Management Discussion and Analysis

Year ended September 30, 2020

(expressed in thousands of Canadian dollars)

Dated December 18, 2020

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

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Date of this report: December 18, 2020

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, 2020 relative to the year ended September 30, 2019, and the financial position of the Company at September 30, 2020 relative to September 30, 2019. It should be read in conjunction with EnWave's annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2020 and 2019, as well as the 2019 annual MD&A, and 2020 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 **41 royalty-bearing commercial licenses** with and sold REV™ equipment to a diverse portfolio of companies operating throughout 20 different countries on five continents. The Company has also started the build-out of a toll manufacturing operation in Canada to be branded as REVworx™ in order to accelerate the commercialisation of consumer-packaged goods ("CPG") made with EnWave's patented technology.

REV™ dehydration technology applies microwave energy under vacuum to offer flexible, efficient, low temperature drying suitable for food products, cannabis, biomaterials and pharmaceutical ingredients. The Company currently 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. The licenses also restrict the royalty partner’s commercial use of the technology to specific products within a limited geographic territory.
3. **Equipment Rentals.** EnWave rents pilot-scale 10kW 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™ in the Spring of 2021. 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 product on a fee-for-service basis. Management expects the facility will be ready for commercial production in the second half of calendar year 2021.

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

NutraDried has demonstrated the ability for REV™ technology to operate reliably at scale for commercial operations. This subsidiary began as a proof-of-concept for the Company as it showcased the capabilities of large-scale commercial REV™ machinery to current and potential royalty partners, but now has grown into a successful snack business. Furthermore, NutraDried's business success has established a precedent for analysis by dairy companies considering the commercialization of REV™ technology 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. NutraDried serves as a showcase to demonstrate the commerciality of REV™ to potential royalty partners supporting further adoption of REV™.

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

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

($ '000s)	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*
NutraDried Royalty(1)	357	366	270	837	208	288	236	670

(1) The royalty payment to EnWave Canada 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 41 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, meat products, baked goods, ready-to-eat meals, nutraceuticals, pharmaceuticals, 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® (3) 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™
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™ (3)
Dominant Slice	Portugal and Spain	Cheese Snacks, Fruit Products	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®
Aurora Cannabis	Canada	Cannabis Products	10kW REV™ 120kW REV™ (3) 120kW REV™ (3)

The Green Organic Dutchman	Canada	Cannabis Products	60kW REV™ 120kW REV™ (3)
FrieslandCampina	Netherlands, Belgium and Germany	Dairy Products	10kW REV™
Fresh Business	Peru	Fruit and Vegetables	10kW REV™ 100kW REV™ (3)
Calbee	Japan	Premium Snack Products	10kW REV™ 10kW REV™ (3) 10kW REV™ (3)
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™ (3)
Cann Group	Australia	Cannabis Products	10kW REV™ (3)
Helius Therapeutics	New Zealand	Cannabis Products	10kW REV™
Metamount Schweiz AG	Switzerland	Hemp Products	10kW REV™
Responsible Foods	Iceland	Dairy, Seafood, Meat, Eggs, Herbs, Berries and Hemp products	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™ (3)
Dairy Concepts	Ireland and United Kingdom	Cheese Snack Products	n/a (4)
NuWave Foods	Canada and United States	Donut Products	60kW REV™ (4) 10kW REV™ (4)
Nippon Trends Food	Canada	Ramen Noodles	10kW 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.

(4) The Company has received a preliminary non-refundable deposit from the Royalty Partner for the machine but the Royalty Partner must submit the balance of the deposit in February 2021 to confirm the machine purchase.

Recent Developments

Management and Board of Directors

On February 12, 2020, the Company announced that it had appointed Patrick Turpin, a co-founder of Popchips, Inc. ("Popchips") and a veteran of the CPG industry, to the Company's board of directors.

On November 20, 2020, the Company announced the appointment of Pablo Cussatti, a tenured food manufacturing operations executive, to the board along with the resignation of Hugh McKinnon from the Company's board of directors.

REVworx™ Toll Manufacturing Division

EnWave is launching a new toll manufacturing division, REVworx™, to accelerate the commercialization of the wide array of attractive food products that can be made using REV™ technology. Toll manufacturing is a new strategic division intended to complement the current equipment and licensing business model of the Company, and will serve as a low-barrier entry point for CPG companies seeking to market trial REV™-dried products.

It is very typical for CPG companies to use toll manufacturers, contract manufacturers and copackers for production when launching new products to market, as it reduces the capital requirements for equipment and manufacturing capacity, reducing the initial investment to test the commercial validity of new innovations. At present, there are no large-scale REV™-processing facilities that have flexible toll manufacturing capability in North America, and management believes there is a growing demand from CPG companies for this service. The opportunity for EnWave to develop this manufacturing capability in-house is expected to have several distinct strategic benefits including:

1) Increasing the speed to market for new REV™-dried products by leveraging readily accessible manufacturing capacity;
2) Reducing the financial risk of launching new products due to lower initial capex investment in facilities, processing equipment and operational infrastructure initially required by REV™ technology adopters;
3) Enabling CPG companies to innovate more rapidly using REV™ and test market new products, which should ultimately lead to more REV™ products being launched and remaining in-market; and,
4) Reduce operational burden for brands launching new REV™ products and allow our partners to focus on core strengths such as marketing, branding and distribution while outsourcing REV™ processing to the experts.

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

The Company has initiated the build-out of a 9,000 square foot food processing facility at its corporate headquarters on Annacis Island in Delta, British Columbia. The facility is being designed to meet the necessary quality standards and food safety requirements for commercial food processing. The Company also intends to obtain SQF Level II certification for the facility along with certifications required for food exports to the U.S.

Management believes the build-out of the facility, including the installation of a large-scale REV™ processing line, will be complete in late Spring 2021. Concurrently with the build-out of the facility, the Company is actively marketing the new service offering to prospective toll manufacturing customers, and expects to begin filling orders shortly after completion of the facility and appropriate certifications and licenses are obtained. The capital investment is expected to be approximately $1.5 million and

EnWave's current cash holdings of approximately $14.7 million is ample to fund the required investment.

U.S. Cannabis Licensing Expansion

In March 2020, the Company announced its plan to license REV™ technology into the U.S. cannabis market through a new wholly-owned U.S. subsidiary. The U.S. market presents a significant opportunity for the Company to license REV™ for the drying and decontamination of cannabis and cannabis derivatives.

In October 2020, the Company announced its first royalty-bearing U.S. cannabis processing license with HHC Holdings, LLC d.b.a. GentleDry Technologies. The Company is in active dialogue with several additional prospective licensees in the U.S. and is actively working to confirm other commercial license agreements in this market.

Joint Development Agreement and Technology License with GEA Lyophil GmbH

On January 22, 2020, the Company signed a technology license and joint development agreement ("JDA") with GEA Lyophil GmbH ("GEA Group") a global manufacturer and marketer of freeze-dry units for the pharmaceutical and biotech industries. The collaboration will leverage EnWave's *freeze*REV® technology and intellectual property alongside GEA Group's deep expertise and intellectual property in the manufacturing of GMP-pharma equipment. The objective of the partnership with GEA Group is to scale-up and refine the commercial use of EnWave's GMP-pharma drying technology. Under the terms of the JDA, EnWave and GEA Group have agreed to a series of development related milestones under a joint project, and, if met, will extend the term of the agreement into the commercial equipment manufacturing phase. EnWave's executive management believes that this relationship will yield the fastest prospective path to the material monetization of REV™ technology in the pharmaceutical industry.

