Third quarter 2020
Management Discussion and Analysis

Nine months ended June 30, 2020

(expressed in thousands of Canadian dollars)

Dated: August 27, 2020

ENWAVE CORPORATION
("EnWave" or the "Company")

MANAGEMENT DISCUSSION AND ANALYSIS
THIRD QUARTER
FOR THE NINE MONTHS ENDED JUNE 30, 2020

Date of this report: <u>August 27, 2020</u>

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 nine months ended June 30, 2020 relative to the nine months ended June 30, 2019, and the financial position of the Company at June 30, 2020 relative to September 30, 2019. It should be read in conjunction with the EnWave's unaudited condensed consolidated interim financial statements and accompanying notes for the three and nine months ended June 30, 2020 and 2019, as well as the 2019 annual MD&A, the 2019 annual audited consolidated financial statements and accompanying notes, and 2019 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 judgments 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 judgments 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 **39 royalty-bearing commercial licenses** with and sold REV™ equipment to a diverse portfolio of companies operating throughout eighteen different countries. The Company also plans to build a toll manufacturing operation in Canada to drive REV™ technology adoption by reducing the capital required by consumer-packaged goods ("CPG") companies to launch new products into their respective markets.

REV™ dehydration technology applies microwave energy under vacuum to offer flexible, efficient, low temperature drying suitable for food products, cannabis and biomaterials. The Company currently has two primary commercial scale technologies, *nutra*REV®, a drum-based system, and *quanta*REV®, a tray-based system.

EnWave's mission is to propagate 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 applications, increasing their throughputs and/or reducing processing costs. Management believes that REV™ technology has the ability to produce products with better quality than air-drying, spray-drying or freeze-drying. REV™ technology is also typically faster and more economical than freeze-drying.

The Company strives to grow revenues by securing multiple, diversified royalty streams through the licensing of its technology for the production of specific applications with a number of global and local royalty partners. The majority of commercial license agreements stipulate for royalty payments based on a percentage of sales generated or units produced by the royalty partner from the use of the REV™ technology to be paid to the Company on a quarterly basis. These licenses also restrict the royalty partner's use of the technology to commercially produce specific products within a limited geographic territory. The Company also seeks to generate profits from the sale of REV™ machines. 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 larger future royalty streams. In the future, the Company aims to also generate revenues from toll manufacturing fees charged to companies to access REV™ technology for the production of food applications in Canada.

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, cannabis products, nutraceuticals, and pharmaceuticals. 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 State, USA. NutraDried manufactures and sells Moon Cheese®, an all-natural dried cheese snack produced using REV™ technology. NutraDried currently produces Moon Cheese® using two 100kW nutraREV® machines. NutraDried produces Moon Cheese® in cheddar, gouda, bacon cheddar, parmesan garlic, black pepper white cheddar and pepper jack flavours at its manufacturing facility located in Ferndale, Washington. Moon Cheese® is sold in over 25,000 retail locations across Canada and the United States. Notable retail points of distribution currently include Starbucks, certain divisions of Costco, Publix, Target, Rite Aid, and CVS, among others.

NutraDried has demonstrated the ability for REV™ technology to operate reliably at scale for commercial operations. This subsidiary began as a proof-of-concept for the Company as it showcased the capabilities of large-scale commercial REV™ machinery to current and potential royalty partners, but now has grown into a successful, growing snack company. Furthermore, NutraDried's business success has established a precedent for analysis by dairy companies considering the commercialization of REV™ technology into their operations. The Company's strategy is to grow the NutraDried business through increased retail distribution, improving velocities, introducing new innovative product extensions into its portfolio, and by increasing production capacity when necessary. NutraDried will continue to demonstrate the commerciality of REV™ to potential royalty partners supporting further global adoption of REV™.

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

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

($ '000s)	*Sep 30, 2018*	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*
NutraDried Royalty(1)	327	357	366	270	837	208	288	236

(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

COVID-19 Pandemic

In March 2020, a novel coronavirus, known as COVID-19, was declared a global pandemic by the World Health Organization. Since then, global government responses to contain and prevent the further spread of the virus have evolved rapidly over the course of the second and third fiscal quarters of 2020 until the date of this report.

In response to the outbreak, we prioritized the health and safety of our employees and our partners by changing our work environment and making arrangements to ensure we are in compliance with all Provincial and State health authority regulations. This continues to include maintaining minimum physical distancing requirements, restricting the number of employees in certain work spaces, working from home remotely on a rotational basis or whenever possible, restricting all non-essential travel and guests from visiting our premises, implementing enhanced safety, cleaning and sanitization protocols, mandating the use of personal protective equipment, and providing the necessary support and time if any one has to adhere to self-isolation requirements.

The effects of the COVID-19 pandemic and measures to prevent its spread have had an impact on our operations and financial performance during the three and nine months ended June 30, 2020, and we expect it will continue to affect our businesses for some period of time.

At the end of March 2020, we undertook prudent measures to maintain a strong financial position by reducing expenses and managing short-term liquidity. The steps taken by the Company include:

- Curtailed non-essential and discretionary expenses across all segments of the business, including manufacturing overheads and SG&A expenses as well as research and development ("R&D") expenses.
- Reduced manufacturing overheads by sub-leasing two underutilized warehouse units at EnWave's Delta facility.
- Postponed or cancelled international business travel and in-person tradeshows.
- Eliminated the use of contractors wherever possible and in-sourced several functions that were previously managed by external contractors.
- Downsized staff by 36 full-time employees (19 at NutraDried and 17 at EnWave).
- Reduced NutraDried's marketing programming budget for the balance of the year and reallocated the reduced budget to channels expected to yield near-term positive results.
- Leveraged the Canada Emergency Wage Subsidy ("CEWS") program in Canada, and the Paycheck Protection Program ("PPP") and the Economic Injury Disaster Loan ("EIDL") program in the U.S.

Since the outbreak of COVID-19 and the resulting emergency measures put in place by federal, provincial, state and local governments across North America, we have seen, and expect to continue to see, a direct, material adverse impact to many of the factors affecting our financial and operational performance. The extent of the impact of such emergency measures, will depend on future developments, including the duration and severity of COVID-19 in the markets in which we operate. At this time, we cannot forecast the full duration and magnitude of COVID-19 impacts, or the pace of recovery from the pandemic across our end markets, operations, and supply chains but the Company expects this pandemic to negatively impact our results of operations, financial position and cash flows in Q4 2020. See the Risk Factors section for further information about related risks and uncertainties.

COVID-19's Impact on EnWave's Business

EnWave's international licensing business model requires our qualified engineers and technical staff to travel internationally to conduct business. EnWave's business was adversely impacted by market developments, including disruption to business development efforts to meet new prospective licensed partners and secure new machine and licensing orders, and delays to complete REV™ machine installations for existing partners. These international travel restrictions to contain the spread of the virus have caused delays of deliveries and sending technical staff to install and train partners. At the end of Q3 2020, there were five 10kW machines sold under contract that were awaiting installation which translates into approximately $1.0 million in unrecognized equipment sales revenue. Additionally, COVID-19 restrictions have prolonged the achievement of billing milestone payments and the commencement of commercial production and the related royalties payable to EnWave from the commercial use of the technology which directly impact our profitability and cash flows for the nine months ended June 30, 2020.

