ENWAVE CORPORATION

Management Discussion and Analysis

Year ended September 30, 2021

(expressed in thousands of Canadian dollars)

Dated December 15, 2021

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

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Date of this report: December 15, 2021

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 year ended September 30, 2021 relative to the year ended September 30, 2020, and the financial position of the Company at September 30, 2021 relative to September 30, 2020. It should be read in conjunction with EnWave's annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2021 and 2020, as well as the 2020 annual MD&A, and 2021 Annual Information Form ("AIF") (available at www.enwave.net or on www.sedar.com). The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

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

Management's Responsibility for Financial Information

The Company's management is responsible for presentation and preparation of the annual consolidated financial statements and the MD&A. The annual consolidated 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 annual consolidated 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 judgements and estimates.

Company Overview

Radiant Energy Vacuum ("REV™") Technology

EnWave Corporation is an applied dehydration technology company that licenses its intellectual property and manufactures commercial-scale proprietary dehydration equipment for applications in the food, cannabis and pharmaceutical sectors. EnWave has entered into **48 royalty-bearing commercial licenses** with and sold REV™ equipment to a diverse portfolio of companies operating in over 20 different countries on five continents. The Company is also building a toll processing operation at its headquarters in Delta, B.C. that will house a 60kW continuous vacuum microwave line to accelerate the commercialisation of consumer-packaged goods ("CPG") made with EnWave's patented technology. This tolling operation is branded REVworx™.

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

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

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

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

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

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

NutraDried Food Company, LLC

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

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

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

The quarterly royalties payable by NutraDried to EnWave were as follows:

($ '000s)	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*	*Dec 31, 2020*	*Mar 31, 2021*	*Jun 30, 2021*	*Sep 30, 2021*
NutraDried Royalty(1)	208	288	236	670	340	166	218	181

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

Commercial License Agreements

EnWave has entered into TELOA royalty-bearing Commercial License Agreements ("CLAs") with major food processing, cannabis and pharmaceutical companies. The table below outlines EnWave's current royalty-bearing license agreements, the market verticals and the capacity of REV™ equipment installed. To-date, EnWave's dehydration technology is being used to produce commercial applications in multiple market verticals, including fruits and vegetables, cheese products, yogurt products, ready-to-eat meals, seafood snacks, nutraceuticals, hemp and cannabis products, among others. We are actively engaged in multiple R&D projects to expand this commercial product portfolio and to expand the use of REV™ into additional market verticals.

Royalty Partner	Licensed Territory	Licensed Product Category	REV™ Machine Capacity
Milne MicroDried	State of Idaho and the United States	Fruits and Vegetables, Blueberries and Strawberries exclusive in the United States	114kW MIVAP[(1)] 120kW *quanta*REV® 120kW *quanta*REV®
Gay Lea Foods	Canada	Cheese Snacks	100kW *nutra*REV® 10kW REV™
NutraDried [(2)]	United States	Cheese Snacks	100kW *nutra*REV® 100kW *nutra*REV® 10kW REV™ 2kW *nutra*REV®
Bonduelle Group	North America	Dehydro-frozen Vegetables	120kW *quanta*REV®
Cal-San Enterprises	British Columbia	Blueberries, Cranberries	75kW *nutra*REV®
Pitalia	Central America	Fruits and Vegetables, Cheese Snacks	100kW *quanta*REV® 10kW REV™ 10kW REV™
Ereğli Agrosan	Turkey	Fruits and Vegetables, Cheese	100kW *nutra*REV® 10kW REV™ 10kW REV™ 2kW *nutra*REV®
Van Dyk Specialty Products	Worldwide	Wild Blueberries	60kW *nutra*REV®
Merom Farms	British Columbia	Wasabi Products	20kW *nutra*REV®
Nanuva Ingredients	Chile	Fruits & Vegetables	10kW REV™ 10kW REV™ 10kW REV™ 10kW REV™ 10kW REV™
Umland Pure Dry	United States	High Kosher Cheese Snacks	10kW REV™
Perdue Farms	United States	Pet Food and Pet Treats	10kW REV™
Lake Blue (Intakt Snacks)	Chile	Cheese Snacks	10kW REV™ 10kW REV™
Dominant Slice	Portugal and Spain	Cheese Snacks and Fruit Snacks	10kW REV™
Kesito (Air Cheese)	Greece	Cheese Snacks	10kW REV™
Ashgrove Cheese	Australia	Cheese Snacks	10kW REV™ 10kW REV™
Howe Foods	Australia	Banana Products	10kW REV™
GentleDry Technologies	State of Oregon	Cannabis Products	10kW REV™
Bare Foods (PepsiCo)	Thailand, Canada and United States	Fruits Snacks	10kW REV™ 10kW REV™ 10kW REV™
Arla Foods	Denmark, Sweden, Finland and Norway	Dairy Products	10kW REV™
Nomad Nutrition	Canada	Specific Ready-to-Eat Meals	10kW REV™
Merck, Sharp & Dohme	Worldwide	Pharmaceuticals	*freeze*REV®
The Green Organic Dutchman	Canada	Cannabis Products	60kW REV™

FrieslandCampina	Netherlands, Belgium, and Germany	Dairy Products	10kW REV™
Fresh Business (NXTDRIED)	Peru	Fruit and Vegetables	10kW REV™ 100kW REV™
Calbee	Japan	Premium Snack Products	10kW REV™ 10kW REV™ 10kW REV™
Electric Farms	United States	Hemp Products	10kW REV™
Kameya Foods	Japan	Seafood, Wasabi and Fruit	10kW REV™
Patatas Fritas Torres	Spain	Cheese Snacks	10kW REV™ 100kW REV™
Cann Group	Australia	Cannabis Products	10kW REV™ (3)
Metamount Schweiz AG	Switzerland	Hemp Products	10kW REV™
Responsible Foods	Iceland	Dairy, Seafood, Meat, Eggs, Herbs, Berries and Hemp products	10kW REV™ 10kW REV™
Ballantyne Pty Ltd.	Australia, excluding the State of Tasmania	Dairy Products	10kW REV™
Pacifico Snacks	Colombia	Fruit Snack Products	10kW REV™
Pick-One	Mexico	Cheese Snack Products, Fruit and Vegetable Products	10kW REV™
Orto Al Sole	Italy	Fruits and Vegetables	10kW REV™
Dairy Concepts	Ireland and United Kingdom	Cheese Snack Products	10kW REV™ 10kW REV™ (3)
NuWave Foods	Canada and United States	Donut Products	10kW REV™
Nippon Trends Food	Canada	Ramen Noodles	10kW REV™
Illinois Based Cannabis Company	State of Illinois and Arizona, USA	Cannabis Products	10kW REV™ 120kW REV™
Avolov LLC d.b.a. BranchOut Food	North, South and Central America	Fruits and Vegetables	60kW REV™ (3)
Europe Snacks	France	Dairy Products	10kW REV™
Columbian Dairy Company	Colombia	Dairy Products	10kW REV™
Cannaponics Pty Ltd	Australia	Cannabis Products	10kW GMP REV™ (3)
Medical Kiwi	New Zealand	Cannabis Products	10kW GMP REV™ (3)
Dole	Undisclosed	Fruits and Vegetable Products	10kW REV™
US Cannabis Company	Undisclosed	Cannabis Products	120kW REV™ (3)
Australian Cannabis Company	Australia	Cannabis Products	10kW GMP REV™ (3)

Notes:

(1) The Company holds an exclusive worldwide royalty-bearing license granted by INAP GmbH over its MIVAP technology, an alternative microwave vacuum dehydration technology. Royalties generated from the Company's *quanta*REV® machine platform make use of the MIVAP technology, and will be subject to the royalty sharing arrangement. This license provides EnWave with a competitive advantage in the market by reducing the possibility of competition from other companies pursuing similar technologies and strengthening our intellectual property position.

(2) NutraDried Food Company, LLC, is a consolidated wholly-owned subsidiary of the Company.

(3) The machine is currently under fabrication or is not yet installed for commercial use by the royalty partner.