The integration of EnWave's proprietary *freeze*REV® pharmaceutical drying technology and GEA Group's industry-leading equipment design and capabilities will allow for GEA Group to manufacture, market and sell REV™ machinery globally in the pharmaceutical industry. If the scale-up is successful, GEA Group will pay EnWave a royalty from the sale of all GMP-pharma REV™ machinery. If a carried interest is charged to third-party technology adopters, the royalties will be split between GEA Group and EnWave.

On November 13, 2020, the Company signed an equipment purchase agreement with GEA Group to deliver a customized lab-scale REV™ machine for the demonstration and development of REV™ technology for pharmaceutical applications. The demonstration machine will be installed at GEA Group's pilot facility in Germany and will be used for trials with prospective target end users.

Health Canada Approved Cannabis Research & Development

EnWave has obtained approval from Health Canada under the *Cannabis Act* for a Research License for its Delta, B.C. pilot plant facility. The Health Canada Research License has enabled the Company to expedite process development and data analytics for terpene and cannabinoid retention along with other critical properties of cannabis products processed using REV™.

With a Health Canada License, the Company is conducting in-house research that aims to further facilitate adoption decisions by Canadian and international cannabis producers looking to improve the consistency of their drying process and up-scale their post-harvest operations. Through an extensive series of cannabis drying trials planned for 2021, EnWave is developing critical process know-how and gathering empirical data to further prove the product quality and value of using REV™ drying technology in the cannabis sector. The Company will use the findings from the cannabis trials, along with third-party certificates of analyses of REV™-dried cannabis, to support its sales and business development strategy.

In December 2020, the Company developed Terpene Max™, a proprietary drying protocol for cannabis that dries cannabis material at temperatures lower than 40 degrees Celsius. The first quantitative analysis performed by an independent testing facility shows that flower dried using Terpene Max™ retained 88% of the terpenes when compared to the fresh flower, a material improvement. In the same study, when compared to room dried cannabis flower, the Terpene Max™ process yielded 10% more terpenes than the room dried flower. Cannabis producers are placing an increased focus on optimizing terpene levels in the products as terpenes are believed to enhance the consumer experience and to have beneficial effects. The Company plans to continue to develop empirical data supporting the quality and processing advantages of using REV™ for the rapid, gentle drying of cannabis and aims to secure additional machine purchases and license agreements in the sector.

Normal Course Issuer Bid

On October 19, 2020, the Company announced the approval of its normal course issuer bid ("NCIB") by the TSX Venture Exchange ("TSXV"). This NCIB commenced on October 22, 2020 and allows the Company to purchase up to 10,918,104 common shares over a period of 12 months, but no more than 2,228,195 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. As of the date of this report, the Company has not yet purchased or cancelled any common shares under the NCIB, but has placed bids on numerous occasions while not in blackout.

COVID-19 Pandemic Impact

In March 2020, a novel coronavirus, known as COVID-19, was declared a global pandemic by the World Health Organization. Since then, global government responses to contain and prevent the further spread of the virus have evolved rapidly over the course of 2020. Governments have imposed restrictions on international travel and business operations, temporarily closed businesses, and implemented quarantines and shelter-in-place orders. As a result, the COVID-19 pandemic has negatively impacted global economic activity, caused significant volatility and disruption in global financial markets, and has introduced significant uncertainty and unpredictability throughout the world. The rapid development and fluidity of this situation limits our ability to predict the ultimate impact of COVID-19 on our business operations, financial condition and financial performance, which could be material.

Since the start of the outbreak, it has been our priority to safeguard the health and safety of our employees and our partners, support and enforce government actions to slow the spread of COVID-19, and continually assess and mitigate the risks to our business operations. We have taken responsible measures to maximize the safety of staff working at all of our facilities which includes reducing operations, reorganizing physical layouts, adjusting schedules to improve physical distancing measures, working from home whenever possible, implementing health screening measures for employees and visitors, implementing rigorous cleaning and sanitization processes, mandating the use of personal protective equipment, restricting non-essential travel, limiting guest levels within our facilities, and providing the necessary support and time if any one has to adhere to self-isolation requirements. To date all of our offices and facilities remain open.

The effects of the COVID-19 pandemic have had an impact on our operations and financial performance during the 12 months ended September 30, 2020, and we expect it will continue to affect our businesses for some period of time. In Q3 2020, in an effort to better align our cost structure with the current business environment, we undertook prudent measures to reduce expenses and manage short-term liquidity. As of the date of this report, we continue to operate with a keen focus on controlling costs while continuing to drive growth in revenues.

Since the outbreak of COVID-19 and the resulting emergency measures put in place by federal, provincial, state and local governments across North America, we have seen, and expect to continue to see, a direct, material adverse impact to many of the factors affecting our financial and operational performance. The extent of the impact of such emergency measures, will depend on future developments, including the duration and severity of COVID-19 in the markets in which we operate. At this time, we cannot forecast the full duration and magnitude of COVID-19 impacts, or the pace of recovery from the pandemic across our end markets, operations, and supply chains but the Company expects this pandemic to challenge our results of operations, financial position and cash flows in fiscal year 2021.

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 2020, we had two partners successfully complete remote installations and post year-end we have completed several other successful remote 10kW remote installations. The option to remotely install machines is dependent upon our partners' technical capacity and willingness. Some partners have chosen to wait until EnWave staff can be sent to their site for installation.

In order to complete the technically complex start-ups of large-scale machinery, EnWave will still need to send qualified technicians internationally to do the commissioning; the timing of these installations is highly dependent on international travel restrictions that are in place. At present, EnWave has two international 100kW REV™ lines awaiting commissioning – one in Costa Rica and another in Peru. As of the date of this MD&A, EnWave has sent personnel to both Costa Rica and Peru and expects both machines to be commercially operating in Q2 2021.

COVID-19's Impact on NutraDried's Business

In the early stages of the pandemic, COVID-19 had a significant impact on the distribution channels for NutraDried's products. During Q2 2020, many of our retail customers experienced significant disruptions to their supply chain and store operations caused by the pandemic. Many States imposed shelter-in-place orders early in the pandemic that caused a decrease in demand for on-the-go snack products, and while many retailers remained open as 'essential businesses', the number of store visits and consumer purchasing behaviour negatively impacted sales. Several of NutraDried's retail customers temporarily closed stores or modified operations and business hours to meet public health guidelines and evolving customer behaviours, including Starbucks which is an important customer for NutraDried. Additionally, many retailers in the U.S. that the company was targeting for new distribution temporarily delayed the addition of new products due to COVID-19, which on top of early travel restrictions challenged our ability to secure meetings with buyers to gain new points of distribution for Moon Cheese®.

As at the date of this report, the retail conditions in the U.S. have improved, with most stores now re-opening under strict COVID-19 preventative measures. While the severity of the pandemic in the U.S. is still high, with the possibility of additional lockdowns and retail closures still a reality, NutraDried's sales and distribution has improved since the start of the pandemic and management is optimistic regarding improved distribution in fiscal 2021. NutraDried's sales team continues to actively pursue new opportunities across multiple channels. Management anticipates that as retailers continue to re-open safely and retail supply chains stabilize, NutraDried will be able to secure new distribution for the Moon Cheese® product portfolio.