One significant way that EnWave has adapted to counter the impacts of COVID-19 on our business operations was to develop a remote installation program which enables our partners to skillfully collaborate with our engineering department to commission a 10kW REV™ machine. During Q3 2020, we had one partner successfully complete a remote installation and we are currently working with many others to complete installations remotely. The option to remotely install machines is dependent upon our partners' technical capacity and willingness, and some partners have chosen to wait until EnWave staff can be sent to their site for installation. In order to complete the technically complex start-ups of large-scale machinery, EnWave will still need to send qualified technicians internationally to do the commissioning; the timing of these installations is highly dependent on international travel restrictions that are in place. At present, EnWave has two international 100kW REV™ lines awaiting commissioning – one in Costa Rica and another in Peru.

COVID-19's Impact on NutraDried's Business

COVID-19 has had a significant impact on the distribution channels for NutraDried's products. During Q3 2020, many of our retail customers experienced significant disruptions to both supply chain and at store-level caused by the pandemic. Many states imposed shelter-in-place orders early in the pandemic that caused a decrease in demand for on-the-go snack products, and while many retailers remained open as 'essential businesses', the number of store visits and consumer purchasing behaviour negatively impacted sales. Several of NutraDried's retail customers temporarily closed stores or modified operations and business hours to meet public health guidelines and evolving customer behaviours, including Starbucks which is an important customer for NutraDried. Additionally, many retailers in the U.S. that the Company was targeting for new distribution temporarily halted adding new products due to COVID-19, which on top of early travel restrictions challenged our ability to secure meetings with buyers to gain new points of distribution for Moon Cheese®.

As at the date of this report, the retail conditions in the U.S. have improved substantially compared to April and May, with most stores now re-opening under strict COVID-19 preventative measures. While the state of the pandemic in the U.S. is still highly uncertain, with the possibility of additional lockdowns and retail closures still a reality, NutraDried's sales and distribution have improved since the start of the pandemic and management is optimistic for improved distribution over the coming quarters. The Company's sales team continues to actively pursue new opportunities across multiple channels. Management anticipates that as retailers continue to re-open safely and retail supply chains stabilize that the Company will be able to secure new distribution for the Moon Cheese® products.

Health Canada Approves Cannabis Research License for EnWave

EnWave has obtained a Research License from Health Canada under the *Cannabis Act* for its Delta, B.C. pilot plant facility. Having a Health Canada Research License will enable the Company to expedite process development and data analytics for terpene and cannabinoid retention along with other critical properties of cannabis products processed using REV™. The Company plans to intensify its development work on REV™ for cannabis products to further prove the significant value proposition of the Company's proprietary drying technology in the cannabis sector. Previous trials conducted at our licensed partners' facilities yielded very positive results.

With a Health Canada License, this valuable in-house research can further facilitate adoption decisions by Canadian and international cannabis producers looking to up-scale their post-harvest drying operations. It also allows the Company to better advance the research process, working independently and in collaboration with cannabis companies at its on-site facilities. Through its new licensed capabilities, we are intensifying our efforts to support licensed producers looking to improve their drying processes.

The ability to conduct on-site trials with a variety of cannabis strains should reduce the perceived technology risk for prospective licensees, and is targeted to stimulate new licenses and REV™ equipment sales into the sector.

EnWave to Launch REVworx™ Toll Manufacturing Capability

EnWave has identified toll manufacturing of food products as a new strategic opportunity to complement its current commercialization efforts to broaden the adoption of its patented drying technology, and to lower the Company's exposure to international travel restrictions. It is very typical for CPG companies to use toll manufacturers, contract manufacturers and copackers for production when launching new products to market, as it reduces the CPG's capital requirements and overall investment to test the commercial validity of new innovations. At present, there are no large-scale REV™-processing facilities that have flexible toll manufacturing capability in North America, and there is a growing demand from CPG companies for this service. The opportunity for EnWave to develop this manufacturing capability in-house is expected to have several distinct strategic benefits including, but not limited to:

1) Increasing the speed to market for new REV™-dried products by leveraging readily accessible manufacturing capacity;

2) Reducing the financial risk of launching new products due to lower initial capex investment in facilities, processing equipment and operational infrastructure made by REV™ technology adopters;

3) Enabling CPG companies to innovate more rapidly using REV™ and test market new products, which should ultimately lead to more REV™ products being launched and remaining in-market; and,

4) Reduce operational burden for brands launching new REV™ products and allow our partners to focus on core strengths such as marketing, branding and distribution while outsourcing REV™ processing to the experts.

By having the internal capacity to toll manufacture REV™ products, EnWave expects to accelerate the commercial introduction of REV™ products into the consumer marketplace while building a recurring revenue business through tolling contracts. Management expects this service will complement its global machine sales and royalty-licensing business model by enabling access to REV™ machinery for companies that would otherwise not pursue in-house commercial adoption of the technology.

The project is in the initial stages of planning, including identifying a suitable facility locally in Metro Vancouver to install a large-scale REV™ processing line and auxiliary equipment. The Company aims to secure a facility and have it ready for commercial food production in early calendar 2021, with the objective of securing revenue from contract manufacturing arrangements with prospective CPG companies in fiscal 2021. Management is establishing the capital and budgetary requirements for this new business unit and the existing cash in the Company's treasury will be sufficient to complete the project, without the need for external capital. The initial investment is expected to be approximately $1.5 million.

Commercial Licensing and Partnership Development

License Agreement and Equipment Purchase Agreement with Orto Al Sole Di Gandini Claudio

On July 29, 2020, the Company signed an exclusive, royalty-bearing commercial license agreement and equipment purchase agreement for a 10kW REV™ machine with Orto Al Sole Di Gandini Claudio ("Orto Al Sole") in Italy to produce certain types of premium fruit and vegetable snack products using REV™ technology for the European market.

License Agreement and Equipment Purchase Agreement with Pick-One S.A. de C.V.

On June 25, 2020, the Company signed a non-exclusive, royalty-bearing commercial license agreement and equipment purchase agreement with Pick-One S.A. de C.V. ("Pick-One") to produce dried cheese and fruit snacks using REV™ technology for the retail grocery market in Mexico. Pick-One has begun royalty-bearing commercial operations using a 10kW REV™ machine at its Chihuahua manufacturing facility in Mexico.

Equipment Purchase Agreement with Calbee Inc.

On June 9, 2020, the Company signed an equipment purchase agreement with Calbee Inc. ("Calbee"), Japan's largest snack food company with global operations. The purchase agreement is for an additional two 10kW REV™ machines to be installed in Japan in preparation for the commercial launch of REV™-dried products. The addition of these two machines will significantly expand Calbee's royalty-bearing processing capacity to launch its new line of REV™-based snack products. Calbee has successfully developed several "better-for-you" snack products internally using REV™ technology and intends to intensify its commercialization, focusing on premium, healthy fruit and vegetable snack products.

Commissioning of The Green Organic Dutchman Holdings Ltd. 60kW

In June 2020, EnWave successfully installed a 60kW processing line for its licensed partner, The Green Organic Dutchman Holdings Ltd. ("TGOD") in Ancaster, Ontario. EnWave has completed training TGOD personnel on the commercial use of EnWave's machinery for the dehydration of cannabis and expects to begin accruing royalties starting in Q4 2020. This fully commissioned REV™ system producing high-quality flower products demonstrates the value proposition of using EnWave's technology for large-scale cannabis producers.