Recent Developments

Cannabis Processing Breakthrough – Terpene Max™ Process Yields Superior Terpene and Cannabinoid Retention

The Company recently developed Terpene Max™, a proprietary drying protocol for cannabis that dries cannabis material at temperatures lower than 40 degrees Celsius in under two hours. Certificates of analysis from third-party labs show that several cannabis strains dried using Terpene Max™ retained on average 88% of the terpenes when compared to the fresh flower, which is a material improvement when compared to room/rack dried cannabis flower. Quantitatively, Terpene Max™ yielded 10-20% more terpenes than the room/rack dried flower. The Company has been able to demonstrate that REV™ has the ability to produce a superior quality flower to room/rack dried flower and will continue to vigorously pursue new machinery sales and licensing using REV™ for the rapid, gentle drying of cannabis in legal jurisdictions.

The Terpene Max™ drying protocol is currently being used commercially at scale on a 60kW REV™ machine in Canada and on a 120kW REV™ machine in the U.S. The Company also plans to implement it on the second forthcoming 120kW REV™ machine installation in the U.S. early in 2022.

Appointment of NutraDried Chief Executive Officer and Restructuring

In June 2021, the Company appointed Mr. Brad Lahrman as Chief Executive Officer of NutraDried. Mr. Lahrman brings fifteen years of leadership experience in mid-market consumer product companies. Most recently Mr. Lahrman held the position of General Manager of Schouten's USA, a major plant-based protein company. With his extensive experience in consumer products, his intention is to drive the development of a refined multi-channel sales strategy, including the development of new products for in-house brands, bulk sales, private-label and co-manufacturing.

In February 2021, the Company completed a restructuring at NutraDried designed to improve margins, reduce expenses across operations, refocus on the core competencies of the business with the objective to return the business to consistent profitability. The restructuring resulted in a reduction of executive, administrative and production staffing by 24 positions, and the elimination of non-essential third-party consultants and contractors. In connection with the restructuring the Company incurred a one-time severance charge of $691.

Following the restructuring, in the second half of fiscal 2021 NutraDried achieved SG&A (inclusive of R&D) cost reductions of $1,434 or $2,869 on an annualized basis. Management believes we have the appropriate resources to expand distribution for our products in existing channels, and to innovate and bring new products to market that will allow us to expand sales and distribution.

NutraDried has refocused its marketing strategy to prioritize consumer-focused spending over agencies and advisory fees, and to target spending on areas that will maximize returns. In addition, NutraDried has begun to proactively seek private-label and contract manufacturing opportunities to leverage the installed REV™ capacity to grow and diversity their sales pipeline.

Claim Against Former CEO and Others

The Company has filed a lawsuit in the Supreme Court of British Columbia against several defendants, including the Company's former CEO, Mr. Timothy Durance, three former EnWave employees, Gary Sandberg, Bino Anand and Reihaneh Noorbakhsh, and three companies associated with Mr. Durance, including Dehydration Research, LLC and Durance Technologies Inc. Mr. Durance was EnWave's CEO from 1999 until his departure from EnWave in August 2018.

EnWave, in its Notice of Civil Claim, alleges that Mr. Durance and other defendants associated with Mr. Durance have used and disclosed EnWave's confidential information in breach of obligations owed to EnWave. The Notice of Civil Claim seeks damages, an accounting of profits and injunctive relief.

On July 30, 2021, EnWave filed an injunction application seeking orders restraining Mr. Durance and his companies from selling or supplying vacuum microwave dryers pending trial. On August 20, 2021, the court granted an order prohibiting Mr. Durance and his companies, and anyone acting in conjunction with them, from selling, attempting to sell, supplying, delivering or installing vacuum microwave dryers pending the hearing of EnWave's injunction application, which is currently scheduled to be heard on January 17-18, 2022.

Changes to Board of Directors

On November 20, 2020, the Company announced the appointment of Pablo Cussatti, a seasoned food executive with manufacturing and operations experience to the Board along with the resignation of Hugh McKinnon from the Company's Board of Directors.

Normal Course Issuer Bid

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

The Company believes that, from time to time, the market price of its common shares may be attractive, and their purchase would represent a prudent allocation of capital. During the year-ended September 30, 2021, the Company purchased and canceled 1,779,700 of its common shares under the NCIB.

Overall Performance

For the year ended September 30, 2021, the Company had consolidated revenues of $26,476, compared to $32,883 in fiscal 2020, a decrease of 19% or $6,407. The Company had a consolidated net loss of $4,125 in fiscal 2021, compared to a consolidated net loss of $4,441 for fiscal 2020, a decrease of $316.

The Company reported Adjusted EBITDA(*) loss of $2,165 for fiscal 2021 compared to $3,219 for fiscal 2020, a decrease of $1,054. EnWave segment had positive Adjusted EBITDA(*) for fiscal 2021 while NutraDried has a negative Adjusted EBITDA(*) for fiscal 2021.

EnWave reported revenues of $12,463 for the fiscal year 2021 compared to $9,934 for the fiscal year 2020, an increase of $2,529 or 25%. During fiscal year 2021, EnWave generated higher machine revenue compared to the prior year due to the sale of four large-scale machines paired with an increase to small-scale machine sales. EnWave reported segment income of $1,203 for the fiscal year 2021 compared to a segment loss of $2,341 for the fiscal year 2020, an improvement of $3,544. This is the first time EnWave segment has reported a positive net income for the full fiscal year; a major milestone in the commercialization of REV™ technology.

NutraDried reported revenues of $14,013 for the year ended September 30, 2021, compared to $22,949 for the year ended September 30, 2020, a decrease of $8,936 or 39%. NutraDried sales were downwardly impacted in fiscal 2021 due to significantly lower sales to Costco. The decrease in sales to Costco was slightly offset by growth in sales to the online channel and bulk product sales. NutraDried reported segment loss of $5,711 for the year ended September 30, 2021, compared to a loss of $2,169 for the year ended September 30, 2020, an increase of $3,542.

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

Commercial Licensing and Partnership Development

Equipment Purchase Agreement with GEA Group

On November 13, 2020, the Company signed an equipment purchase agreement with GEA Group to deliver a customized pilot REV™ machine, which has been installed in GEA Group's pilot facility in Germany. The pilot machine will be used for trials with prospective pharma-industry purchasers of large-scale microwave-assisted lyophilization equipment, and for internal evaluation and technology advancement activities.

Equipment Purchase Agreement with Patatas Fritas Torres

On November 30, 2020, the Company signed an equipment purchase agreement with Patatas Fritas Torres ("Torres"), an existing royalty partner of EnWave in Spain, to deliver a 100kW REV™ machine to scale up production of shelf-stable cheese snacks. The Company delivered the 100kW unit at the end of fiscal 2021 and expects it will be fully commissioned in Q1 2022 for Torres to scale-up production of its "Just This" brand (justthis-snacks.com/en/).

Equipment Purchase Agreement and License Agreement with Nippon Trends

On December 1, 2020, the Company signed a royalty-bearing commercial license agreement with Nippon Trends Food Service, Inc. ("Nippon Trends"), a U.S. ramen noodle company with operations in Canada and the United States. Nippon Trends purchased a 10kW REV™ machine to initiate commercial production of dehydrated ramen noodles in Canada.

Equipment Purchase Agreement with Responsible Foods

On January 5, 2021, the Company signed an equipment purchase agreement with Responsible Foods ("Naera Snacks") an existing royalty partner of EnWave in Iceland, to deliver a second 10kW REV™ machine to double Naera Snacks' manufacturing capacity to produce premium dried snacks using healthy Icelandic ingredients.

Equipment Purchase Agreement with Natural Nutrition d.b.a. Nanuva Ingredients

On February 9, 2021, the Company signed an equipment purchase agreement with Natural Nutrition SpA, d.b.a. Nanuva Ingredients ("Nanuva"), an existing royalty partner of EnWave in Chile. Nanuva purchased two additional 10kW REV™ machines to increase its royalty-bearing manufacturing capacity of premium dried fruit and vegetable snacks.

Equipment Purchase Agreement with U.S. Army

On February 10, 2021, the Company confirmed a purchase order from the U.S. Army's Combat Capabilities Development Center for a second 10kW REV™ machine. The machine will be used by the U.S. Army's approved third-party supplier, Bridgford Foods Corporation (NASDAQ: BRID), to produce Close Combat Assault Rations for field testing. This purchase order marks an important milestone in the U.S. Army's plans to advance the use of REV™ technology for select field rations, and the Company aims to secure additional purchase orders from the U.S. Army's approved supplier network to establish the commercial production of military rations for the U.S. Army.