Overall Performance

For the year ended September 30, 2020, the Company had consolidated revenues of $32,883, compared to $42,842 in fiscal 2019, a decrease of 23% or $9,959. The Company had a consolidated net loss of $4,441 in fiscal 2020, compared to a consolidated net loss of $1,986 for fiscal 2019, an increase of $2,455. During fiscal year 2020, the Company generated lower machine revenue compared to the prior year due to fewer large-scale machine sales to the Canadian cannabis sector and international travel restrictions imposed due to COVID-19. Revenues from Moon Cheese® in fiscal 2020 were downwardly impacted by fewer product rotations at Costco as well as interruptions to retail distribution caused by the COVID-19 pandemic. The Company reported negative Adjusted EBITDA of $3,219 for fiscal 2020 compared to a positive $3,168 for fiscal 2019, a decrease of $6,387.

EnWave reported revenues of $9,934 for the fiscal year 2020 compared to $12,848 for the fiscal year 2019, a decrease of $2,914 or 23%. EnWave reported a segment loss of $2,341 for the fiscal year 2020 compared to $4,953 for the fiscal year 2019, an improvement of $2,612. The Company had four large scale and two highly customized 10kW machines in production during Q4 2020 and commissioned ten 10kW machines during the year.

NutraDried reported revenues of $22,949 for the year ended September 30, 2020, compared to $29,994 for the year ended September 30, 2019, a decrease of $7,045 or 23%. NutraDried reported segment loss of $2,100 for the year ended September 30, 2020, compared to income of $2,967 for the year ended September 30, 2019, a decrease of $5,067. NutraDried's revenues decreased primarily due to fewer product rotations of Moon Cheese® in Costco U.S. and required closures of various key retailers during the early stages of the COVID-19 pandemic, including all Starbucks locations, which disrupted order volumes and patterns. This was offset partially by increased online channel distribution.

Commercial Licensing and Partnership Development

Sub-License Agreement and Equipment Purchase Agreement with Cann Group

On October 22, 2019, the Company and Aurora signed a royalty-bearing sublicense agreement with Cann Group Ltd. ("Cann Group") in Australia. Cann Group purchased a 10kW REV™ machine to initiate commercial processing of cannabis at its facility in Australia.

License and Equipment Purchase Agreement with Helius Therapeutics Ltd.

On December 11, 2019, EnWave signed a royalty-bearing commercial license agreement and equipment purchase agreement with Helius Therapeutics Ltd. ("Helius"). Helius is the largest licensed medical cannabis company in New Zealand, with a state-of-the-art, large-scale indoor biotechnology facility located in Auckland. Helius purchased a 10kW REV™ machine to initiate commercial processing.

License and Equipment Purchase Agreement with Responsible Foods

On December 18, 2019, EnWave signed a royalty-bearing commercial license agreement and equipment purchase agreement with Responsible Foods to produce shelf-stable snacks using premium Icelandic raw materials. Responsible Foods is an innovative snack food company focused on producing a variety of unique and healthy food products including dairy, seafood, meat, microalgae, and seaweed in Iceland. Responsible Foods purchased a 10kW REV™ machine to initiate commercial processing.

Equipment Purchase Agreement with Fresh Business Peru

On December 31, 2019, EnWave signed an equipment purchase agreement with Fresh Business Peru for the delivery of a 100kW nutraREV® processing line. This is in addition to a 10kW REV™ machine previously purchased by Fresh Business. Fresh Business sources premium nutritious fruit and vegetable raw materials to be dried using the REV™ technology for export to international markets. The 100kW machine has been delivered to Fresh Business in Peru and the Company expects commissioning to be done in early 2021.

License Agreement and Equipment Purchase Agreement with Ballantyne Dairy

On January 8, 2020, EnWave signed a royalty-bearing commercial license agreement and equipment purchase agreement with KL Ballantyne Pty Ltd. ("Ballantyne Dairy"), a leading Australian dairy producer. Ballantyne Dairy purchased a 10kW REV™ machine to initiate commercial production.

License and Equipment Purchase Agreement with Pacifico Snacks

On January 23, 2020, EnWave signed a royalty-bearing commercial license agreement with Pacifico Snacks S.A.S. ("Pacifico Snacks") providing Pacifico Snacks with the exclusive rights to produce certain premium fruit snack products in Colombia. Pacifico Snacks purchased a 10kW REV™ machine to initiate commercial production for distribution to specialty retailers in the U.S. and other markets.

Installation of 3rd Large-Scale REV™ Machine at Milne MicroDried

In January 2020, the Company completed the installation and commissioning of the third 120kW REV™ processing line for Milne MicroDried, its royalty partner in Idaho, U.S. Milne MicroDried produces a variety of premium quality dried fruit and vegetable products using EnWave's technology, primarily for business to business sales, and pays EnWave a royalty based on a percentage of revenue generated from REV™ product sales.

Equipment Purchase Agreement with Calbee Inc.

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

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

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

Commissioning of The Green Organic Dutchman Holdings Ltd. 60kW

In June 2020, EnWave successfully installed a 60kW processing line for The Green Organic Dutchman Holdings Ltd. ("TGOD") in Ancaster, Ontario. This fully commissioned REV™ system producing high-quality flower products demonstrates the value proposition of using EnWave's technology for large-scale cannabis producers. The Company collected the first royalties from TGOD in Q4 2020.

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

On August 5, 2020, the Company signed an exclusive, royalty-bearing commercial license agreement and equipment purchase agreement for a 10kW REV™ machine with Orto Al Sole Di Gandini Claudio ("Orto Al Sole") in Italy to produce certain types of premium fruit and vegetable snack products using REV™ technology for the European market.

License Agreement with Dairy Concepts IRL

On September 15, 2020, the Company signed an exclusive, royalty-bearing commercial license agreement with Dairy Concepts IRL ("DCI"), an Irish operating company and a leader in innovative dairy snacks, to develop a portfolio of innovative sweet and savory, shelf-stable, all-natural, hand-held dairy snacks. DCI is paying a monthly fee to the Company to reserve exclusivity under the license agreement and must purchase a large-scale machine before December 31, 2021 in order to maintain the license.

Equipment Purchase Agreement with Metamount Schweiz AG

On September 23, 2020, the Company signed an equipment purchase agreement for a 10kW REV™ machine with Metamount Schweiz AG ("Metamount"). It was previously announced in Q1 2020, that it had signed a non-exclusive royalty-bearing license with Metamount for the use of EnWave's technology to dry medical hemp for cannabidiol extraction in Switzerland, and now Metamount purchasing a REV™ machine solidifies their commercial use of the technology.

Equipment Purchase Agreement with Intakt Snacks

On September 29, 2020, the Company signed an equipment purchase agreement for a 10kW REV™ machine with Lake Blue SpA d.b.a. Intakt Snacks™ ("Intakt Snacks"), a Chilean royalty partner of the Company. This is Intakt Snacks' second 10kW REV™ machine and increases capacity for the commercial production of dried cheese snacks in Chile to increase the distribution of its products as a result of recent growth and future expansion into the Chinese and Japanese markets.

Fabrication and Installation of Aurora Cannabis Inc. Equipment

Aurora has purchased two 120kW REV™ machines for installation at its facilities based in Alberta. The fabrication of the first 120kW machine is completed and the Company shipped the first machine in November 2020 to be installed at Aurora's facility. The Company expects to ship the second machine in early 2021. The timing of the installation and commissioning of the Aurora machinery depends on Aurora's readiness to receive the machinery, and at this time the Company cannot estimate when the installation will occur. As of the date of this report, both machines have been paid for in full by Aurora.