Shipment of 100kW to Fresh Business Peru

The Company has completed the fabrication of a 100kW REV™ processing line including an auxiliary materials conveyance system, for Fresh Business, its Peruvian royalty partner. The machine was crated and shipped to Peru in mid-July and will be installed in Peru for the royalty-bearing commercial manufacture of premium fruit and vegetable products intended for export to Western markets. The Company intends to commission this machine in the winter of 2020; however, the timing of the installation will depend on international travel restrictions related to the COVID-19 pandemic.

Overall Performance

For the first three quarters of fiscal 2020, the Company had consolidated revenues of $22,099, compared to $26,654 in the same period in fiscal 2019, a decrease of 17% or $4,555. The Company had a consolidated net loss of $4,442 in the three quarters of fiscal 2020, compared to a consolidated net loss of $1,561 for fiscal 2019, an increase of $2,881. During the first three quarters of 2020, the Company's revenues from machine sales were slightly below where revenues were in prior year due to lower volume of machine sales and installation delays as a result of COVID-19, and the decrease in revenues was enhanced by lower Moon Cheese® sales in the period. The lower Moon Cheese® sales is primarily attributable to the impacts of the COVID-19 pandemic on distribution and decreased sales to Costco. The Company reported negative adjusted EBITDA of $3,239 for the three quarters of 2020 compared to a positive adjusted EBITDA of $2,304 for the three quarters of 2019, a decrease of $5,543.

EnWave reported revenues of $8,333 for the nine months ended June 30, 2020 compared to $8,562 for the nine months ended June 30, 2019, a decrease of $229. EnWave reported a segment loss of $2,714 for the nine months ended June 30, 2020 compared to $4,082 for the nine months ended June 30, 2019, a decrease of $1,368. The Company had four large scale and two highly customized 10kW machines in production during Q3 2020 and sold seven 10kW machines during the first three quarters of 2020. Due to the COVID-19 related travel restrictions, the Company has been unable to travel to install five 10kW machines as of the date of this MD&A and therefore, has not yet recognized the related revenues of approximately $1.0 million. However, during Q3 2020, EnWave had its first successful remote installation of a 10kW machine with one of its partners and plans to replicate this remote commissioning program with other partners while there are restrictions on international travel.

NutraDried reported revenues of $13,766 for the nine months ended June 30, 2020, compared to $18,092 for the nine months ended June 30, 2019, a decrease of $4,326 or 24%. NutraDried reported a segment loss of $1,720 for the nine months ended June 30, 2020, compared to segment income of $2,556 for the nine months ended June 30, 2019, a decrease of $4,276, which can be attributed to fewer product rotations with Costco during the year and disrupted order volumes and patterns from many retailers in the U.S. that were required to close during the early stages of lockdown due to COVID-19, including all Starbucks locations.

Royalty Partner Pipeline

EnWave has several prospective royalty partners evaluating REV™ technology under Technology Evaluation and License Option Agreements ("TELOAs"). EnWave earns revenue under TELOAs from short-term REV™ machine rentals as well as fees for access to EnWave's R&D facilities 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 several 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; 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 or business case are compelling enough for the prospect to enter directly into commercial production.

EnWave has a dedicated sales and marketing team focussed on growing the number of commercial license agreements and securing new TELOAs. As of the date of this report, EnWave has **four TELOAs** with prospective licensees evaluating the use of REV™. During Q3 2020 and to the date of this report, the Company secured three new TELOAs with companies that are renting 10kW machines to support internal product development efforts using EnWave's technology.

Machine Fabrication and Installation Schedule

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
The Green Organic Dutchman	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Fresh Business	100kW	Fruits and vegetables	Peru
Aurora (1)	60kW	Cannabis	Australia
Cann Group	10kW	Cannabis	Australia
Helius Therapeutics	10kW	Cannabis	New Zealand
Ashgrove Dairy	10kW	Dairy	Australia
Pacifico Snacks	10kW	Fruits and vegetables	Colombia
Calbee	10kW	Fruits and vegetables	Japan
Calbee	10kW	Fruits and vegetables	Japan
Orto Al Sole	10kW	Fruits and vegetables	Italy

Note:

(1) The Company has received a preliminary non-refundable deposit from the Licensee for the machine but has not commenced fabrication of the machine. The deposit was paid to reserve the exclusivity of the Commercial License Agreement. EnWave will begin fabrication of the machine when the remainder of the down-payment is paid by the Royalty Partner. If the Royalty Partner fails to pay the deposit before the prescribed timeframe then the Commercial License Agreement can be converted to non-exclusive.

For the nine months ended June 30, 2020, EnWave had completed fabrication and shipped five 10kW machines for various international licensees, equating to approximately $1.0 million in unrecognized revenue. The installation process has been temporarily delayed due to travel restrictions in place due to COVID-19; however, the Company is exploring the option of remote installations with partners wishing to expedite product development and commercial efforts while international travel is restricted.

NutraDried Food Company

NutraDried completed the re-branding and re-launch of the new-and-improved Moon Cheese® brand in Q1 2020. This included the launch of new packaging that was designed using an external marketing agency specializing in consumer packaged goods, the release of three new flavours: bacon cheddar, black pepper white cheddar and garlic parmesan, the launch of a new single-serve 1oz package size, and a new Moon Cheese® website (www.mooncheese.com). The re-launch was focussed around making the Moon Cheese® brand more appealing to our target demographic of consumers, creating better awareness of the superior macro-nutritional attributes of the product relative to other substitutable products and having better shelf-appeal.

NutraDried has made several investments in the brand and internal sales infrastructure that are part of the current strategy to grow the number of points of distribution and increase velocities. The launch of the 1oz package size has been designed for distribution into the convenience store channel, food service channel and checkout lanes in the grocery channel. The Company has expanded its internal sales and marketing team to now comprise seven full-time professionals. During Q3 2020, NutraDried secured new convenience store distribution with Wawa. Additional convenience opportunities are currently being pursued.

Quarterly sales of Moon Cheese® decreased in the first three quarters of 2020 compared to the quarterly sales of the product in fiscal year 2019. The decrease in revenue is primarily attributable to a decrease in product rotations with Costco, a singular account. Moon Cheese® distribution to Costco is highly variable and is done on a regional rotation basis, with each of the eight regional divisions making independent purchase decisions. This was offset by new Canadian distribution to Costco's Eastern Canada division during the quarter, which was the first sales to Costco in Canada. Costco remains an important component to the sales strategy for the Company and the sales team is focussed on securing additional product rotations with Costco when possible.

NutraDried's strategy is to continue to grow its core distribution in the U.S. mainstream retail grocery channel by securing national retail accounts and smaller regional accounts, and by penetrating new channels with the new 1oz package size, including the convenience store channel and food service channels. Many new distribution opportunities were delayed or disrupted by the COVID-19 pandemic; however, in recent months the conditions have improved, and the Company expects to secure impactful new points of distribution in the coming months.

Moon Cheese Approved for National Costco Promotion

NutraDried has secured a one-month national promotion with Costco in the U.S. for the 10oz Cheddar product, where the product will be sold in all eight regions of Costco under a "buy one, get one" or "BOGO" discount. The Company expects to ship the majority of product for the promotion in August and September 2020, and smaller quantities may ship in early October as well. The BOGO promotion will run in all U.S. Costco stores for the month of October.

This national distribution opportunity with Costco was confirmed at a substantial discount and will be at much lower than typical gross margin. However, it will liquidate a substantial portion of NutraDried's inventory position, which was $7,659 as at June 30, 2020, and will improve NutraDried's balance sheet and the cash portion of the Company. In Q1 and Q2 of 2020, NutraDried's inventory increased due to fewer than planned rotations with Costco.