Equipment Purchase Agreement and License Agreement with Illinois Cannabis Company

On March 9, 2021, the Company signed a royalty-bearing commercial license agreement with a leading Illinois-based U.S. cannabis company granting them the rights to use EnWave's patented REV™ technology for production of cannabis products in Illinois. In addition, an equipment purchasing agreement was signed for a 10kW REV™ unit and a large-scale 120kW REV™ machine for commercial processing of cannabis products. The Company has successfully installed the 120kW machine and commercial has begun.

Equipment Purchase Agreements with Dairy Concepts IRL

On March 19, 2021, the Company signed an equipment purchase agreement with Dairy Concepts IRL ("DCI") to acquire a 10kW REV™ machine for installation in Ireland. DCI has launched an exciting lineup of cheese snack products made using REV™ technology into the U.K. market.

On December 2, 2021, the Company signed another equipment purchase agreement with DCI for a second 10kW REV™ machine to double its royalty-bearing manufacturing capacity in Ireland.

Equipment Purchase Agreement with NuWave Foods

On April 20, 2021, the Company signed an equipment purchase agreement with NuWave Foods, Inc. ("NuWave Foods") to acquire a 10kW REV™ machine to commercialize a lineup of bakery products with elongated shelf lives.

Equipment Purchase Agreement with AvoLov, LLC

On May 11, 2021, the Company signed an equipment purchase agreement with AvoLov, LLC d.b.a. BranchOut Food ("BranchOut"), a company located in Oregon, to acquire a 60kW REV™ machine. This large-scale machine will provide BranchOut with REV™ processing capacity to meet an increasing demand for its portfolio of innovative "better-for-you" avocado and fruit snack products. BranchOut signed a royalty-bearing commercial license agreement granting certain manufacturing exclusivity for its line of avocado products within North America, South America and Central America which stipulates certain performance measures that are required to maintain this exclusivity.

License Agreement and Equipment Purchase Agreement with Europe Snacks

On June 30, 2021, the Company signed an exclusive royalty-bearing commercial license agreement and equipment purchase agreement for a 10kW REV™ machine with Europe Snacks Group ("Europe Snacks"), a European leader in savory snack production. The license grants Europe Snacks the rights to produce crunchy, shelf-stable cheese as well as several vegetable snacks in France. These products will complement its existing snack offerings, and if successful in the market, Europe Snacks will scale its REV™ manufacturing capabilities based on prospective increased demand from existing customers.

License Agreement and Equipment Purchase Agreement with Cannaponics

On July 5, 2021, the Company signed a royalty-bearing commercial license agreement and equipment purchase agreement for a 10kW GMP REV™ machine with an Australian cannabis company, Cannaponics PTY Limited ("Cannaponics"). The license grants Cannaponics the right to use REV™ technology to process dried cannabis flower in Australia.

Technology Evaluation with AstraZeneca

On July 9, 2021, the Company signed a material transfer agreement with AstraZeneca AB (NASDAQ:AZN) to facilitate the trialing of REV™ technology for the dehydration and shelf-stabilization of liquid monoclonal antibody formulations. Under the agreement, AstraZeneca sent proprietary materials to EnWave's testing facility to conduct initial proof-of-concept trials. If successful, the two companies intend to negotiate a more robust agreement to allow for further research and development activities.

Installation of US Army 10kW Machine at Bridgford Foods

On July 14, 2021, the Company completed the installation and start-up of a 10kW REV™ machine for the U.S. Army at its third-party manufacturing partner's facility, Bridgford Foods Corporation (NASDAQ: BRID). The machine will be used by Bridgford Foods to produce Close Combat Assault Rations for field testing. The U.S. Army plans to advance the use of REV™ technology for select field rations, and the Company aims to secure additional purchase orders from the U.S. Army's approved supplier network to establish the commercial production of military rations for the U.S. Army. Concurrent with the work completed for the U.S. Army, Bridgford plans to develop several commercial REV™ food applications and potentially could enter a commercial royalty-bearing license at any point during the Technology Evaluation and License Option Agreement term.

License Agreement and Equipment Purchase Agreement with Medical Kiwi

On July 14, 2021, the Company signed a royalty-bearing commercial license agreement and equipment purchase agreement for a 10kW GMP REV™ machine with Medical Kiwi Limited ("Medical Kiwi"), a New Zealand cannabis company. The license grants Medical Kiwi the right to use REV™ technology to process cannabis products in New Zealand.

License Agreement and Equipment Purchase Agreement with Colombian Dairy Company

On July 19, 2021, the Company signed an exclusive, royalty-bearing commercial license agreement and equipment purchase agreement for a 10kW REV™ machine with a leading Colombian Dairy Company for the production of all natural, shelf-stable cheese snacks in Colombia. These new products will complement the broad existing portfolio of established dairy brands that are sold throughout South America.

Global Strategic Partnership with Dole

On August 26, 2021, the Company announced a global strategic partnership with Dole Worldwide Food & Beverages Group ("Dole") to develop Innovative Nutrition Solutions using fruits and vegetables. Dole purchased a 10kW REV™ machine to accelerate internal product development and to allow for focused market trials in select regions. The strategic partnership with Dole will leverage the company's industry-leading brand alongside EnWave's patented dehydration technology to bring better-for-you snacking options to its global customer base. Under the strategic partnership, EnWave aims to supply Dole with additional REV™ machinery as it scales up production of its new product innovations.

License Agreement and Equipment Purchase Agreement with Australian Cannabis Company

On September 9, 2021, the Company signed a royalty-bearing commercial license agreement and equipment purchase agreement for a 10kW GMP REV™ machine with an Australian based cannabis company (the "Australian Cannabis Company"). The license grants the Australian Cannabis Company the right to use REV™ technology for the production of cannabis products in Australia.

License Agreement and Equipment Purchase Agreement with Large U.S. Cannabis Multi-State Operator

On September 23, 2021, the Company signed a royalty-bearing commercial license agreement with the second largest U.S. cannabis multi-state operator (the "MSO"). The MSO is one of the largest North American cannabis producers and the license grants the MSO rights to use REV™ technology for rapid and gentle processing of premium cannabis. The MSO purchased a large-scale 120kW REV™ machine that will be commissioned for commercial production in early calendar year 2022.

Termination of Cannabis Licenses

In November 2020, the Company and Tilray Canada Ltd. ("Tilray") mutually agreed to terminate the commercial license agreement between the companies. In September 2021, the Company and Aurora Cannabis Inc. ("Aurora") mutually agreed to terminate the license agreements between the companies. The Company believes that the decisions by these Canadian cannabis cultivators not to proceed using REV™ processing for cannabis was due to internal operational circumstances.

Royalty Partner and REV™ Machine Sales Pipeline

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

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

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

Machine Fabrication and Installation Pipeline:

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

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

Notes:

(1) The Company has paused commissioning on the machine at the request of the royalty partner and will commission the machine once the royalty partner confirms their facility is ready.

REVworx™ Toll Processing Facility

EnWave is building its REVworx™ toll processing facility that will be equipped with a 60kW large-scale REV™ food processing system, as well as complementary upstream and downstream processing equipment. REVworx™ will provide toll processing services to customers in the food industry that have a desire to launch REV™ dried products without deploying significant upfront capital expenditures. If these products are successful in the market, EnWave will target the conversion of REVworx™ clients into additional royalty partners that purchase their own REV™ manufacturing capacity. The facility will also serve as a demonstration facility for large-scale testing and de-risking of product concepts made possible with REV™ drying, with a focus on better-for-you snacking products and companies. The total capital required to complete the facility is budgeted to be approximately $2.2 million and Company expects the facility to begin commercial production in early calendar year 2022. As at September 30, 2021, the Company had incurred capital costs of $1.8 million.

NutraDried Food Company

NutraDried's overall financial performance was challenged for fiscal 2021 by reduced sales volumes to Costco, overspending by former executives, as well as the effect of COVID-19 on the grocery/retailer landscape for the first half of the year. EnWave completed a restructuring of NutraDried in February 2021 designed to reduce costs across all areas of the business to better align spending with the size of business. The restructuring resulted in a reduction of executive, administrative and production staffing by 24 positions, and the elimination of non-essential third-party consultants and contractors. NutraDried realized the benefit of the restructuring in the last two quarters of 2021, and now has the necessary resources to improve the distribution of Moon Cheese®, as well as introduce new innovations to the market. NutraDried intends to introduce several new formats and flavours of Moon Cheese® product portfolio in fiscal year 2022 that are improved versions of its existing product line.