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 will be installed in its R&D 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.

Termination of Tilray License

In November 2020, the Company and Tilray Canada Ltd. ("Tilray") mutually agreed to terminate the commercial license agreement between the companies. Tilray made the operational decision to not use REV™ for large-scale drying in its operations. EnWave's technology has proven to create value within large-scale cannabis post-harvest operations, and management does not believe this to be indicative of the quality or performance of EnWave's technology for cannabis processing.

Equipment Purchase Agreement and License Agreement with NuWave Foods

On November 23, 2020, the Company signed a commercial license agreement with NuWave Foods, Inc ("NuWave Foods"), a Canadian company focussed on launching innovative shelf-stable bakery products and donuts. NuWave Foods paid an initial non-refundable deposit to secure the purchase of both a 10kW and 60kW REV™ machine and must submit the remainder of the deposit in February 2021 in order to maintain the license agreement and secure the equipment purchases.

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 in Spain. The Company previously signed a royalty-bearing commercial license agreement with Torres in fiscal year 2019, and this purchase marks another scale-up from a 10kW machine to a large-scale machine by a global royalty partner.

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 U.S. Nippon Trends purchased a 10kW REV™ machine to initiate commercial production of dehydrated ramen noodles in Canada.

Royalty Partner Pipeline

Despite the challenges presented by international travel restrictions brought on by the COVID-19 pandemic, EnWave's royalty partner pipeline is robust with several prospective royalty partners evaluating REV™ technology. The international travel restrictions in place paired with measures taken by current and prospective royalty partners to reduce costs and defer capital projects resulted in many equipment purchase decisions targeted to take place in March through August to be delayed. Since August, commercial interests in the Company's technology has rebounded significantly, and management expects an acceleration of the global deployment of REV™ technology in 2021.

The Company rents REV™ machinery to companies evaluating the technology for specific product applications under Technology Evaluation and License Option Agreements ("TELOAs"). 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 R&D facilities and product development expertise. EnWave's food scientists and engineers work with the prospective licensees during the term of the TELOA to formulate and optimize innovative products using REV™, and develop a path towards commercialization.

EnWave's current sales pipeline comprises multiple 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 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™.

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
The Green Organic Dutchman (1)	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Fresh Business	100kW	Fruits and vegetables	Peru
Pitalia	100kW	Fruits and vegetables	Costa Rica
Cann Group	10kW	Cannabis	Australia
Calbee	10kW	Fruits and vegetables	Japan
Calbee	10kW	Fruits and vegetables	Japan

Orto Al Sole	10kW	Fruits and vegetables	Italy
Lake Blue (Intakt Snacks)	10kW	Cheese Snacks	Chile
GEA Lyophil GmbH	4kW	Pharmaceuticals	Germany
Patatas Fritas Torres	100kW	Dairy	Spain
Nippon Trends	10kW	Ramen Noodles	Canada

Notes:

(1) The Company has paused manufacturing activity on the machine at the request of the royalty partner and will re-start construction once the royalty partner confirms an installation plan.

NutraDried Food Company

NutraDried completed the re-branding and re-launch of the Moon Cheese® brand in Q2 2020. This included the launch of new packaging, the release of three new flavours: bacon cheddar, black pepper white cheddar and garlic parmesan, the launch of a new single-serve 1oz package size, and a new Moon Cheese® website (www.mooncheese.com). The re-launch was focussed around making the Moon Cheese® brand more appealing to our target demographic cohorts of consumers, aiming to create better awareness of the superior macro-nutritional attributes of the product relative to other substitutable products and having better shelf-appeal.

NutraDried has made significant investments in the brand and internal sales infrastructure that are part of the current strategy to grow the number of points of distribution and increase velocities. The launch of the 1oz package size has been designed for distribution into the convenience store channel, food service channel and checkout lanes in the grocery channel. The Company has expanded its internal sales and marketing team to now comprise seven full-time professionals. The Company is cognisant that 2021 financial performance must improve greatly to support this level of internal staffing.

The overall volume of sales at NutraDried decreased in 2020 relative to 2019, and the decrease was primarily attributed to lower sales volumes to Costco, a single customer. Sales volumes to channels outside of Costco, including grocery and online, improved significantly in 2020 compared to 2019. Moon Cheese® distribution to Costco is highly variable and is done on a regional rotation basis, with each of the eight regional divisions making independent purchase decisions. Costco remains an important component to the sales strategy for the Company and the sales team is focussed on securing additional product rotations with Costco when possible.

NutraDried's strategy is to continue to grow its core distribution in the U.S. mainstream retail grocery channel by securing national retail accounts and smaller regional accounts, and by penetrating new channels with its expanding portfolio of products, including the convenience store channel and food service channel. Many new distribution opportunities were delayed or disrupted by the COVID-19 pandemic; however, in recent months the Company's ability to execute its sales tactics has improved, and the Company expects to secure impactful new points of distribution in fiscal year 2021.

Moon Cheese Approved for National Costco Promotion

During Q4 2020, NutraDried executed a one-month national promotion with Costco in the U.S. for the 10oz Cheddar product, where the product will be sold in all eight regions of Costco under a "buy one, get one" or "BOGO" discount. The Company shipped the majority of product for the promotion by September 30, 2020, with some re-orders and shipments in October as well. The BOGO promotion ran in all U.S. Costco stores for the month of October. This national distribution opportunity with Costco was confirmed at a substantial discount and resulted at a much lower than typical gross margin. However, it liquidated a substantial portion of NutraDried's inventory position and has improved NutraDried's balance sheet and liquidity.

Cheese Pricing Volatility

The commodity pricing of bulk cheese has fluctuated significantly since the start of the COVID-19 pandemic, which has impacted supply chains and consumer behavior. The U.S. government intervention aimed at supporting the dairy industry and lifting cheese prices has added to the volatility. Cheese pricing for 40-pound cheddar block on the Chicago Mercantile Exchange ("CME") went from US $1.00/lb in mid-April to US $2.57/lb in September, an increase of 157%. 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, 2020 reported in Canadian dollars, the Company's presentation currency:

	2019				2020			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
Revenues	7,806	8,773	10,075	16,188	8,609	7,492	5,998	10,784
Direct costs	(4,769)	(5,653)	(7,217)	(11,597)	(5,413)	(5,629)	(4,441)	(8,629)
Gross profit	3,037	3,120	2,858	4,591	3,196	1,863	1,557	2,155
Expenses	(2,736)	(3,062)	(4,149)	(4,756)	(4,777)	(3,907)	(3,542)	(3,184)
Other income	-	-	-	-	-	-	690	929
Income tax (expense) recovery	(316)	(282)	(31)	(260)	155	194	129	101
Net (loss) income after income tax	(15)	(224)	(1,322)	(425)	(1,426)	(1,850)	(1,166)	1
Adjusted EBITDA(1)	1,163	1,002	139	864	(743)	(1,462)	(1,034)	20
Loss per share – Basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.00)
Total assets	23,781	28,114	40,316	43,250	40,139	39,704	38,190	40,663
Total liabilities	5,348	8,919	9,447	12,306	10,075	10,194	9,885	12,312

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

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

The revenues and gross profit also vary from quarter to quarter depending on the timing of Moon Cheese® product rotations at Costco, a major customer. Revenues for Q4 2020 are higher than the previous three quarters due to higher Moon Cheese® sales to Costco as a result of the recent BOGO promotion. In Q3 2020, revenues from Moon Cheese were lower due to retail customers in the U.S. closing physical locations during the early stages of the COVID-19 pandemic lockdown. Gross margin in Q4 2020 was lower than in Q4 2019 due to increased trade spending at NutraDried and higher block cheese pricing.