In addition to the financial benefits of securing the BOGO promotion, there will be several expected qualitative benefits. The promotion will run for an entire month nationally across the U.S. and will introduce many new consumers to the Company's product. We believe that this national visibility in Costco should advance the Company's brand and consumer awareness objectives.

Cheese Pricing Volatility

The commodity pricing of bulk cheese has fluctuated significantly since the start of the COVID-19 pandemic, which has impacted supply chains and consumer behavior. The U.S. government intervention aimed at supporting the dairy industry and lifting cheese prices has added to the volatility. Cheese pricing for 40-pound cheddar block on the Chicago Mercantile Exchange ("CME") went from US $1.00/lb in mid-April to US $2.81/lb in June, a fluctuation of 181%. In August, block cheese pricing has come down closer to historical average pricing in the US $1.50/lb to US $1.80/lb range. The volatility in cheese pricing impacts NutraDried's cost of goods and resulting gross margin as bulk cheese is its primary input cost.

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to June 30, 2020 reported in Canadian dollars, the Company's presentation currency:

	2018	2019				2020		
($ '000s)	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*
Revenues	7,355	7,806	8,773	10,075	16,188	8,609	7,492	5,998
Direct costs	(4,097)	(4,769)	(5,653)	(7,217)	(11,597	(5,413)	(5,629)	(4,441)
Gross profit	3,258	3,037	3,120	2,858	4,591	3,196	1,863	1,557
Expenses	(2,645)	(2,736)	(3,062)	(4,149)	(4,756)	(4,777)	(3,907)	(3,542)
Other income	-	-	-	-	-	-	-	690
Income tax (expense) recovery	(538)	(316)	(282)	(31)	(260)	155	194	129
Net (loss) income after income tax	75	(15)	(224)	(1,322)	(425)	(1,426)	(1,850)	(1,166)
Adjusted EBITDA(1)	1,300	1,163	1,002	139	864	(743)	(1,462)	(1,034)
Loss per share – Basic and diluted	0.00	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)
Total assets	22,162	23,781	28,114	40,316	43,250	40,139	39,704	38,190
Total liabilities	5,240	5,348	8,919	9,447	12,306	10,075	10,194	9,885

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

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, a major customer, as well as other major accounts. Revenues for Q3 2020 are lower than the previous two quarters due to lower Moon Cheese® sales to Costco and to several retailers in the U.S. that were required to close physical locations during the early stages of the pandemic lockdown. Revenues for Q4 2019 were substantially higher than other quarters due to the Company's participation in Costco's Q4 MVM Coupon program where Moon Cheese® was featured in all of Costco's U.S. stores for a four-week promotion. Gross margin in Q3 of 2019 was higher than for Q3 of 2020 due to lower raw cheese prices in the U.S. paired with higher overhead allocation due to lower production levels and less trade spending related to promotions and discounts.

The Company's expenses decreased in Q3 2020 and is attributable to the various cost containment measures undertaken to counter the current impact of COVID-19 on the Company's operations and preserve liquidity and reduce non-essential expenses across both business segments. The decrease is offset by severance costs paid in relation to the COVID-19 employee terminations in Q2-2020, and expanding the sales and marketing resources at NutraDried, as well as marketing costs associated with the re-launch of the Moon Cheese® brand in Q1 2020. The Adjusted EBITDA(1) was positive quarterly throughout 2019 and was negative for 2020 to date primarily due to lower NutraDried sales and related gross margin, as well as higher fixed costs related to sales and marketing 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 three and nine months ended June 30, 2020 and 2019, and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended June 30,**			**Nine months ended June 30,**		
	2020	2019	Change %	**2020**	2019	Change %
Revenues	**5,998**	10,075	(40%)	**22,099**	26,654	(17%)
Direct costs	**4,441**	7,217	(38%)	**15,483**	17,639	(12%)
Gross margin	**1,557**	2,858	(46%)	**6,616**	9,015	(27%)
Operating expenses						
General and administration	**1,197**	1,118	7%	**4,513**	3,165	43%
Sales and marketing	**1,449**	1,203	20%	**5,188**	3,263	59%
Research and development	**396**	665	(40%)	**1,412**	1,375	3%
	3,042	2,986	2%	**11,113**	7,803	42%
Net loss after taxes	**(1,166)**	(1,322)	(12%)	**(4,442)**	(1,561)	185%
Loss per share – basic and diluted	**$(0.01)**	$ (0.01)		**$(0.04)**	$ (0.02)	

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. NutraDried generates revenue from the sale of Moon Cheese® into retail and wholesale distribution channels, as well as co-manufacturing contracts.

	Three months ended June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Revenue	5,998	10,075	22,099	26,654

Revenue for the nine months ended June 30, 2020 was $22,099, a decrease of $4,555 compared to the nine months ended June 30, 2019. Revenue for the three months ended June 30, 2020 was $5,998, a decrease of $4,077 compared to the three months ended June 30, 2019. The decrease in revenues for the nine months ended June 30, 2020 is primarily due to lower Moon Cheese® sales, delays in commissioning machines due to COVID-19 travel restrictions, and lower purchase order volume for large-scale machinery in the first three quarters of 2020 relative to 2019. 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:

	2018	**2019**				**2020**		
($ '000s)	***Q4***	***Q1***	***Q2***	***Q3***	***Q4***	***Q1***	***Q2***	***Q3***
EnWave Canada	823	1,478	2,009	5,075	4,286	4,555	2,169	1,609
NutraDried	6,532	6,328	6,764	5,000	11,902	4,054	5,323	4,389
Total	7,355	7,806	8,773	10,075	16,188	8,609	7,492	5,998

EnWave had revenue of $8,333 for the nine months ended June 30, 2020, a decrease of $229 compared to the revenue of $8,562 for the nine months ended June 30, 2019. EnWave had revenue of $1,609 for the three months ended June 30, 2020 compared to $5,075 for the three months ended June 30, 2019 a decrease of $3,466. The decrease in revenue in the third quarter of 2020 compared to the third quarter of 2019 is due to a decrease in number of large-scale commercial equipment contracts for new REV™ equipment. The macroeconomic conditions caused by COVID-19 paired with the inability to travel internationally for sales and large-scale installations has delayed the purchase decisions by several key royalty partners, and the Company is working closely with these companies to attempt to secure new orders when conditions improve.

We continue to pursue revenue growth in EnWave through commercial machine sales and installations 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 earned royalties of $691 during the nine months ended June 30, 2020 compared to $511 for the nine months ended June 30, 2019, an increase of $180. 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. We also stipulate minimum annual royalty thresholds in our commercial license agreements that must be met by the licensee in order for the licensee to retain exclusivity.

Revenue from NutraDried was $13,766 for the nine months ended June 30, 2020 compared to $18,092 for the nine months ended June 30, 2019, a decrease of $4,326 or 24%. In the quarter ended June 30, 2020, NutraDried had revenue of $4,389 compared to $5,000 for the quarter ended June 30, 2019, a decrease of $611 or 12%. The decrease in revenue was due to decreased sales to Costco under regional product rotations and to several retailers in the U.S. that were required to close during the early months of the COVID-19 lockdown, including Starbucks.

There is customer concentration risk with one significant customer, Costco. Revenue from sales to Costco represented 23% for the nine months ended June 30, 2020.