NutraDried refocused its marketing strategy to prioritize consumer-focused spending over agencies and advisory fees, and to target spending on areas that will maximize returns. In addition, NutraDried has begun to proactively seek contract manufacturing opportunities to leverage the installed REV™ capacity. NutraDried shipped over 180,000 pounds of bulk sales in 2021 to several new customers, and the margins from bulk sales are strong. Crunchy cheese in bulk format is now being sold for ingredient sales to third-party brands for use in trail mixes, salad toppings and other food products. The management team continues to aggressively pursue several additional private-label and contract manufacturing opportunities to diversify and grow NutraDried's sales pipeline.

NutraDried aims to continue to grow its national distribution presence in the U.S. and is targeting numerous new retailers and new product lines as part of its strategy. The Company's objective is to continue to grow its core distribution in the U.S. mainstream retail grocery channel by securing new national retail accounts and smaller regional accounts. In Q3 2021, NutraDried confirmed new distribution for Moon Cheese® into approximately 400 Walmart locations in the U.S. and began shipments in late Q4 2021. In the first half of 2021, the Company experienced setbacks in expanding distribution as a result of the COVID-19 pandemic, but in recent months, the Company has seen more positive engagement from retailers and is in the process of securing new material points of distribution in current and new retail partners.

Appointment of New National Broker

In July 2021, NutraDried appointed a new grocery channel broker in the U.S., Alliance Sales and Marketing, to provide representation nationally for the grocery channel. Management expects that Alliance will serve as a strong partner and will work to further expand Moon Cheese® sales into new retailers.

Club Distribution for Moon Cheese® in Canada

On November 8, 2021, NutraDried secured a national 12-week promotion with Costco Canada and will supply Costco's warehouses in Canada with 10oz Gouda Moon Cheese®. The product for the 12-week promotion is expected to ship in late Q1 and early Q2 of fiscal year 2022. The Company is also working to confirm additional rotations with Costco, in both Canada and the U.S., for fiscal year 2022.

Cheese Pricing

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. In recent months, cheese pricing has stabilized somewhat with less government intervention in markets and more steady demand. Cheese pricing for 40-pound cheddar block on the Chicago Mercantile Exchange ("CME") went from US $2.57/lb in October to US $1.87/lb in September, a decrease of 27%. The volatility in cheese pricing impacts NutraDried's cost of goods and resulting gross margin as bulk cheese is its primary input cost. The Company monitors the pricing of block cheese closely and will utilize forward contracts when possible, to mitigate the impacts of commodity price fluctuations.

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to September 30, 2021 reported in Canadian dollars, the Company's presentation currency:

	2020				2021			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
Revenues	8,609	7,492	5,998	10,784	7,533	4,686	7,351	6,906
Direct costs	(5,413)	(5,629)	(4,441)	(8,629)	(5,835)	(4,208)	(4,737)	(4,529)
Gross profit	3,196	1,863	1,557	2,155	1,698	478	2,614	2,377
Expenses	(4,777)	(3,907)	(3,542)	(3,184)	(3,764)	(3,965)	(2,239)	(3,370)
Other income	-	-	690	929	325	483	225	306
Income tax (expense) recovery	155	194	129	101	370	718	70	(451)
Net (loss) income after income tax	(1,426)	(1,850)	(1,166)	1	(1,371)	(2,286)	670	(1,138)
Adjusted EBITDA(1)	(743)	(1,462)	(1,034)	20	(911)	(1,968)	937	(223)
Loss per share – Basic and diluted	(0.01)	(0.02)	(0.01)	(0.00)	(0.01)	(0.02)	0.00	(0.01)
Total assets	40,139	39,704	38,190	40,663	34,633	33,301	32,568	30,641
Total liabilities	10,075	10,194	9,885	12,312	7,622	8,427	7,224	7,653

(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 R&D 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. 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, royalty growth or seasonality of each partner's product offering, resulting in fluctuations in the royalties earned by the Company each quarter. EnWave received payroll and rent subsidies from the Canadian government in each of the four quarters of fiscal 2021, compared with Q3 and Q4 of fiscal 2020.

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 historically. Since Q1 2021, the Company has not had any product rotations at Costco, resulting in lower quarterly revenues relative to Q1 through Q2 to Q4 of 2021. Revenues in Q3 2021 were higher due to growth in NutraDried's bulk product sales, and growth in EnWave's machine fabrication revenues. In Q4 2020 revenues were significantly higher than other periods also due to a Costco BOGO promotion of Moon Cheese® which carried into Q1 2021.

The Company's direct costs decreased in Q4 2021, relative to Q1 and Q3 2021 due to lower machine fabrication and commissioning costs. Direct costs in Q2 2021 are lower than all quarters in 2020 due to lower sales volumes at NutraDried. Expenses Q3 and Q4 2021 were lower than in 2020 and for Q1 and Q2 2021 due to reduced SG&A expenses at NutraDried following a restructuring.

Selected Annual Information

The following table provides selected consolidated financial information for the periods indicated. The selected financial information below has been derived from the consolidated financial statements. Each investor should read the following in conjunction with the statements thereto.

	Year ended September 30,		
($ '000s)	**2021**	**2020**	**2019**
Revenues	26,476	32,883	42,842
Direct costs	19,309	24,112	29,236
Gross Margin	7,167	8,771	13,606
Operating expenses			
General and administration	5,093	5,469	4,329
Sales and marketing	4,652	6,470	5,787
Research and development	1,876	1,989	1,692
Net loss for the year	(4,125)	(4,441)	(1,986)
Loss per share (basic and diluted)	(0.04)	(0.04)	(0.02)
Comprehensive loss for the year	(4,710)	(4,360)	(1,840)
Adjusted EBITDA(1)	(2,165)	(3,219)	3,168
Total assets	30,641	40,663	43,250
Long term liabilities	1,035	1,619	595
Dividends declared	Nil	Nil	Nil

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

Discussion of Operations

Revenue

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

($ '000s)	**2021**	**2020**
Revenue	26,476	32,883

Revenue for the year ended September 30, 2021 was $26,476, compared to $32,883 for the year ended September 30, 2020, a decrease of $6,407. The decrease in revenues for the year ended September 30, 2021 was primarily due to lower Moon Cheese® sales by NutraDried to Costco, which was offset by growth in EnWave's machinery sales. The timing and frequency of each large-scale commercial machine order affects the timing of our revenues from the sale of REV™ machinery.

Quarterly Revenue	**2020**				**2021**			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
EnWave	4,555	2,169	1,609	1,601	2,676	2,348	3,560	3,879
NutraDried	4,054	5,323	4,389	9,183	4,857	2,338	3,791	3,027
Total	8,609	7,492	5,998	10,784	7,533	4,686	7,351	6,906

EnWave had revenue of $12,463 for the year ended September 30, 2021, an increase of $2,529 compared to the revenue of $9,934 for the year ended September 30, 2020. The increase in revenue of EnWave is primarily due to an increase in number of small and large-scale commercial equipment contracts for new REV™ equipment relative to prior year. During 2021, the Company secured four large-scale machine sale contracts, two from the food vertical and two from the cannabis vertical. The Company also secured orders for fourteen 10kW machines to both new royalty partners and existing royalty partners expanding capacity.

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 $919 for 2021 compared to $835 for 2020, an increase of $84. These royalties do not include the royalties paid by NutraDried as they are eliminated in the consolidated financial statements. Royalties are payable to EnWave as a percentage of the value of products sold based on the number of units produced by our royalty partners, or a set fee paid quarterly. We also stipulate minimum annual royalty thresholds in our commercial license agreements that must be met by the licensee in order for the licensee to retain exclusivity if granted. We expect our royalties to grow as we sign new license agreements and supply additional REV™ machine dehydration capacity to our royalty partners.

Revenues from NutraDried was $14,013 for the year ended September 30, 2021 compared to $22,949 for the year ended September 30, 2020, a decrease of $8,936. NutraDried's revenue in 2021 decreased due to limited regional product rotations of Moon Cheese® to Costco, and this decrease was offset by growth in sales to the online and bulk channels.

We expect NutraDried will grow its revenues over the short-term as the retail landscape and economic conditions in the U.S. have improved, and unit velocities have increased. NutraDried is focussed on securing new retail distribution for its products and securing co-manufacturing opportunities to leverage its installed REV™ capacity.