The Company's expenses decreased in Q3 and Q4 2020 due to the various cost containment measures undertaken to counter the impact of COVID-19 on the Company's operations and preserve liquidity and reduce non-essential expenses across both business segments. The decrease is offset by severance costs paid in relation to the COVID-19 employee terminations in Q2 2020, and expanding the sales and marketing resources at NutraDried, as well as marketing costs associated with the re-launch of the Moon Cheese® brand in Q1 2020. The Adjusted EBITDA was positive quarterly throughout 2019 and was negative for the first three quarters of 2020 due to lower NutraDried sales and related gross margin, as well as higher fixed costs related to sales and marketing at NutraDried.

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)	**2020**	**2019**	**2018**
Revenues	32,883	42,842	22,825
Net loss for the year	(4,441)	(1,986)	(945)
Per share, basic & diluted	(0.04)	(0.02)	(0.01)
Comprehensive loss for the year	(4,360)	(1,840)	(746)
Adjusted EBITDA(1)	(3,219)	3,168	2,932
Total assets	40,663	43,250	22,162
Long term liabilities	1,619	595	493
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 2021. NutraDried generates revenue from the sale of Moon Cheese® into retail and wholesale distribution channels, as well as co-manufacturing contracts.

($ '000s)	**2020**	**2019**
Revenue	32,883	42,842

Revenue for the year ended September 30, 2020 was $32,883, compared to $42,842 for the year ended September 30, 2019, a decrease of $9,959. The decrease in revenues for the year ended September 30, 2020 was primarily due to lower Moon Cheese® sales by NutraDried, and a decrease in machine sales as a result of delays in commissioning machines due to COVID-19 travel restrictions and lower purchase order volume for large-scale machinery in fiscal year 2020 relative to 2019. The timing and frequency of each large-scale commercial machine order affects the timing of our revenues from the sale of REV™ machinery.

Quarterly Revenue	**2019**				**2020**			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
EnWave	1,478	2,009	5,075	4,286	4,555	2,169	1,609	1,601
NutraDried	6,328	6,764	5,000	11,902	4,054	5,323	4,389	9,183
Total	7,806	8,773	10,075	16,188	8,609	7,492	5,998	10,784

EnWave had revenue of $9,934 for the year ended September 30, 2020, a decrease of $2,914 compared to the revenue of $12,848 for the year ended September 30, 2019. The decrease in revenue of EnWave is primarily due to a decrease in number of large-scale commercial equipment contracts for new REV™ equipment relative to prior year. The macroeconomic conditions caused by COVID-19 paired with the inability to travel internationally for sales and large-scale installations has delayed the purchase decisions of several key royalty partners, and the Company is working closely with these companies to attempt to secure new orders when conditions improve. During 2020, the Company received several 10kW machine orders 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 $835 for 2020 compared to $735 for 2019, an increase of $100. These royalties do not include the royalties paid by NutraDried as they are eliminated in the consolidated financial statements. Including the NutraDried royalty, EnWave generated royalties of $2,237 for 2020 compared to $2,565 for 2019, a decline of $328. Royalties are payable to EnWave as a percentage of the value of products sold or based on the number of units produced by our royalty partners. We also stipulate minimum annual royalty thresholds in our commercial license agreements that must be met by the licensee in order for the licensee to retain exclusivity. 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 $22,949 for the year ended September 30, 2020 compared to $29,994 for the year ended September 30, 2019, a decrease of $7,045. Revenues in 2020 decreased due to fewer regional product rotations of Moon Cheese® to Costco U.S. and to several other retailers in the U.S. that were mandated to close during the early stages of the COVID-19 pandemic outbreak, including Starbucks. These decreases were offset in 2020 by growth in NutraDried's online sales, including its own webstore and Amazon Prime in the U.S. We expect that NutraDried's revenue will continue to grow over time as we continue to pursue new customers and additional points of distribution for Moon Cheese®.

NutraDried has customer concentration risk with one significant customer, Costco. Revenue from sales to Costco represented 27% of total consolidated revenues for the year ended September 30, 2020.

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)	**2020**	**2019**
Direct costs	24,112	29,236
% of revenue	73%	68%

Direct costs for the year ended September 30, 2020 decreased by $5,124, or 18% compared to the year ended September 30, 2019. 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, 2020 increased by 5% compared to the year ended September 30, 2019.

During the year ended September 30, 2020, EnWave Canada yielded a ratio of direct costs to revenue of 71%, compared to 95% during the year ended September 30, 2019. The increase in gross margin is due to additional revenue recognized in the period related to additional payments received for large-scale machine orders that were cancelled by certain royalty partners, as well as measures taken by the company to reduce manufacturing overhead. During the fiscal year 2020, EnWave reduced manufacturing headcount and subleased additional warehouse space to reduce its fixed manufacturing overhead. We expect our margins will improve as the portfolio of high-margin royalty revenues grows through the installation of additional machinery and commercial success of EnWave's royalty partners.

The ratio of direct costs to revenue was 75% for NutraDried for the year ended September 30, 2020, compared to 56% in the year ended September 30, 2019. The decrease to gross margin was driven by increased trade spending for the Q4 Costco BOGO promotion, higher block cheese pricing in 2020 compared to 2019, and lower fixed overhead absorption due to lower production volume. Management expects that when production volumes increase at NutraDried that gross margin will improve.

Direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices have increased throughout 2020, and in Q3 and Q4 2020, the volatility in block cheese pricing increased direct costs. We continuously monitor the impact of commodity price fluctuations and 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)	**2020**	**2019**
General and administration	5,469	4,329
% of revenue	17%	10%

G&A expenses for the year ended September 30, 2020 were $5,469 compared to $4,329 for the year ended September 30, 2019, an increase of $1,140. The increase in G&A expenses for the year was largely driven by growth in the personnel costs, administrative costs and professional services incurred in the first half of the year. During the second half of the year, the Company took steps to reduce G&A expenses but did incur severance costs associated with the reduction in employee headcount. G&A expenses also increased at the EnWave level due to additional costs related to the recruitment of three strategic hires, including two new board members, and legal fees associated with the setup of licensing to the U.S. cannabis industry.

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.

($ '000s)	**2020**	**2019**
Sales and marketing	6,470	5,787
% of revenue	20%	14%

S&M expenses for the year ended September 30, 2020 were $6,470 compared to $5,787 for the year ended September 30, 2019, an increase of $683.

S&M expenses for EnWave were $1,408 for the year ended September 30, 2020 compared to $1,466 for the year ended September 30, 2019, a decrease of $58. The decrease in S&M expenses was primarily due to a decrease in attendance at trade shows during the period offset by personnel related costs and commission fees paid on certain REV™ machine sales. 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 $5,062 for the year ended September 30, 2020 compared to $4,321 for the year ended September 30, 2019, an increase of $741. The increase in S&M expenses for the year ended September 30, 2020 was primarily due to the expansion of NutraDried's internal sales and marketing team as well as additional marketing campaigns. The increase in S&M expenses is part of the Company's strategy to invest in NutraDried's sales infrastructure to grow distribution across multiple channels in the near term.