Direct costs

Direct costs comprise the cost of materials, 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 June 30,		Nine months ended June 30,	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Direct costs	4,441	7,271	15,483	17,639
% of revenue	74%	72%	70%	66%

Direct costs for the nine months ended June 30, 2020 decreased by $2,156, or 12% compared to the nine months ended June 30, 2019. Direct costs for the three months ended June 30, 2020 decreased by $2,830, or 39% compared to the three months ended June 30, 2019. Direct costs for EnWave are driven by commercial machine selling and construction activity. As a percentage of revenue, direct costs for the three months ended June 30, 2020 increased by 2%, and for the nine months ended June 30, 2020 increased by 4% compared to the nine months ended June 30, 2019.

During the nine months ended June 30, 2020, EnWave yielded a ratio of direct costs to revenue of 75%, compared to 96% for the nine months ended June 30, 2019. The increase in gross margin is due to additional revenue recognized in the period related to additional payments received for large-scale machine orders that were cancelled by certain royalty partners. During Q3 2020, EnWave reduced manufacturing headcount by twelve full-time manufacturing employees and subleased additional warehouse space to reduce its fixed manufacturing overhead.

The ratio of direct costs to revenue was 68% for NutraDried for the nine months ended June 30, 2020, compared to 52% in the nine months ended June 30, 2019. The decrease to gross margin was driven by higher cheese pricing in 2020 compared to 2019 coupled with lower overhead absorption of fixed costs due to lower production volume. In April 2020 NutraDried curtailed monthly production to address larger than desirable inventory levels as well as distribution challenges during the COVID-19 pandemic. In June 2020, NutraDried's production volume increased in preparation for the Q4 2020 Costco promotion.

Direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices increased in the first two quarters of 2020, and in the third quarter the volatility in block cheese pricing increased significantly due to issues caused by COVID-19. We continuously monitor the impact of commodity price fluctuations and employ hedging tactics where appropriate to mitigate risk.

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 June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
General and administration	1,197	1,118	4,513	3,165
% of revenue	20%	11%	20%	12%

G&A expenses for the nine months ended June 30, 2020 were $4,513 compared to $3,165 for the nine months ended June 30, 2019, an increase of $1,348. G&A expenses for the three months ended June 30, 2020 were $1,197 compared to $1,118 for the three months ended June 30, 2019, an increase of $79. The increase in G&A expenses for NutraDried was driven by growth in the administrative functions and professional services. G&A expenses also increased at the EnWave level due to additional costs related to the recruitment of three strategic positions, including two new board members, and legal fees associated with commercial license negotiation.

G&A expenses for the three months ended June 30, 2020 were $1,197 compared to $1,558 for the three months ended March 31, 2020, a reduction of $361 or 23%. In Q3 2020, the Company implemented a cost containment strategy to reduce expenses that resulted in lower personnel costs, legal expenses and investor relations fees.

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 June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Sales and marketing	1,449	1,203	5,188	3,263
% of revenue	24%	12%	23%	12%

S&M expenses for the nine months ended June 30, 2020 were $5,188 compared to $3,263 for the nine months ended June 30, 2019, an increase of $1,925. S&M expenses for the three months ended June 30, 2020 were $1,449 compared to $1,203 for the three months ended June 30, 2019, an increase of $246.

S&M expenses for the three months ended June 30, 2020 were $1,449 compared to $1,796 for the three months ended March 31, 2020, a reduction of $347. In Q3 2020, the Company implemented a cost containment strategy to reduce expenses that resulted in lower personnel costs, travel expenses, and marking programming costs.

S&M expenses for EnWave were $1,151 for the nine months ended June 30, 2020 compared to $1,042 for the nine months ended June 30, 2019, an increase of $109. The increase in S&M expenses was primarily due to personnel related costs and the timing of when commission fees are paid on certain REV™ machine sales, offset by a decreased attendance at trade shows during the period. S&M resources for EnWave are designed to increase the Company's presence, and drive market penetration and revenue growth.

S&M expenses for NutraDried were $4,037 for the nine months ended June 30, 2020 compared to $2,221 for the nine months June 30, 2019, an increase of $1,816. The increase in S&M expenses was primarily due to the expansion of NutraDried's internal sales and marketing team as well as additional marketing campaigns tied to the relaunch of the Moon Cheese® brand. The increase in S&M expenses is part of the Company's strategy to invest in NutraDried's sales infrastructure and developing its brand.

Research and development

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

	Three months ended June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Research and development	396	665	1,412	1,375
% of revenue	7%	7%	6%	5%

R&D expenses for the nine months ended June 30, 2020 were $1,412 compared to $1,375 for the nine months ended June 30, 2019, an increase of $37. R&D expenses for the three months ended June 30, 2020 were $396 compared to $665 for the three months ended June 30, 2019, a decrease of $269.

R&D expenses for the three months ended June 30, 2020 were $396 compared to $481 for the three months ended March 31, 2020, a reduction of $85. In Q3 2020, the Company implemented a cost containment strategy to reduce expenses that resulted in advisory costs for patent searches and filings.

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 product development activity. The Company continues to make R&D investments into new intellectual property through patent filings and maintenance costs and maintains an R&D team of technology experts to support new product development with current and prospective partners using the EnWave technology.

Stock-based compensation

Stock-based compensation expense was $1,156 for the nine months ended June 30, 2020, compared to $1,310 for the nine months ended June 30, 2019, a decrease of $154. Stock-based compensation expense was $314 for the three months ended June 30, 2020, compared to $501 for the three months ended June 30, 2019, a decrease of $187.

	Three months ended June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Stock-based compensation	314	501	1,156	1,310

The changes to stock-based compensation expense were due to the timing of current year vesting of stock options and restricted share rights ("RSRs") granted during the current and prior years, and the current year expiry of stock options as a result of the COVID-19 related layoffs.

Amortization of intangible assets

Amortization of intangible assets for the three and nine months ended June 30, 2020 were $62 and $186, respectively, compared to $92 and $337 for the three and nine months ended June 30, 2019, respectively. The decrease in amortization expense is due to minimal additions while certain intangible assets become fully amortized during the prior period.

	Three months ended June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Amortization of intangible assets	62	92	186	337

Foreign exchange loss (gain)

Foreign exchange gain for the nine months ended June 30, 2020 was $142 compared to a gain of $12 for the nine months ended June 30, 2019. Foreign exchange loss for three months ended June 30, 2020 was $151 compared to a loss of $13 for the three months ended June 30, 2019.

	Three months ended June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Foreign exchange loss (gain)	151	13	(142)	(12)

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 USD. EnWave's revenue for contracts outside of Canada is typically denominated in 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.

Other income

Other income relates to government assistance the Company received due to the COVID-19 pandemic. EnWave received $336 in financial relief from the Canadian federal government under the CEWS program to subsidize payroll costs. These CEWS funds received are non-repayable to the government as long as the Company meets the eligibility criteria.

NutraDried received a forgivable loan for $989 (US $704) from the U.S. federal government under the Paycheck Protection Program ("PPP"), of which $354 has been recognized as other income based on the portion of the loan that has been used for eligible expenses during the forgiveness period. The Company expects the unrecognized portion of the PPP loan, which has been deferred as at June 30, 2020, to be recorded as other income in the fourth quarter of 2020 when the related eligible expenses are incurred. The Company plans to apply for loan forgiveness when the full amount of the PPP loan has been used for eligible expenses, or at the end of the forgiveness period, whichever occurs first.