Direct costs

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

($ '000s)	**2021**	**2020**
Direct costs	19,309	24,112
% of revenue	73%	73%

Direct costs for the year ended September 30, 2021 decreased by $4,803, or 20% compared to the year ended September 30, 2020. Direct costs for EnWave are driven by commercial machine selling and construction activity. As a percentage of revenue, direct costs for the year ended September 30, 2021 were maintained at 73% compared to the year ended September 30, 2020.

Direct costs for EnWave are driven by direct material and overhead costs associated with commercial machine selling and construction activity. During the year ended September 30, 2021, EnWave Canada yielded a ratio of direct costs to revenue of 56%, compared to 71% during the year ended September 30, 2020. EnWave's gross margin improved in 2021 through the repurchase and resale of three large-scale REV™ machines from cannabis customers and deploying them with new royalty partners. EnWave also lowered its manufacturing overhead costs compared to the prior year through a reduction of staff, contractors and by subleasing underutilized warehouse space.

The ratio of direct costs to revenue was 89% for NutraDried for the year ended September 30, 2021, compared to 75% in the year ended September 30, 2020. The decrease to gross margin was driven by an increase to trade spending, freight costs and lower manufacturing volumes resulting in lower fixed overhead absorption. The Company restructured NutraDried to improve its cost structure and is pursuing new distribution volume from new channels as well as new product launches in 2022 that are aimed at increasing gross margin in the next fiscal year.

Direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices were relatively stable throughout 2021 and we continuously monitor the impact of commodity price fluctuations and may employ hedging tactics where appropriate to mitigate risk.

General and administration

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

($ '000s)	**2021**	**2020**
General and administration	5,093	5,469
% of revenue	19%	17%

G&A expenses for the year ended September 30, 2021 were $5,093 compared to $5,469 for the year ended September 30, 2020, an overall decrease of $376. The decrease in G&A expenses for the year was largely driven by a reduction to administrative and personnel costs at NutraDried implemented as part of the restructuring and cost control program implemented. EnWave also had lower legal fees and travel costs related to administration during the year.

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. S&M expenses for the year ended September 30, 2021 were $4,652 compared to $6,470 for the year ended September 30, 2020, a decrease of $1,818.

($ '000s)	**2021**	**2020**
Sales and marketing	4,652	6,470
% of revenue	18%	20%

S&M expenses for EnWave were $1,263 for the year ended September 30, 2021 compared to $1,408 for the year ended September 30, 2020, a decrease of $145. The decrease in S&M expenses at EnWave was primarily due reduced travel and tradeshow attendance during the period. The Company continues to use lower cost digital sales and marketing tools to showcase, engage and communicate with both prospective and current partners on the commercial viability of it's REV™ technology. 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 $3,389 for the year ended September 30, 2021 compared to $5,062 for the year ended September 30, 2020, a decrease of $1,673. NutraDried materially reduced

S&M expenses starting in Q3 2021 by reducing staffing levels, eliminating the use of expensive agency services, and refocusing spending on lower cost digital tools and insourcing of marketing activities. Management believes NutraDried can grow its revenues and distribution with the current activities and expenditure rates, and will continue to control S&M expenses at NutraDried to align with the size and needs of the business.

Research and development

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, R&D travel costs, and new product development at NutraDried.

($ '000s)	**2021**	**2020**
Research and development	1,876	1,989
% of revenue	7%	6%

R&D expenses for the year ended September 30, 2021 were $1,876 compared to $1,989 for the year ended September 30, 2020, a decrease of $113. Our R&D expenses did not change significantly in 2021 relative to 2020, with the majority of the expense related to the maintenance of the Company's international patent portfolio. Our R&D expenses fluctuate depending on the timing and filing of additional patents and patent maintenance fees related to the Company's intellectual property, and NutraDried's new product development activities.

Stock-based compensation

Stock-based compensation expense was $824 for the year ended September 30, 2021, compared to $1,383 for the year ended September 30, 2020. 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.

($ '000s)	**2021**	**2020**
Stock-based compensation	824	1,383

Amortization of intangible assets

Amortization of intangible assets for the year ended September 30, 2021 was $218 compared to $248 for the year ended September 30, 2020. The decrease in amortization expense is due to certain intangible assets becoming fully amortized. The Company did not have significant additions to its intangible assets during the year ended September 30, 2021.

($ '000s)	**2021**	**2020**
Amortization of intangible assets	218	248

Foreign exchange gain

Foreign exchange gain for the year ended September 30, 2021 was $15 compared to $50 for the year ended September 30, 2020. The majority of the Company's foreign exchange gain or loss amounts consists of foreign exchange differences driven by our monetary assets and liabilities in US dollars ("USD"). The fluctuation of foreign exchange is consistent with the Canadian dollar's appreciation or depreciation as measured against the USD for each period due to global macroeconomic factors.

($ '000s)	**2021**	**2020**
Foreign exchange gain	15	50

Other income

Other income relates to government assistance the Company received from stimulus programs introduced by the Canadian and U.S. government due to the COVID-19 pandemic. Other Income was $1,339 for the year ended September 30, 2021, compared to $1,619 for the year ended September 30, 2020.

($ '000s)	**2021**	**2020**
Other income	1,339	1,619

EnWave received funding from two Canadian federal programs: the Canada Emergency Wage Subsidy ("CEWS") program to subsidize payroll costs, and the Canada Emergency Rent Subsidy ("CERS") program to subsidize rent costs. The subsidy funds are non-repayable to the government as long as the Company continues to meet the eligibility criteria. EnWave received $1,339 for fiscal 2021 and $658 in fiscal 2020, respectively.

NutraDried did not receive any government assistance in fiscal 2021. During the year-ended September 30, 2020, NutraDried received forgivable loans from the U.S. federal government $961 (US $704) under the Paycheck Protection Program ("PPP"). The Company applied for loan forgiveness under the PPP and the loan was forgiven on January 12, 2021.

Restructuring costs

Restructuring costs for the year ended September 30, 2021 were $691 compared to $nil for the year ended September 30, 2020. The restructuring costs relate to severance costs and other expenses in connection with the reduction of NutraDried's executive, administrative and production staffing by 24 positions in February 2021. Refer to further discussion about the restructuring at NutraDried disclosed in the *Recent Developments* section of this report.

($ '000s)	**2021**	**2020**
Restructuring costs	691	-

Income taxes

Income tax recovery was $707 for the year ended September 30, 2021, compared to the expense of $579 for the year ended September 30, 2020. The Company's current and deferred tax recoveries are solely related to NutraDried's U.S. sourced income and its ability to carry-back current year operating losses and apply them against taxable income from the prior year.

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.

($ '000s)	**2021**	**2020**
Current tax (recovery) expense	(453)	(496)
Deferred tax (recovery) expense	(254)	(83)
Income tax (recovery) expense	(707)	(579)

Fourth Quarter Highlights

	Three months ended September 30,	
	2021 **$**	**2020** **$**
Revenues	**6,906**	10,784
Direct costs	**4,529**	8,629
	2,377	2,155
Expenses		
General and administration	**1,718**	939
Sales and marketing	**996**	1,282
Research and development	**453**	577
Stock-based compensation	**187**	227
Amortization of intangible assets	**37**	62
Loss on disposal of assets	**6**	34
Other income	**(306)**	(929)
Foreign exchange loss	**(19)**	92
Finance income, net	**(8)**	(29)
	3,064	2,255
Loss for the period before income taxes	**(687)**	(100)
Income tax (recovery) expense		
Current	**-**	(86)
Deferred	**451**	(15)
Net (loss) income for the period	**(1,138)**	1

During the three months ended September 30, 2021, the Company reported revenues of $6,906 compared to $10,784 for the three months ended September 30, 2020, a decrease of $3,878. During the three months ended September 30, 2021, the Company reported a consolidated net loss of $1,138 compared to a consolidated net income of $1 for the three months ended September 30, 2020, a decrease of $1,139. The increase in consolidated net loss for the fourth quarter 2021 is primarily attributed to an increase in G&A expenses related to legal fees, personnel costs and insurance, as well as a reduction to other income from government assistance under COVID-19 stimulus programs.

The Company reported an Adjusted EBITDA(*) loss of $223 for the three months ended September 30, 2021 compared to an Adjusted EBITDA(*) income of $20 for the three months ended September 30, 2020, a decrease of $243. The Adjusted EBITDA(*) for the three months ended September 30, 2021 of $223 was due to NutraDried's decreased sales volume for Q4 2021 as there were no Costco promotions compared to Q4 2020 with a national Costco promotion.