Research and development

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

($ '000s)	**2020**	**2019**
Research and development	1,989	1,692
% of revenue	6%	4%

R&D expenses for the year ended September 30, 2020 were $1,989 compared to $1,692 for the year ended September 30, 2019, an increase of $297. Our R&D expenses fluctuate depending on the timing and filing of additional patents and patent maintenance fees related to the Company's intellectual property, and NutraDried's new product development activities. R&D expenses for the year increased primarily due to expenses related to new product development at NutraDried. The Company will incur R&D expenses as part of its strategy to file for new intellectual property registrations and to develop and launch new products through NutraDried.

Stock-based compensation

Stock-based compensation expense was $1,383 for the year ended September 30, 2020, compared to $1,821 for the year ended September 30, 2019. 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. The Company made three grants of stock options in December 2019, February 2020 and June 2020 that have related expenses recorded over an eighteen-month vesting period.

($ '000s)	**2020**	**2019**
Stock-based compensation	1,383	1,821

Amortization of intangible assets

Amortization of intangible assets for the year ended September 30, 2020 was $248 compared to $391 for the year ended September 30, 2019. 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, 2020.

($ '000s)	**2020**	**2019**
Amortization of intangible assets	248	391

Foreign exchange gain

Foreign exchange gain for the year ended September 30, 2020 was $50 compared to the gain of $9 for the year ended September 30, 2019. 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)	**2020**	**2019**
Foreign exchange gain	50	9

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. EnWave received $658 in financial relief from the Canadian federal government under the CEWS program to subsidize payroll costs. These CEWS funds received are non-repayable to the government as long as the Company continues to meet the eligibility criteria.

NutraDried received a forgivable loan for $961 (US $704) from the U.S. federal government under the Paycheck Protection Program ("PPP"), of which $961 has been recognized as other income based on the portion of the loan that is eligible for forgiveness as at the end of the period when there is reasonable assurance that the terms of forgiveness will be met. The Company has not yet applied for loan forgiveness under the PPP and plans to apply for loan forgiveness as soon as the application process becomes available through the financial institution that issued the funds.

($ '000s)	**2020**	**2019**
Other income	1,619	-

Income taxes

Income tax recovery was $579 for the year ended September 30, 2020, compared to the expense of $889 for the year ended September 30, 2019. 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)	**2020**	**2019**
Current tax (recovery) expense	(496)	691
Deferred tax (recovery) expense	(83)	198
Income tax (recovery) expense	(579)	889

Fourth Quarter Highlights

During the three months ended September 30, 2020, the Company reported revenues of $10,784 compared to $16,188 for the three months ended September 30, 2019, a decrease of $5,404. During the three months ended September 30, 2020, the Company reported a consolidated net income of $1 compared to a consolidated net loss of $425 for the three months ended September 30, 2019, a decrease of $426. The improvement in consolidated net loss for the fourth quarter is primarily attributed to SG&A expense containment measures implemented by the Company as well as government assistance from COVID-19 stimulus programs recognized during the period.

The Company reported Adjusted EBITDA of $20 for the three months ended September 30, 2020 compared to $864 for the three months ended September 30, 2019, a decrease of $844. The Adjusted EBITDA for the three months ended September 30, 2020 of $20 was an improvement upon the first three quarters of fiscal year 2020, where the Company reported negative Adjusted EBITDA. Adjusted EBITDA is a non-IFRS financial measure; refer to the *Non-IFRS Financial Measures* section in this MD&A.

	Three months ended September 30,	
	2020 **$**	**2019** **$**
Revenues	**10,784**	16,188
Direct costs	**(8,629)**	(11,597)
	2,155	4,591
Expenses		
General and administration	**939**	1,164
Sales and marketing	**1,282**	2,524
Research and development	**577**	317
Stock-based compensation	**227**	511
Amortization of intangible assets	**62**	54
Loss on disposal of assets	**34**	259
Other income	**(929)**	-
Foreign exchange loss	**92**	3
Finance income, net	**(29)**	(76)
	2,255	4,756
Loss for the period before income taxes	**(100)**	(165)
Income tax (recovery) expense		
Current	**(86)**	116
Deferred	**(15)**	144
Net income (loss) for the period	**1**	(425)

Revenue

EnWave had revenue of $1,601 for the three months ended September 30, 2020 compared to $4,286 for the three months ended September 30, 2019, a decrease of $2,685. The decrease in revenue for the three months ended September 30, 2020 relative to September 30, 2019 is due to lower purchase order volume for machinery in the fourth quarter of 2020 relative to 2019. EnWave earned royalties of $144 during the three months ended September 30, 2020 compared to $224 for the three months ended September 30, 2019, a decrease of $80.

Revenues from NutraDried were $9,183 for the three months ended September 30, 2020 compared to $11,902 for the three months ended September 30, 2019, a decrease of $2,719. The decrease in revenue for the fourth quarter was due to an increase in trade spending with Costco on the Q4 2020 BOGO promotional program relative to the Q4 2019 national coupon promotion with Costco.

	Three months ended September 30,	
($ ‘000s)	**2020**	**2019**
Revenue	10,784	16,188

Direct costs

Direct costs for the three months ended September 30, 2020 were $8,629 compared to $11,597 for the three months ended September 30, 2019, a decrease of $2,968. The decrease to direct costs was attributed to both NutraDried’s lower sales and EnWave’s decrease in machine production and the related cost of fabricating machinery. Direct costs as a percentage of revenues for the three months ended September 30, 2020 was 80%, compared to 72% for the three months ended September 30, 2019, an increase of 8%. The decrease in margin was primarily a result of higher trade spending related to the NutraDried’s Costco BOGO promotional program.

	Three months ended September 30,	
($ ‘000s)	**2020**	**2019**
Direct costs	8,629	11,597
% of revenue	80%	72%

General and administration

G&A expenses for the three months ended September 30, 2020 were $939 compared to $1,164 for the three months ended September 30, 2019, a decrease of $225. The decrease is primarily due to the implementation of a cost containment strategy in response to COVID-19 to reduce corporate administrative expenses which resulted in lower personnel costs, professional fees, legal expenses, and investor relations expenses. The Company plans to operate into fiscal year 2021 under this cost containment strategy.

	Three months ended September 30,	
($ ‘000s)	**2020**	**2019**
General and administration	939	1,164
% of revenue	9%	7%

Sales and marketing

S&M expenses for the three months ended September 30, 2020 were $1,282 compared to $2,524 for the three months ended September 30, 2019, a decrease of $1,242. The decrease to S&M expenses in the quarter was driven primarily by lower marketing and branding expenses at NutraDried, as well as lower tradeshow and travel costs. The international travel restrictions in place have prevented the Company from attending tradeshows and visiting international customers; however, once global travel conditions improve the Company plans to intensify its travel and tradeshow attendance as part of its commercialization strategy.

	Three months ended September 30,	
($ '000s)	**2020**	**2019**
Sales and marketing	1,282	2,524
% of revenue	12%	16%

Research and development

R&D expenses for the three months ended September 30, 2020 were $577 compared to $317 for the three months ended September 30, 2019, an increase of $260. R&D expenses increased primarily due to more NutraDried product development activities offset by a decrease in expenses related to filing of new patents.