	Three months ended June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	**2019**	**2020**	**2019**
Other income	690	-	690	-

Income taxes

Income tax recovery was $478 for the nine months ended June 30, 2020 compared to the expense of $629 for the nine months ended June 30, 2019. Income tax recovery was $129 for the three months ended June 30, 2020, compared to the expense of $31 for the three months ended June 30, 2019. The recovery in 2020 is due to NutraDried's ability to carry-back operating losses incurred in 2020 and apply them against taxable income from the prior year.

($ 000's)	Three months ended June 30, 2020	2019	Nine months ended June 30, 2020	2019
Current income tax (recovery) expense	(116)	36	(410)	575
Deferred income tax (recovery) expense	(13)	(5)	(68)	54
Total income tax (recovery) expense	(129)	31	(478)	629

There are a number of items that can significantly impact our effective income tax rate, including legislative rate changes, foreign currency exchange rate fluctuations, earnings subject to tax in jurisdictions where the tax rate is different than the Canadian statutory rate, fluctuations in net income, granting of equity based awards, and other permanent differences between the tax and accounting bases of our assets and liabilities. As a result, our recorded tax provision can be significantly different from the expected tax provision calculated based on the Canadian statutory rate.

Liquidity and Capital Resources

Working capital

The components of the Company's working capital on June 30, 2020 and September 30, 2019 are:

($ '000s)	**June 30, 2020**	September 30, 2019
Current Assets		
Cash and cash equivalents	**15,559**	18,665
Restricted cash	**250**	250
Trade receivables	**4,023**	10,329
Due from customers on contract	**357**	1,557
Inventory	**10,615**	5,986
Prepaids and other receivables	**618**	942
Income taxes receivable	**669**	98
	32,091	37,827
Current Liabilities		
Borrowings	**681**	-
Trade and other payables	**3,906**	8,791
Amounts due to related parties	**-**	44
Customer deposits and deferred revenue	**2,573**	2,768
Deferred government grant	**616**	
Current portion of lease liabilities	**415**	-
Current portion of other liability	**120**	108
	8,311	11,711
Working Capital	**23,780**	26,116

As at June 30, 2020, the Company had working capital of $23,780, compared to $26,116 as at September 30, 2019. As at June 30, 2020, the cash and cash equivalents balance was $15,559 compared to $18,665 as at September 30, 2019, a decrease of $3,106. The change in cash and cash equivalents is primarily due to the increase to the Company's inventory and reduced trade and other payables, offset by the collection of trade receivables and government grants. The Company had net cash outflows from operating activities of $3,524 for the nine months ended June 30, 2020.

EnWave had trade receivables of $1,318 as at June 30, 2020, compared to $1,356 as at September 30, 2019, and NutraDried had trade receivables of $2,705 as at June 30, 2020 compared to $8,973 as at September 30, 2019. The decrease in EnWave's trade receivables relates to the net collections of deposits and performance milestones completed on equipment purchase contracts. The large decrease of NutraDried's trade receivables relates to collections on account for amounts owing to the

Company as at September 30, 2019. As at June 30, 2020, the Company has recorded a provision for expected credit losses of $nil (2019 - $58).

Due from customers on contract to EnWave as at June 30, 2020 was $357 compared to $1,557 as at September 30, 2019. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

Inventory at June 30, 2020 includes completed machines and machine components of EnWave of $2,956, which is an increase of $758 compared to $2,198 at September 30, 2019. The inventory of EnWave primarily relates to 10kW machines used for rentals and those under fabrication. The increase in inventory is primarily due to the five 10kW machines that were ready to be installed but have been put on hold as a result of travel restrictions put in place to reduce the spread of COVID-19.

NutraDried's food product and packaging supplies inventory was $7,659, compared to $3,788 at September 30, 2019, an increase of $3,871. NutraDried's inventory increased due to lower sales to Costco in 2020 while maintaining production levels to optimize plant efficiencies. In April 2020, NutraDried curtailed production with the objective of reducing inventory levels. The Company has secured a national distribution promotion with Costco in Q4 2020 that is expected to bring the inventory level down to a more appropriate level.

NutraDried had current borrowings of $681 as at June 30, 2020 that relate to draws on the line of credit facility, compared to $nil as at September 30, 2019. NutraDried maintains a line of credit facility to assist with short-term, temporary working capital needs.

Trade and other payables as at June 30, 2020 include $1,403 of trade payables and accrued liabilities related to EnWave, compared to $2,312 as at September 30, 2019. Trade and other payables fluctuate depending on the timing of material purchases and payments related to equipment construction contracts, as well as personnel costs and related accruals. Trade and other payables of NutraDried were $2,503, compared to $6,479 as at September 30, 2019 with the decrease largely associated with the payment of trade and promotional expenses that were accrued at September 30, 2019.

NutraDried had a deferred government grant balance of $616 as at June 30, 2020 compared to $nil as at September 30, 2019, that relates to the unrecognized portion of the PPP forgivable loan that was received as a government subsidy during the COVID-19 pandemic crisis to subsidize eligible operating costs.

Financing and liquidity

Cash and cash equivalents were $15,559 at June 30, 2020 compared to $18,665 at September 30, 2019. As at June 30, 2020, we had net working capital of $23,780 compared to $26,116 at September 30, 2019. The change in cash consists of:

	Three months ended June 30,		**Nine months ended June 30,**	
($ 000's)	**2020**	2019	**2020**	2019
Cash from (used in) operating activities	**20**	(2,010)	**(3,524)**	423
Cash used in investing activities	**(61)**	(492)	**(456)**	(1,421)
Cash from financing activities	**48**	12,156	**829**	13,658

We believe that our current working capital surplus of $23,780 is sufficient to meet our financing needs, maintain right-sized operations during the COVID-19pandemic, and planned growth in the long term. We structure 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 has been fully drawn down to meet short-term liquidity needs. NutraDried maintains the line of credit facility to fulfill short-term working capital requirements.

The Company is working 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 REVTM machinery, royalty generation, from Moon Cheese® revenue, and toll manufacturing service fees in the future, there can be no assurance that sufficient revenue will be generated to meet our cash needs.

As a result of COVID-19, the Company has taken steps to manage liquidity and control costs starting in April 2020 and has implemented various measures to control and reduce costs. Refer to the discussion under *Recent Developments* for the various cost reduction and control measures implemented. The measures were designed to reduce non-essential business expenses during the height of the pandemic, while maintaining core operations, giving us the ability to rapidly scale-up once macroeconomic headwinds are abated.

The ability to achieve our targeted future operating results is based on a number of assumptions which involve significant judgments 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.

Capital expenditures

During the nine months ended June 30, 2020, we incurred capital expenditures of $695 (2019 - $1,665), related to plant and equipment. NutraDried accounted for $612 (2019 - $999) of the capital expenditures for the period with additions to production and packaging equipment. EnWave accounted for $83 (2019 - $666) for small office assets and manufacturing equipment.

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 maintain capacity in the near term and will require additional capital in the long term to expand production capacity in the future as the business grows.