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

Revenue

EnWave had revenue of $3,879 for the three months ended September 30, 2021 compared to $1,601 for the three months ended September 30, 2020, an increase of $2,278. The increase in revenue for the three months ended September 30, 2021 relative to September 30, 2020 was due to revenue recognized on a large-scale machine sold during the period that was nearly fully fabricated, resulting in a large portion of the revenue being recognized using percentage of completion.

EnWave earned royalties of $245 during the three months ended September 30, 2021 compared to $144 for the three months ended September 30, 2020, an increase of $101. We expect that as more large-scale machines are commissioned for commercial production that our royalty portfolio will continue to grow.

Revenues from NutraDried were $3,027 for the three months ended September 30, 2021 compared to $9,183 for the three months ended September 30, 2020, a decrease of $6,156. The decrease in revenue for the fourth quarter was due to NutraDried having a national promotion with Costco in Q4 2020 that did not repeat in Q4 2021.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
Revenue	6,906	10,784

Direct costs

Direct costs for the three months ended September 30, 2021 were $4,529 compared to $8,629 for the three months ended September 30, 2020, a decrease of $4,100. The decrease to direct costs was attributed to both NutraDried's lower sales in the period relative to the prior year. Further, EnWave's gross margin in Q4 2021 increased substantially due to the repurchase and resale of a large-scale machine during the period. Direct costs as a percentage of revenues for the three months ended September 30, 2021 was 66%, compared to 80% for the three months ended September 30, 2020, a decrease of 14%.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
Direct costs	4,529	8,629
% of revenue	66%	80%

General and administration

G&A expenses for the three months ended September 30, 2021 were $1,718 compared to $939 for the three months ended September 30, 2020, an increase of $779. The increase to G&A for the period is primarily due to EnWave's higher personnel costs, insurance costs and legal expenses.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
General and administration	1,718	939
% of revenue	25%	9%

Sales and marketing

S&M expenses for the three months ended September 30, 2021 were $996 compared to $1,282 for the three months ended September 30, 2020, a decrease of $286. The decrease to S&M expenses in the quarter was primarily due to NutraDried having lower commissions expenses, marketing agency fees and reduced personnel costs. The Company took steps in February 2021 to reduce S&M expenses at NutraDried as part of the restructuring of that business unit. The impacts of COVID-19 on business travel are easing, and the Company expects to increase tradeshow attendance and business development travel in the near-term.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
Sales and marketing	996	1,282
% of revenue	14%	12%

Research and development

R&D expenses for the three months ended September 30, 2021 were $453 compared to $577 for the three months ended September 30, 2020, a decrease of $124. R&D expenses decreased due to lower patent and patent related filing and maintenance fees, along with reduced spending on third-party consultants at NutraDried for new product development. NutraDried is working more closely with the R&D team at EnWave for development of new products and has reduced reliance on external consultants.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
Research and development	453	577
% of revenue	7%	5%

Stock-based compensation

Stock-based compensation expense was $187 for the three months ended September 30, 2021, compared to $227 for the three months ended September 30, 2020. The decrease to stock-based compensation expense was due to the vesting of stock options and RSRs granted during previous quarters.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
Stock-based compensation	187	227

Amortization of intangible assets

Amortization of intangible assets for the three months ended September 30, 2021 was $37 compared to $62 for the three months ended September 30, 2020 a decrease of $25. The amortization expense decreased due to intangible patents being fully amortized in prior quarters resulting in a lower expense in Q4 2021.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
Amortization of intangible assets	37	62

Other income

Other income for the three months ended September 30, 2021 was $306 compared to $929 for the three months ended September 30, 2020. Other income relates to federal government assistance from the Canadian and U.S. governments due to the COVID-19 pandemic. The decrease was related to the fact no U.S. government assistance was received by NutraDried in Q4 2021; however, NutraDried recognized $607 of government assistance from the Paycheck Protection Program in Q4 2020. During the tree months ended September 30, 2021, EnWave received government assistance under the CEWS and CERS programs totalling $306, compared to $322 for the same period in the prior year.

	Three months ended September 30,	
($ '000s)	**2021**	**2020**
Other income	306	929

Liquidity and Capital Resources

Working capital

The components of the Company's working capital on September 30, 2021 and September 30, 2020 are:

($ '000s)	**September 30, 2021**	**September 30, 2020**
Current Assets		
Cash and cash equivalents	**11,790**	14,712
Restricted cash	**288**	250
Trade receivables	**2,130**	10,992
Due from customers on contract	**1,535**	356
Loans receivable	**847**	-
Inventory	**5,722**	7,117
Prepaids and other receivables	**833**	692
Income taxes receivable	**986**	742
	24,131	34,861
Current Liabilities		
Borrowings	**-**	667
Trade and other payables	**4,421**	7,704
Customer deposits and deferred revenue	**1,323**	1,771
Current portion of lease liabilities	**753**	427
Current portion of other liability	**121**	124
	6,618	10,693
Working Capital	**17,513**	24,168

As at September 30, 2021, the Company had working capital of $17,513, compared to $24,168 as at September 30, 2020. As at September 30, 2021, the cash and cash equivalents balance was $11,790 compared to $14,712 as at September 30, 2020, a decrease of $2,922. The change in cash and cash equivalents is primarily due the Company's use of cash to repurchase and cancel common shares under the NCIB, as well as investments made into plant and equipment for REVworx, offset by cash generated from operations. The Company had net cash inflows from operating activities of $2,037 for the year ended September 30, 2021.

EnWave had trade receivables of $898 as at September 30, 2021, compared to $996 at September 30, 2020, and NutraDried had trade receivables of $1,232 at September 30, 2021 compared to $9,996 at September 30, 2020. The decrease in EnWave's trade receivables relates to the net collections of deposits and performance milestones completed on equipment purchase contracts. The decrease to NutraDried's trade receivables relates to collections made from the national promotion of product that was shipped in the fourth quarter of 2020. As at September 30, 2021 and 2020, the Company did not record a provision for expected credit losses.

Due from customers on contract at September 30, 2021 was $1,535 compared to $356 at September 30, 2020, with the increase related to progress on construction contracts in advance of billings. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

Inventory as at September 30, 2021 includes completed machines and machine components of EnWave of $3,060, which is an increase of $121 compared to September 30, 2020. The inventory of EnWave relates to 10kW machines used for rentals and those under fabrication, as well as parts for machines. The slight increase in inventory is primarily due to additional parts purchased for machine fabrication to meet purchase orders and demand, offset by the timing of sales and commissioning of 10kW machines.

NutraDried's inventory was $2,662, compared to $4,178 at September 30, 2020, a decrease of $1,516. NutraDried's inventory comprises food product and packaging supplies. Inventory at NutraDried was lower as at September 30, 2021 due to large shipments to Costco in Q1 2021 and a reduction in production volume to align with demand.

EnWave had current loans receivable of $1,132 compared to $nil as at September 30, 2020 in relation to the equipment finance loans to be paid by customers related to equipment purchase contracts. The loans receivable bear interest at annual interest rates ranging between 8% and 12%, have fixed terms ranging from 12 to 48 months and are amortized with monthly blended payments of interest and principal.

NutraDried had current borrowings of $191 as at September 30, 2021 compared to $867 as at September 30, 2020. The decrease is due to the repayment of NutraDried's line of credit facility that is available to assist with short-term, temporary working capital needs.

Trade and other payables as at September 30, 2021 include $2,946 of trade payables and accrued liabilities related to EnWave, compared to $1,638 on September 30, 2020. 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 $1,475, compared to $6,066 on September 30, 2020, with the decrease associated with the payment of trade spending and promotional expenses that were accrued at September 30, 2020.

Financing and liquidity

Cash and cash equivalents were $11,790 at September 30, 2021 compared to $14,712 at September 30, 2020. As at September 30, 2021, the Company had net working capital of $17,513 compared to $24,168 at September 30, 2020. The change in cash consists of:

	Three months ended September 30,		**Year ended September 30,**	
($ 000's)	**2021**	2020	**2021**	2020
Cash from (used in) operating activities	**(1,707)**	(606)	**2,037**	(4,130)
Cash used in investing activities	**(126)**	(34)	**(1,824)**	(491)
Cash from (used in) financing activities	**(1,820)**	(151)	**(2,934)**	678

During the year ended September 30, 2021, the Company received $1,339 under the CEWS and CERS government subsidy programs in response to the impacts of COVID-19. We believe that our current working capital surplus of $17,513 is sufficient to meet our financing needs, maintain right-sized operations and to grow over the mid-term. Management will continuously evaluate capital needs and make decisions based on current circumstances. 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.