	Three months ended September 30,	
($ '000s)	**2020**	**2019**
Research and development	577	317
% of revenue	5%	2%

Stock-based compensation

Stock-based compensation expense was $227 for the three months ended September 30, 2020, compared to $511 for the three months ended September 30, 2019. 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)	**2020**	**2019**
Stock-based compensation	227	511

Amortization of intangible assets

Amortization of intangible assets for the three months ended September 30, 2020 was $62 compared to $54 for the three months ended September 30, 2019. The amortization expense remained consistent for the three months ended September 30, 2020 compared to the three months ended September 30, 2019.

	Three months ended September 30,	
($ '000s)	**2020**	**2019**
Amortization of intangible assets	62	54

Other income

Other income for the three months ended September 30, 2020 was $929 compared to $nil for the three months ended September 30, 2019. Other income relates to government assistance the Company received due to the COVID-19 pandemic. For the three months ended September 30, 2020, EnWave received $322 in financial relief from the Canadian federal government under the CEWS program to subsidize payroll costs. NutraDried recognized $607 in other income in relation to the forgivable loan from the U.S. federal government's Paycheck Protection Program.

	Three months ended September 30,	
($ '000s)	**2020**	**2019**
Other income	929	-

Liquidity and Capital Resources

Working capital

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

($ '000s)	**September 30, 2020**	**September 30, 2019**
Current Assets		
Cash and cash equivalents	**14,712**	18,665
Restricted cash	**250**	250
Trade receivables	**10,992**	10,329
Due from customers on contract	**356**	1,557
Inventory	**7,117**	5,986
Prepaids and other receivables	**692**	942
Income taxes receivable	**742**	98
	34,861	**37,827**
Current Liabilities		
Borrowings	**667**	-
Trade and other payables	**7,704**	8,791
Amounts due to related parties	**-**	44
Customer deposits and deferred revenue	**1,771**	2,768
Current portion of lease liabilities	**427**	-
Current portion of other liability	**124**	108
	10,693	**11,711**
Working Capital	**24,168**	**26,116**

As at September 30, 2020, the Company had working capital of $24,168, compared to $26,116 as at September 30, 2019. As at September 30, 2020, the cash and cash equivalents balance was $14,712 compared to $18,665 as at September 30, 2019, a decrease of $3,953. The change in cash and cash equivalents is primarily due to the increase to the Company's inventory and trade receivables, reduced trade and other payables, offset by the collection of deposits received from customers on machine purchases and government subsidies. The Company had net cash outflows from operating activities of $4,130 for the year ended September 30, 2020.

EnWave had trade receivables of $996 as at September 30, 2020, compared to $1,356 at September 30, 2019, and NutraDried had trade receivables of $9,996 at September 30, 2020 compared to $8,973 at September 30, 2019. The decrease in EnWave's trade receivables relates to the net collections of deposits and performance milestones completed on equipment purchase contracts. The increase to NutraDried's trade receivables relates to sales to Costco in the fourth quarter. As at September 30, 2020, the Company has recorded a provision for expected credit losses of $nil (2019 - $58).

Due from customers on contract as at September 30, 2020 was $356 compared to $1,557 as at September 30, 2019, with the decrease related to amounts being billed to customers. 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, 2020 includes completed machines and machine components of EnWave of $2,939, which is an increase of $741 compared to September 30, 2019. The inventory of EnWave relates to 10kW machines used for rentals and those under fabrication, as well as, parts for larger machines. The increase in inventory is primarily due to the four 10kW REV™ machines that were ready to be installed but have been put on hold as a result of travel restrictions put in place to reduce the spread of COVID-19 or are awaiting to be remotely installed or are awaiting to be shipped to the customer.

NutraDried's food product and packaging supplies inventory was $4,178, compared to $3,788 at September 30, 2019, an increase of $390. NutraDried's inventory increased due to additional finished goods on-hand at September 30, 2020 that was shipped in October 2020 for a national promotion at Costco.

NutraDried had current borrowings of $667 as at September 30, 2020 that relate to draws on the line of credit facility, compared to $nil as at September 30, 2019. NutraDried maintains a line of credit facility to assist with short-term, temporary working capital needs.

Trade and other payables as at September 30, 2020 include $1,638 of trade payables and accrued liabilities related to EnWave, compared to $2,312 on September 30, 2019. Trade and other payables fluctuate depending on the timing of material purchases and payments related to equipment construction contracts, as well as personnel costs and related accruals. Trade and other payables of NutraDried were $6,066, compared to $6,479 on September 30, 2019, with the decrease associated with the payment of trade and promotional expenses that were accrued at September 30, 2019.

Financing and liquidity

Cash and cash equivalents were $14,712 at September 30, 2020 compared to $18,665 at September 30, 2019. As at September 30, 2020, we had net working capital of $24,168 compared to $26,116 at September 30, 2019. The change in cash consists of:

($ '000s)	**2020**	**2019**
Cash from (used in) operating activities	**(4,130)**	(2,413)
Cash used in investing activities	**(491)**	(2,062)
Cash from financing activities	**678**	14,025

During the year ended September 30, 2020, the Company received $1,619 from various government subsidies in response to the impacts of COVID-19. We believe that our current working capital surplus of $24,168 is sufficient to meet our financing needs, maintain right-sized operations and to grow over the mid-term. We also have the sufficient capital necessary to fund the approximate $1,500 needed to launch REVworx™. We structure our machine purchase and installation contracts with a deposit payable at the time of order, which provides advanced liquidity for the construction of the machine.

NutraDried has a demand line of credit with a Washington State bank with a credit limit of US$500 that has been fully drawn down to meet short-term liquidity needs. NutraDried maintains the line of credit facility to fulfill short-term working capital requirements.

The Company is working to fund operations through cash flows generated from machine sales and royalties from the commercialization of *nutra*REV® and *quanta*REV® technologies. The Company is not exposed to any externally imposed capital requirements. While we plan to fund our operations through sales of 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.

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

The ability to achieve our 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.

Capital expenditures

During the year ended September 30, 2020, we incurred capital expenditures of $687 (2019 - $2,469), related to plant and equipment. NutraDried accounted for $573 (2019 - $1,583) of the capital expenditures for the period with additions to production equipment. EnWave accounted for $114 (2019 - $886) for office assets and manufacturing equipment.

The Company has announced a capital project of approximately $1.5 million for EnWave to build-out its REVworx™ toll manufacturing facility. This project will include preparing our facility to install and operate a large-scale REV™ processing line and equipment, as well as purchasing auxiliary food processing and packaging equipment. Based on our current projections, we believe we will have our facility ready for commercial food production in early calendar year of 2021. As at September 30, 2020, the Company did not have any contractual capital expense commitments related to the project.

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

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, 2020:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Borrowings	667	3	197	867
Trade and other payables	7,704	-	-	7,704
Lease liabilities	427	840	179	1,446
Other liability	124	132	-	256
Total	**8,922**	**975**	**376**	**10,273**

Transactions with Related Parties

During the year ended September 30, 2020, 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, 2020 and 2019:

($ '000s)	**Three months ended September 30,**		**Years ended September 30,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Directors' fees	**50**	40	**190**	136
Stock-based compensation	**67**	214	**330**	287
	117	254	**520**	423

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,**	
	2020	2019	**2020**	2019
	$	$	**$**	$
Salaries, bonuses, and short-term employee benefits	**239**	233	**1,468**	1,169
Stock-based compensation	**119**	300	**650**	733
	358	533	**2,118**	1,902

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 $705 (2019 - $955).

Impairment of inventory

The Company measures inventory at the lower of cost and net realizable value, and in the event the net realizable value exceeds cost, 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 we 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 we apply estimates in 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 not exceeding one year. 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.