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 June 30, 2020:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	3,906	-	-	3,906
Borrowings	681	9	195	885
Lease liabilities	415	683	231	1,329
Other liability	120	166	-	286
Total	**5,122**	**858**	**426**	**6,406**

Transactions with Related Parties

During the three and nine months ended June 30, 2020, 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 table below summarizes the transactions with related parties for the three and nine months ended June 30, 2020 and 2019:

($ '000s)	**Three months ended June 30,**		**Nine months ended June 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Directors' fees	**50**	40	**140**	96
Stock-based compensation	**78**	25	**263**	73
	128	65	**403**	169

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, for the three and nine months ended June 30, 2020 and 2019 comprises the following expenses:

($ '000s)	**Three months ended June 30,**		**Nine months ended June 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Salaries, bonuses, and short-term employee benefits	**238**	161	**1,229**	936
Stock-based compensation	**120**	40	**530**	433
	358	201	**1,759**	1,369

Critical Accounting Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, 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.

Other than the estimates used in the adoption of IFRS 16, *Leases*, and IAS 20, *Government Grants*, (refer to Note 3 in the condensed consolidated interim financial statements for the three and nine months ended June 30, 2020), and the impacts of COVID-19 (refer to *"Risk Factors"* section below), there have been no changes in the Company's critical accounting estimates during the nine months ended June 30, 2020. 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 as at and for the year ended September 30, 2019.

New accounting standards adopted during the period

Beginning on October 1, 2019, the Company adopted certain IFRS standards and amendments. As required by International Accounting Standards ("IAS") 34, *Interim Financial Reporting* (IAS 34) and IAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8), the nature of these changes are disclosed below.

IFRS 16 - Leases

Effective October 1, 2019, the Company adopted IFRS 16, which supersedes previous accounting standards for leases, including IAS 17, *Leases* (IAS 17) and International Financial Reporting Interpretations Committee ("IFRIC") 4, *Determining whether an arrangement contains a lease* (IFRIC 4).

IFRS 16 introduced a single accounting model for lessees. A lessee is required to recognize, on its statement of financial position, a right-of-use asset, representing its right to use the underlying leased asset, and a lease liability, representing its obligation to make lease payments. As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on the condensed consolidated interim statements of financial position, as well as a decrease to operating costs (for the removal of rent expense for leases), an increase to depreciation and amortization (due to depreciation of the right-of-use asset), and an increase to finance costs (due to accretion of the lease liability).

The Company has adopted IFRS 16 using the modified retrospective approach with the cumulative effect of initial application recognized as an adjustment to retained deficit within shareholders' equity on October 1, 2019. We have not restated comparatives for the year ended September 30, 2019. The definition of a lease under IFRS 16 was applied to all existing contracts and new contracts entered into or changed after October 1, 2019.

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rates as at October 1, 2019. Generally, right-of-use assets at transition have been measured at an amount equal to and adjusted for any prepaid or accrued rent relating to that lease. For certain leases where we have readily available information, we have elected to measure the right-of-use assets at their carrying amounts since the lease commencement date using the related incremental borrowing rate for the remaining lease periods as at October 1, 2019.

We have elected to apply the two recognition exemptions for operating leases at October 1, 2019 and subsequently:

- any lease term that is less than 12 months is considered short term and does not require IFRS 16 application; and
- any lease of low-value assets does not require IFRS 16 application.

When applying IFRS 16 to leases previously classified as operating leases the following practical expedients available were applied:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- excluded initial direct costs from measuring the right-of-use asset as at October 1, 2019; and
- did not to apply IFRS 16 on leases with a remaining term of less than 12 months at October 1, 2019.

The following table summarized the adjustments to opening balances resulting from the initial adoption of IFRS 16 on the opening consolidated balance sheet on October 1, 2019, with the effect of transition being recognized directly to retained deficit:

($ '000s)	**As previously reported under IAS 17 $**	**IFRS 16 transition adjustments $**	**As restated under IFRS 16 $**
Right-of-use assets	-	1,570	1,570
Lease liabilities	-	1,622	1,622
Retained deficit	58,563	52	58,615

As a result of adopting IFRS 16, the Company's lease recognition accounting policy is described below:

Leases

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

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

This policy is applied to contracts entered into, or changed, on or after October 1, 2019.

Lease accounting

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

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

The right-of-use asset is depreciated on a straight-line basis over the lease term. The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate. The Company uses the relevant incremental borrowing rate as the rate implicit in our leases cannot be readily determined.

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

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

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

IAS 20 – Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and that the Company will comply with all the conditions attached to them. A forgivable loan from government is treated as a government grant when there is reasonable assurance that the entity will meet the terms for forgiveness of the loan.

Government grants that are related to an expense item are recorded as deferred income and recognized in the statement of profit or loss as income on a systematic basis over the periods the related costs, for which it is intended to compensate, are expensed.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the statement of profit or loss in the period in which they become receivable.

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 condensed consolidated interim 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 and due from customers on contract. Prior to issuing credit, management reviews 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 maintains a provision for credit losses relating to specific losses estimated on individual exposures. As at June 30, 2020, the Company has recorded a $nil (2019 - $58) provision for expected credit losses.

The Company is exposed to credit risk in trade receivables by way of concentration of credit with a small number of customers. The Company determines its concentration of credit risk if the balance is more than 10% of total revenue or trade receivables. The Company expects these customers to remain as large customers in the future. Significant change in these customer relationships could materially impact the Company's future financial results. The Company seeks and ordinarily obtains progress advances in respect of its construction contracts. The maximum exposure to loss arising from trade receivables is equal to their total carrying amounts.

The Company transacts with a number of Canadian and US 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 June 30, 2020:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30 days	**31 – 90 days**	**91 – 365 days**	**365 + days**
Trade receivables	3,612	277	134	-
Due from customers on contract	357	-	-	-
Total	3,969	277	134	-

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company manages liquidity risk through ongoing management and forecasting of cash flows, budgeting, and equity financings. Cash flow forecasting is performed to monitor cash requirements and to manage capital management decisions. Such forecasting takes into account current and potential customers, contractual obligations and the Company's technology development and commercialization expectations. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with varying maturities selected with regards to the expected timing of expenditures from continuing operations.

The Company attempts to ensure that sufficient funds are available to meet its operating requirements after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At June 30, 2020, the Company had cash and cash equivalents of $15,559 to settle current liabilities of $8,311.

Financial assets maturity table:

($ '000s)	**0 – 30 days**	**31 – 90 days**	**91 – 365 days**	**365 + days**
Cash and cash equivalents and restricted cash	15,559	-	250	-
Trade receivables	3,871	18	134	-
Due from customers on contract	-	150	206	-
Income taxes receivable	669	-	-	-
Total	20,099	168	590	-

Financial liabilities maturity table:

($ '000s)	**0 – 30 days**	**31 – 90 days**	**91 – 365 days**	**365 + days**
Trade and other payables	3,548	25	333	-
Borrowings	681	-	-	204
Lease liabilities	34	70	311	914
Other liability	-	28	92	166
Total	4,263	123	736	1,284

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents, restricted cash, and borrowings. The Company earns interest on deposits based on current market interest rates, which during the nine months ended June 30, 2020 ranged from 1.75% to 2.10% (2019 - 1.85% to 2.30%). A 1% change in interest rates would affect the results of operations for the nine months ended June 30, 2020 by approximately $104 (2019 - $160).

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 contracts with customers 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 June 30, 2020, 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. At June 30, 2020, and September 30, 2019 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 nine months ended June 30, 2020 and 2019 as follows:

($ '000s)

Currency	**2020**	2019
US dollar	**76**	514

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 as supplemental indicators of its financial and operating performance. Non-IFRS financial measures include NutraDried Royalties and Adjusted EBITDA. Management believes that these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of business trends.