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

The ability to achieve our projected 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 projected operating results, our liquidity could be adversely impacted. Our operating results could adversely affect our ability to raise additional capital to fund our operations and there is no assurance that debt or equity financing will be available in sufficient amount, on acceptable terms, or in a timely basis.

Normal course issuer bid

On October 19, 2020, the TSX Venture Exchange ("TSXV") approved the Company's normal course issuer bid ("NCIB") which was in place from October 22, 2020 to October 21, 2021. Subsequently, the Company renewed the NCIB with the TSXV for the term commencing on October 29, 2021 and ending on October 28, 2022. The Company may elect to purchase outstanding common shares over a period of 12 months when management determines the market price of its common shares are attractive and the purchase would represent a prudent allocation of capital.

The Company has repurchased and cancelled its common shares as set forth in the table below:

Fiscal Year	Number of Common Shares	Average Price ($)	Value ($)
2021			
Feb	2,500	1.3600	3,400
Mar	37,500	1.3540	50,776
Apr	nil	nil	nil
May	166,800	1.1854	197,720
Jul	72,900	0.9847	71,786
Aug	nil	nil	nil
Sept	1,500,000	1.0167	1,525,050
Total	**1,779,700**	**$1.0400**	**$1,848,732**
2022			
Oct to Dec 15	nil	nil	nil
Total	**nil**	**nil**	**nil**

Capital expenditures

During the year ended September 30, 2021, we incurred capital expenditures of $1,990 related to the acquisition of plant and equipment. NutraDried accounted for $450 of the capital expenditures for the period with additions to production and packaging equipment. EnWave accounted for $1,540 of the capital expenditures for the period primarily for assets under construction in relation to the build-out of its REVworx™ toll manufacturing facility.

The Company continues to build-out its REVworx™ toll manufacturing facility at its corporate headquarters in Delta, B.C. The REVworx™ facility is being designed to meet all the necessary quality standards and food safety requirements for commercial food processing. A large-scale REV™ processing line and equipment have been installed at the facility, and the Company continues to purchase auxiliary food processing and packaging equipment. Based on current forecasts, we believe that the facility will be ready for commercial food production in early calendar year 2022. As at September 30, 2021, the Company had $441 of contractual capital expense commitments related to the project. EnWave's current cash holdings is sufficient to fund the required investment.

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

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 September 30, 2021:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Borrowings	-	10	181	191
Trade and other payables	4,421	-	-	4,421
Lease liabilities	753	839	-	1,592
Other liability	121	5	-	126
Total	**5,295**	**854**	**181**	**6,330**

Contingencies

On September 20, 2021, a civil counterclaim was commenced against the Company in the Supreme Court of British Columbia by certain former directors and officers of the Company. The counterclaim was filed in response to a civil claim filed by the Company against the former directors and officers. The counterclaim alleges breach of contract and breach of privacy with respect to the cessation of employment of one of the former directors. The Company believes the action to be without merit and intends to defend the counterclaim. No provision has been recognized as of September 30, 2021.

COVID-19 Pandemic

The COVID-19 global pandemic has continued to negatively impact global economic activity, has caused significant volatility and disruption in global financial markets, and has introduced significant uncertainty and unpredictability throughout the world. It has been our priority to safeguard the health and safety of our employees and our partners and to continually assess and mitigate the risks to our business operations. Currently, the majority of first world countries have rolled out vaccination programs that have aggressively targeted the overall population and as a result, the number of COVID-19 cases are trending downwards. Travel restrictions are easing with countries implementing safety measures for travel. Many countries require negative COVID-19 results before entering and proof of vaccination once having entered the country to carry out business which alleviates the need for quarantine periods upon returning to a person's place of origin. With the implementation of these safety procedures, the ability for the world to travel again has opened up the markets internationally however at a diminished level. At this time, we cannot forecast the full duration and magnitude of COVID-19 impacts but the Company expects this pandemic to challenge our results of operations, financial position and cash flows for fiscal year 2022.

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

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 caused delays to deliveries and commissioning by technical staff and the in-person training of partners.

EnWave adapted in response to travel restrictions and developed a remote installation program which enables our partners to skillfully collaborate with our engineering department using digital tools to commission 10kW REV™ machinery. During fiscal year 2021, the Company successfully completed remote installations. The option to remotely install machines is dependent upon our partners' technical capacity and willingness.

In order to complete the technically complex start-ups of large-scale machinery, EnWave is still required to send qualified technicians internationally to do the commissioning. In recent months, international travel restrictions to some countries have been lifted, and EnWave personnel have been able to travel to complete installations in several countries; however, there are some regions which we intend to do business to which we still cannot travel.

NutraDried's Business

NutraDried was significantly impacted in the early stages of the pandemic by disruptions to the retail environment and store closures. In the second half of fiscal year 2021, the retail landscape has improved across the U.S. and the impacts of the distribution challenges have been reduced. Still, many retail buyers in the U.S. are not travelling to meet manufacturers for new product presentations or attending industry tradeshows, making it challenging for emerging brands to gain new distribution. The Company has adapted to use digital tools and is making presentations to retailers using video software, but the limitations on travel still challenge our ability to secure meetings with buyers to gain new points of distribution for Moon Cheese®.

Transactions with Related Parties

During the year ended September 30, 2021, the Company paid directors' fees to its five independent directors through a combination of cash and stock-based compensation for their services as directors of the Company.

The table below summarizes the transactions with related parties for the three months and years ended September 30, 2021 and 2020:

($ '000s)	**Three months ended September 30,**		**Years ended September 30,**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Directors' fees	**50**	50	**200**	190
Stock-based compensation	**27**	67	**191**	330
	77	117	**391**	520

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and/or its subsidiaries, including any external director of the Company and/or its subsidiaries. Remuneration of key management personnel of the Company comprises the following expenses:

($ '000s)	**Three months ended September 30,**		**Years ended September 30,**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Salaries, bonuses, and short-term employee benefits	**276**	239	**1,541**	1,468
Stock-based compensation	**117**	119	**401**	650
	393	358	**1,942**	2,118

Critical Accounting Estimates and Judgements

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

Revenue recognition

The revenue recognition policy for customized equipment sales contracts is the percentage-of-completion method. The stage of completion is measured by reference to the actual contract costs incurred as a percentage of total estimated costs for each contract. Determining the estimated contract cost is considered a significant accounting estimate which requires detailed knowledge of the costs to be incurred based on the required design customizations. If the total actual contract costs were to differ by 10% from management's estimated contract costs, the amount of revenue recognized in the period would be increased or decreased by $1,112 (2020 - $705).

Impairment of inventory

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

Leases

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

Estimated useful lives of property, plant and equipment

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

Impairment of non-financial assets

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

Other liability

The Company entered into a license agreement for the sub-licensing rights to the MIVAP® technology. The fair value of the liability on initial recognition was added to the cost of the intangible asset at the date of purchase. The liability is measured at the end of each reporting period, and changes are recorded in the consolidated statement of loss.

The Company estimates the liability based on the present value of minimum royalties payable to INAP GmbH (Industrie-Anlagen-Planung - "INAP"), a private German company, over the life of the agreement discounted at prevailing market rates. The potential variability of this estimate is significant given that it will be highly sensitive to the number of additional sub-licensees and their ultimate use of the technology. The measurement of the liability could change depending on the Company's ultimate use of the technology which gives rise to the royalty.

Warranty provision

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

Share-based compensation

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

Accounting standards and amendments issued and not yet adopted

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

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

The amendment clarifies the classification requirements to determine if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and is to be applied retrospectively, with earlier application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Financial Instruments

Financial instruments and risk management

The Company's cash and cash equivalents, restricted cash, trade receivables, borrowings, trade and other payables and lease liabilities are measured at amortized cost subsequent to initial measurement. Fair value measurement requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; or
Level 3 – Inputs that are not based on observable market data.

Fair values

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

The Company uses derivative financial instruments to reduce its exposure to risks associated with fluctuations in foreign exchange rates. The fair value measurement of the foreign exchange derivatives is classified within Level 2 of the fair value hierarchy.

