, such as commodity pricing, the macroeconomic environment and the impact of COVID-19. 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 amounts, on acceptable terms, or in a timely basis.

Capital expenditures

During the three months ended December 31, 2022, we incurred capital expenditures of $156 related to the acquisition of plant and equipment. NutraDried accounted for $156 of the capital expenditures for the period with additions to production and packaging equipment.

Although we plan to continue to invest in capital equipment as necessary to support our growth, our business is not overly capital intensive.

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, 2022:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Loan payable	11	18	193	222
Trade and other payables	4,620	-	-	4,620
Lease liabilities	742	635	642	2,019
Total	**5,373**	**653**	**835**	**6,861**

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, 2022.

On November 21, 2022, a purported class action proceeding was commenced in the Superior Court of the State of California for the County of Orange against NutraDried, the Company's subsidiary, on behalf of persons who purchased 3-ounce Moon Cheese® products in the State of California. The complaint alleged, inter alia, that the Company's 3-ounce Moon Cheese® products misled consumers based on the size of the package and the amount of snack product contained therein being commensurate with the size of the package. No provision has been recognized as at December 31, 2022.

Transactions with Related Parties

During the three months ended December 31, 2022, the Company paid quarterly directors' fees to its four independent directors through a combination of cash and stock-based compensation for their services as directors of the Company. The decrease in Director's compensation is due to one less director, a voluntary reduction in overall remuneration and no equity grants relative to the comparative period.

The table below summarizes the transactions with related parties for the three months ended December 31, 2022 and 2021:

	Three months ended December 31,	
	2022	2021
	$	$
Directors' fees	**20**	50
Stock-based compensation	**14**	23
	34	73

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. The decrease in management remuneration relates to voluntary salary reductions and a decrease in bonuses relative to the comparative period.

Remuneration of key management personnel of the Company comprises the following expenses:

($ '000s)	**Three months ended December 31,**	
	2022	2021
	$	$
Salaries, bonuses and short-term employee benefits	**602**	922
Stock-based compensation	**96**	134
	698	1,056

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, 2022. 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, 2022.

Accounting standards and amendments issued and not yet adopted

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

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

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

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

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, 2022:

	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	1,307	118	322	-
Due from customers on contract	658	-	-	-
Loans receivable	668	-	-	-
Indirect tax receivable	-	48	33	-
Income tax receivable	-	-	30	-
Total	2,633	166	385	-

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 of December 31, 2022, the Company had current assets of $16,207 to settle current liabilities of $6,118.

Financial assets maturity table:

($ '000s)	**0 – 30 days**	**31 – 90 days**	**91 – 365 days**	**Over 365 days**
Cash and cash equivalents and restricted cash	4,199	-	610	-
Trade receivables	1,747	-	-	-
Due from customers on contract	183	475	-	-
Loans receivable	123	74	255	216
Indirect tax receivable	48	-	33	-
Income taxes receivable	-	-	30	-
Total	6,300	549	928	216

Financial liabilities, excluding other liability, maturity table:

($ '000s)	**0 – 30 days**	**31 – 90 days**	**91 – 365 days**	**Over 365 days**
Loan payable	1	2	8	211
Trade and other payables	4,547	23	50	-
Customer deposits and deferred revenue	745	-	-	-
Lease liabilities	69	139	534	1,277
Total	5,362	164	592	1,488

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, 2022 ranged from 3.70% to 4.60%. A 1% change in interest rates would affect the results of operations by approximately $12.

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, 2022, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts when appropriate to minimize exposure to foreign currencies when appropriate. As at December 31, 2022, and September 30, 2022, the Company held no foreign exchange contracts. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's net loss for the three months ended December 31, 2022 and 2021 as follows:

($ '000s)	**2022** **$**	**2021** **$**
US dollar	31	103

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, 2021*	*Jun 30, 2021*	*Sep 30, 2021*	*Dec 31, 2021*	*Mar 31, 2022*	*Jun 30, 2022*	*Sep 30, 2022*	*Dec 31, 2022*
NutraDried Royalty	166	218	118	137	341	175	153	125
Intercompany revenue adjustment(1)	(166)	(218)	(118)	(137)	(341)	(175)	(153)	(125)
Revenues(2)	4,686	7,351	6,906	6,297	6,881	5,554	4,971	4,714
Revenues	4,686	7,351	6,906	6,297	6,881	5,554	4,971	4,714

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, 2021*	*Jun 30, 2021*	*Sep 30, 2021*	*Dec 31, 2021*	*Mar 31, 2022*	*Jun 30, 2022*	*Sep 30, 2022*	*Dec 31, 2022*
Net (loss) income after income tax	(2,286)	670	(1,138)	(253)	(2,386)	(2,015)	(2,273)	(2,029)
Amortization and depreciation(1)	594	639	610	447	735	648	718	672
Stock-based compensation(2)	185	198	187	234	378	308	212	168
Foreign exchange loss (gain)(3)	52	(275)	(19)	19	47	(48)	(114)	41
Finance (income) expense, net(4)	(3)	-	(8)	1	8	11	6	(3)
Income tax expense (recovery)	(718)	(70)	451	-	-	-	(28)	-
Non-recurring impairment and restructuring costs(5)	691	-	-	-	-	-	-	-
Government assistance(6)	(483)	(225)	(306)	(147)	-	-	-	-
Adjusted EBITDA	(1,968)	937	(223)	301	(1,218)	(1,096)	(1,479)	(1,151)

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 2022 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 $278) 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, 2022		February 22, 2023	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	110,500,055	N/A	110,500,055	N/A
Options				
Outstanding	8,328,267	1.46	8,449,937	1.31
Exercisable	7,141,601	1.39	7,639,935	1.37
RSRs				
Outstanding	695,000	N/A	695,000	N/A
Warrants				
Investor warrants	-	-	-	-

As of the date of this MD&A, the Company has 110,500,055 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
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
Dylan Murray, CPA, CA	Chief Financial Officer

Contact information:

Corporate, Strategic and Investor Inquiries	**Administration and Finance**
Brent Charleton, CFA President and Chief Executive Officer Telephone (+1) 778 378 9616 bcharleton@enwave.net	Dylan Murray, CPA, CA Chief Financial Officer Telephone (+1) 778 870 0729 dmurray@enwave.net

******