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 condensed consolidated interim 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 in the Company's condensed consolidated interim financial statements:

($ '000s)	*Sep 30, 2018*	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30 2019*	*Sep 30, 2019*	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30 2020*
NutraDried Royalty	327	357	366	270	837	208	288	236
Intercompany Revenue Adjustment (1)	(327)	(357)	(366)	(270)	(837)	(208)	(288)	(236)
Revenues(2)	7,355	7,806	8,773	10,075	16,188	8,609	7,492	5,998
Revenues	7,355	7,806	8,773	10,075	16,188	8,609	7,492	5,998

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, severance charges and government grants related to COVID-19 programs. We believe that Adjusted EBITDA is a useful measure as it provides an indication of the operational results of the business. 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.

On October 1, 2019, the Company adopted IFRS 16, *Leases* (refer to *New accounting standards adopted during the period*). The adoption of IFRS 16 has resulted in the replacement of rent expense previously recorded in direct costs and general and administration expenses with depreciation expense of the right-of-use assets and higher finance costs related to the interest expense of the corresponding lease liabilities, which impacts the calculation of Adjusted EBITDA. The Company has not restated its prior year results.

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

($ '000s)	*Sep 30, 2018*	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*
Net income (loss) after income tax	75	(15)	(224)	(1,322)	(425)	(1,426)	(1,850)	(1,166)
Amortization and depreciation	564	578	492	359	591	359	407	513
Stock-based compensation	143	357	452	501	511	468	374	314
Foreign exchange (gain) loss	(2)	(55)	30	13	3	45	(338)	151
Finance income, net	(18)	(18)	(30)	(55)	(76)	(34)	(26)	(27)
Income tax expense (recovery)	538	316	282	31	260	(155)	(194)	(129)
Non-recurring restructuring charges	-	-	-	612	-	-	165	-
Government grants	-	-	-	-	-	-	-	(690)
Adjusted EBITDA	1,300	1,163	1,002	139	864	(743)	(1,462)	(1,034)

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.

Risk Factors

In addition to the *Risk Factors* disclosed in the Company's 2019 Annual Information Form filed on www.sedar.com, the Company has identified new risk factors below that users should read and carefully consider in evaluating the Company and our business.

Risks Related to COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus, or COVID-19, a pandemic. Canada, the United States, the European Union and governments around the world have implemented heavy restrictions in response to COVID-19, which is significantly impacting worldwide economic activity. While it is unclear how the COVID-19 pandemic will ultimately affect the industries in which we operate and the global economy, the Company will have to update many of its operational procedures on a regular basis and could be forced to take extreme measures, including reducing operations, significant workforce reductions and/or altering its business model.

The COVID-19 pandemic is continuously evolving rapidly, resulting in government ordered closures of significant portions of the global economy, and could adversely affect our ability to conduct normal business operations, harming our business and future results of operations and financial condition.

To date, this outbreak has surfaced in nearly all regions around the world, and as the pandemic continues to spread, particularly in the countries of Canada and the U.S., our primary operating markets, businesses as well as Federal, Provincial, and State governments have implemented significant actions to attempt to mitigate this public health crisis. These actions include limiting non-essential gatherings of people, ceasing all non-essential travel, ordering certain businesses and government agencies to cease non-essential operations at physical locations, issuing shelter-in-place orders and social distancing protocols.

Our operations have been and may continue to be disrupted to varying degrees in many markets, from international travel and quarantine restrictions. While we cannot predict the duration or scope of the COVID-19 pandemic, it has negatively impacted our business and such impact has been and could continue to be material to our financial results, condition and outlook.

Given the ongoing and dynamic nature and significance of the events described above, we are not able to enumerate all potential risks to our business; however, we believe that in addition to the impacts described above, other current and potential impacts of these recent events include, but are not limited to:

- Disruption to our supply chain for both EnWave and NutraDried;
- Notices from licensees, customers, suppliers and other third parties arguing that their non-performance under our contracts with them is permitted as a result of force majeure or other reasons;
- Our licensed royalty partners experiencing business interruption, financial difficulty and/or hardship resulting in temporary or permanent business closures;
- A need to preserve liquidity, which could result in a reduction or suspension or a delay or change in operations;
- Volatility in demand or orders for our products, which may be caused by general macroeconomic conditions leading to a decrease in capital expenditure spending by potential customers;
- Delays in commercial production by royalty partners due to international travel restrictions preventing the successful commissioning of REV™ machines, which impacts our ability to earn royalties;
- Cybersecurity issues, as digital technologies may become more vulnerable and experience a higher rate of cyberattacks in the current environment of remote connectivity;
- Litigation risk and possible loss contingencies related to COVID-19 and its impact, including with respect to commercial contracts, employee matters and insurance arrangements;
- A continued reduction of our workforce to adjust to market conditions, including severance payments, retention issues, and an inability to hire employees when market conditions improve;
- Infections and quarantining of our employees and the personnel of our suppliers, partners and other third parties in areas in which we operate;
- Changes in regulations for the production of food products that may result in additional costs making the production of our products significantly more costly; and,
- Actions undertaken by national, regional and local governments and health officials to contain the virus or treat its effects.

It is difficult to predict the impact of the COVID-19 pandemic on our businesses for the remainder of 2020 and afterwards. Our efforts to mitigate the adverse impacts of COVID-19 may not be effective, and in any case are likely to only be a partial mitigant. The full extent of impacts resulting from the COVID-19 pandemic and other events beyond our control will depend on future developments, which are highly uncertain and unpredictable.The further spread of COVID-19, and the federal, provincial, state and local requirements to take action to mitigate the spread of the pandemic, could impact our ability to carry out our business as usual and if unable to recover from any business disruption in a timely basis, our businesses, results of operations, cash flows and financial condition may be materially adversely impacted.

We are participating in, or have applied to participate in, certain relief programs and financial assistance from Canada and the U.S. There is no guarantee that we will continue to meet the eligibility requirements to participate in any current or future government relief programs or that the benefits will meaningfully offset the lost revenues and incremental costs incurred. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the efficacy, scope and duration of actions to contain COVID-19 or treat its impact, among others. While such actions have been relaxed or rolled back in certain countries, the actions have been reinstated as certain regions have suffered relapse, and may be reinstated in additional regions as the pandemic continues to evolve. The scope and timing of any such reinstatements are difficult to predict and may materially affect our future operations.

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 a 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.

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 2019 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 and/or Costco as 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; and unexpected tax liabilities.

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, there are no 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:

	June 30, 2020		August 27, 2020	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	111,409,755	N/A	111,409,755	N/A
Options				
Outstanding	7,187,333	1.45	7,004,000	1.46
Exercisable	4,541,500	1.37	4,416,500	1.37
RSRs				
Outstanding	790,000	1.16	790,000	1.16
Warrants				
Investor warrants	7,774,202	1.40	7,774,202	1.40

As of the date of this MD&A, the Company has 111,409,755 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
Hugh McKinnon
Stephen Sanford
Patrick Turpin

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:

Corporate, Strategic and Investor Inquiries	Administration and Finance
Brent Charleton, CFA President and Chief Executive Officer Telephone (+1) 778 378 9616 bcharleton@enwave.net	Dan Henriques, CPA, CA Chief Financial Officer Telephone (+1) 604 835 5212 dhenriques@enwave.net

******