The carrying value of the lease receivables as at September 30, 2021 was $1,132 (2020 - $nil) which approximates its fair value and is recorded at amortized cost. The carrying value of the lease liabilities was determined based on the discounted future cash flows using rates related incremental borrowing rates.

The carrying value of the lease liabilities as at September 30, 2021 was $1,592 (2020 - $1,446) which approximates its fair value and is recorded at amortized cost. The carrying value of the lease liabilities was determined based on the discounted future cash flows using rates related incremental borrowing rates.

The carrying value of other liability as at September 30, 2021 was $126 (2020 - $256) which approximates its fair value and is recorded at amortized cost. The carrying value of the other liability was determined based on the discounted future cash flows using rates for similar financial instruments subject to similar risks and maturities.

The Company does not hold any equity instruments that are measured at fair value or amortized costs during the years ended September 30, 2021, and 2020.

Financial risk factors

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

Credit risk

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

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables, due from customers on contract and loans receivable. Prior to issuing credit, management performs due diligence reviewing the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables and due from customers on contract by maintaining ongoing close contact with customers and by reviewing individual account balances, and proactively following up on overdue amounts. The Company minimizes credit risk associated with loan receivables by performing due diligence prior to issuing loans, ensures customers are reputable companies, filing a lien on the equipment in the country the machine resides and using the machine equipment as collateral. ,

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

The Company transacts with a number of Canadian chartered banks and other brokerages. Due to the creditworthiness of its counterparties, the Company regards all changes in fair value of foreign exchange derivatives as arising only from changes in market factors, including foreign exchange rates. The Company monitors the exposure to any single counterparty along with its financial position. If it is determined that a counterparty has become materially weaker, the Company will work to reduce its credit exposure to that counterparty.

The following table provides information regarding the aging of receivables as at September 30, 2021:

	Neither past due nor impaired	**Past due but not impaired**		
($ '000s)	**0 – 30**	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	1,736	99	295	-
Due from customers on contract	1,535	-	-	-
Loan receivables	1,132	-	-	-
Total	4,403	99	295	-

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. As at September 30, 2021, the Company held no foreign exchange derivatives outstanding.

The Company attempts to ensure that sufficient funds are raised from equity financings to meet its operating requirements, after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At September 30, 2021, the Company had cash and cash equivalents of $11,790 to settle current liabilities of $6,618.

Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash and cash equivalents and restricted cash	11,790	-	288	-
Trade receivables	2,130	-	-	-
Due from customers on contract	265	905	365	-
Loan receivable	65	132	650	285
Indirect tax receivables	95			
Income taxes receivable	-	-	986	-
Total	14,345	1,037	2,289	285

Financial liabilities, excluding other liability, maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Borrowings	-	-	-	191
Trade and other payables	2,706	1,715	-	-
Lease liabilities	61	123	569	839
Total	2,767	1,838	569	1,030

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents and restricted cash. The Company earns interest on deposits based on current market interest rates, which during the year ended September 30, 2021 ranged from 0.40% to 0.45% (2020 - 0.40% to 2.10%). A 1% change in interest rates would affect the results of operations by approximately $115 (2020 - $139).

Foreign exchange risk

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

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

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

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations. As at September 30, 2021, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. At September 30, 2021 and 2020, 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 loss for the years ended September 30, 2021 and 2020 as follows:

($ '000s) Currency	**2021**	**2020**
US dollar	53	18

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of equity attributable to common shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There were no changes in the Company's approach to capital management in the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Non-IFRS Financial Measures

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

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

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

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

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

($ '000s)	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*	*Dec 31, 2020*	*Mar 31, 2021*	*Jun 30 2021*	*Sep 30, 2021*
NutraDried Royalty	208	288	236	670	340	166	218	118
Intercompany Revenue Adjustment(1)	(208)	(288)	(236)	(670)	(340)	(166)	(218)	(118)
Revenues(2)	8,609	7,492	5,998	10,784	7,533	4,686	7,351	6,906
Revenues	8,609	7,492	5,998	10,784	7,533	4,686	7,351	6,906

Notes:

(1) Adjustment to eliminate intercompany revenue from the consolidated financial statements.
(2) Revenues as reported in the Company's consolidated statements of loss for the period.

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

Below is a reconciliation of our annual net loss to Adjusted EBITDA:

	Year ended September 30,		
($ '000s)	**2021**	**2020**	**2019**
Net loss after income tax	(4,125)	(4,441)	(1,986)
Amortization and depreciation(1)	2,513	2,038	2,020
Stock based compensation(2)	824	1,383	1,821
Foreign exchange (gain) loss(3)	(15)	(50)	(9)
Finance income, net(4)	(7)	(116)	(179)
Income tax (recovery) expense	(707)	(579)	889
Non-recurring impairment and restructuring costs(5)	691	165	612
Government grants	(1,339)	(1,619)	-
Adjusted EBITDA	(2,165)	(3,219)	3,168

Notes:

(1) Amortization and depreciation of property plant and equipment and intangible assets is a non-cash expense and therefore does not require any cash outlay by the Company.
(2) These include awards that are settled though shares issued from treasury and generally do not require any cash outlay by the Company and are excluded to provide investors with a greater visibility to the underlying performance of operations.

(3) Foreign exchange gains or losses arise from fluctuations in foreign exchange rates of the currencies we transact in which are driven by macro-economic conditions that are generally not reflective of our business operations.
(4) Finance income, net is total finance income net of finance expenses and does not relate to costs to operate our ongoing operations.
(5) Non-recurring impairment and restructuring costs are not included in Adjusted EBITDA as they relate to non-recurring costs that that do not form part of the costs to operate our ongoing operations and are not indicative of costs in the future.
(6) Government grants are excluded as they relate to grants received by the Company from governments under COVID-19 relief and stimulus programs, and do not relate to revenues received from business operations and are non-recurring.

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

($ '000s)	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*	*Dec 31, 2020*	*Mar 31, 2021*	*Jun 30, 2020*	*Sep 30, 2021*
Net loss (income) after income tax	(1,426)	(1,850)	(1,166)	1	(1,371)	(2,286)	670	(1,138)
Amortization and depreciation	359	407	513	759	670	594	639	610
Stock-based compensation	468	374	314	227	254	185	198	187
Foreign exchange gain (loss)	45	(338)	151	92	227	52	(275)	(19)
Finance income, net	(34)	(26)	(27)	(29)	4	(3)	-	(8)
Income tax expense (recovery)	(155)	(194)	(129)	(101)	(370)	(718)	(70)	451
Non-recurring impairment and restructuring costs	-	165	-	-	-	691	-	-
Government assistance	-	-	(690)	(929)	(325)	(483)	(225)	(306)
Adjusted EBITDA	(743)	(1,462)	(1,034)	20	(911)	(1,968)	937	(223)

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

Forward-looking Statements

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

- EnWave's ultimate success in selling, licensing or generating a sustainable royalty stream from its *nutra*REV® and *quanta*REV® technologies in the cannabis and food industries will depend, in 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.
- The impact of the COVID-19 pandemic on the Company's business, operations, capital resources and/or financial results. See the *"Risk Factors"* section in the Company's Annual Information Form for further information about related risks and uncertainties.

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

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

Capital Structure and Outstanding Share Data

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

	September 30, 2021		**December 15, 2021**	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	110,205,055	N/A	110,205,055	N/A
Options				
Outstanding	7,160,667	$1.44	7,070,667	$1.43
Exercisable	5,683,917	$1.50	5,620,166	$1.50
RSRs				
Outstanding	715,000	$1.13	715,000	$1.13
Warrants				
Investor warrants	5,012,202	$1.50	5,012,202	$1.50

As of the date of this MD&A, the Company has 111,205,055 common shares issued and outstanding. We maintain a Stock Option Plan (the "Option Plan") that enables us to grant options to directors, officers, employees and consultants. We maintain a Restricted Share Rights Plan (the "RSR Plan") that enables us to grant RSRs to directors, officers, employees and consultants. The Option Plan and RSR Plan permits the granting of compensation securities up to an aggregate maximum of 10% of our issued and outstanding common shares from time to time on a non-diluted basis, and the maximum number of RSRs granted thereunder is further limited to 1,895,000.

Off-balance Sheet Arrangements

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

Other MD&A Requirements

Information pursuant to National Instrument 51-102.

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

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

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

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

Contact information:

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