New accounting standards adopted during the period

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

IFRS 16 - Leases

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

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

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

For leases that were classified as operating leases under IAS 17, lease liabilities at transition have been measured at the present value of remaining lease payments, discounted at the related incremental borrowing rates as at October 1, 2019. Generally, right-of-use assets at transition have been measured at an amount equal to and adjusted for any prepaid or accrued rent relating to that lease. For certain leases where we have readily available information, we have elected to measure the right-of-use assets at their carrying amounts since the lease commencement date using the related incremental borrowing rate for the remaining lease periods as at October 1, 2019. The incremental borrowing rate applied to the lease liabilities on October 1, 2019 was 8.0%.

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

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

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

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

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

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

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

Leases

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

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

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

Lease accounting

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

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

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

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

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

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

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

IAS 20 – Government Grants

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

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

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

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 liabilities as at September 30, 2020 was $1,446 (2019 - $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 other liability as at September 30, 2020 was $256 (2019 - $355) 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, 2020, and 2019.

Financial risk factors

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

Credit risk

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

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables and due from customers on contract. Prior to issuing credit, management reviews the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables and due from customers on contract by maintaining ongoing close contact with customers, by requiring commercial letters of credit, and by reviewing individual account balances, and proactively following up on overdue amounts. The Company maintains a provision for credit losses relating to specific losses estimated on individual exposures. As at September 30, 2020, the Company has recorded a $nil (2019 - $58) provision for expected credit losses.

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

The Company transacts with a number of Canadian and U.S. 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, 2020:

	Neither past due nor impaired	**Past due but not impaired**		
($ '000s)	**0 – 30**	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	9,764	1,180	48	-
Due from customers on contract	356	-	-	-
Total	10,120	1,180	48	-

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, 2020, 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, 2020, the Company had cash and cash equivalents of $14,712 to settle current liabilities of $10,586.

Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash and cash equivalents and restricted cash	14,712	-	250	-
Trade receivables	10,336	656	-	-
Due from customers on contract	-	356	-	-
Income taxes receivable	742	-	-	-
Total	25,790	1,012	250	-

Financial liabilities, excluding other liability, maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Borrowings	667	-	-	200
Trade and other payables	7,583	-	121	-
Lease liabilities	26	71	330	1,019
Total	8,276	71	451	1,219

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, 2020 ranged from 0.40% to 2.10% (2019 - 1.85% to 2.30%). A 1% change in interest rates would affect the results of operations by approximately $139 (2019 - $106).

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, 2020, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. At September 30, 2020 and 2019, the Company held no foreign exchange contracts. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's loss for the years ended September 30, 2020 and 2019 as follows:

($ '000s) Currency	**2020**	**2019**
US dollar	18	146

Capital management

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

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

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

Non-IFRS Financial Measures

In addition to results reported in accordance with IFRS, EnWave also uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. Non-IFRS financial measures include NutraDried Royalties and Adjusted EBITDA. Management believes that these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of business trends.

We reference the NutraDried royalty payment to the Company which is an intercompany transaction that is eliminated upon consolidation from revenue as reported in the Company's 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, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*	*Sep 30, 2020*
NutraDried Royalty	357	366	270	837	208	288	236	670
Intercompany Revenue Adjustment(1)	(357)	(366)	(270)	(837)	(208)	(288)	(236)	(670)
Revenues(2)	7,806	8,773	10,075	16,188	8,609	7,492	5,998	10,784
Revenues	7,806	8,773	10,075	16,188	8,609	7,492	5,998	10,784

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.

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

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

	Year ended September 30,		
($ '000s)	**2020**	**2019**	**2018**
Net loss after income tax	(4,441)	(1,986)	(945)
Amortization and depreciation	2,038	2,020	1,978
Stock based compensation	1,383	1,821	545
Foreign exchange (gain) loss	(50)	(9)	11
Finance income, net	(116)	(179)	(60)
Income tax (recovery) expense	(579)	889	538
Non-recurring impairment and restructuring costs	165	612	865
Government grants	(1,619)	-	-
Adjusted EBITDA	(3,219)	3,168	2,932

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

($ '000s)	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*	*Dec 31, 2019*	*Mar 31, 2020*	*Jun 30, 2020*	*Sept 30, 2020*
Net loss (income) after income tax	(15)	(224)	(1,322)	(425)	(1,426)	(1,850)	(1,166)	1
Amortization and depreciation	578	492	359	591	359	407	513	759
Stock-based compensation	357	452	501	511	468	374	314	227
Foreign exchange gain (loss)	(55)	30	13	3	45	(338)	151	92
Finance income, net	(18)	(30)	(55)	(76)	(34)	(26)	(27)	(29)
Income tax expense (recovery)	316	282	31	260	(155)	(194)	(129)	(101)
Non-recurring impairment and restructuring costs	-	-	612	-	-	165	-	-
Government assistance	-	-	-	-	-	-	(690)	(929)
Adjusted EBITDA	1,163	1,002	139	864	(743)	(1,462)	(1,034)	20

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 2020 Annual Information Form. Additional risks and uncertainties applicable to the forward-looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; EnWave will become involved in material litigation; material defects and component quality of parts and raw materials sourced from EnWave suppliers; unforeseen changes to food safety and compliance regulations in the U.S. food processing industry; R&D efforts may not result in the creation of new or enhanced products in a timely or cost-effective fashion or at all; EnWave's royalty partners' and licensees' unwillingness to continue doing business with EnWave on favourable terms or at all; EnWave's business development efforts may not result in increased vertical and market penetration in the global dehydration industry; EnWave's technology may not function as intended or be suitable for the end users it is intended for; unknown or unexpected defects with EnWave's technology that are not correctable in a timely or cost-effective fashion or at all; necessary additional financing may not be available on favourable terms or at all; inability to recruit and retain qualified personnel; legal or regime changes, including changes to import and export requirements of foreign jurisdictions; political risk of domestic and foreign nations; war, terrorism, rebellion, revolt, protests, or other civil conflict; unionization, strikes or labour unrest; the global economic climate; general market trends; EnWave's intellectual property may not be sufficiently protected against third party infringement or misappropriation; EnWave's products may materially infringe on a third party's intellectual property rights; the ongoing ability and desirability of licensees to continue paying EnWave patent licensing royalties on a timely basis or at all; material litigation may arise; material unexpected costs related to EnWave's technology liability or warranty; loss of Starbucks and/or Costco as customer(s) of NutraDried; produce recalls or other food safety issues and regulatory actions could arise; information technology data and security breaches; fire, flood, earthquake, or other natural events; failure to obtain necessary permits, certifications, and authorizations; foreign currency fluctuations; dairy and other food commodity pricing fluctuations; share price volatility; unfavourable legal environments for the deployment of REV™ machinery for cannabis processing in certain jurisdictions; deficiencies in accounting policies or internal controls and procedures over financial reporting; insufficiency of insurance; unavailability of certain tax credits; 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, 2020		**December 18, 2020**	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	111,409,755	N/A	111,476,755	N/A
Options				
Outstanding	6,975,667	$1.46	7,096,667	$1.45
Exercisable	4,671,085	$1.42	5,086,669	$1.47
RSRs				
Outstanding	790,000	$1.16	750,000	$1.13
Warrants				
Investor warrants	7,774,202	$1.40	5,012,202	$1.50

As of the date of this MD&A, the Company has 111,476,755 common shares issued and outstanding. We maintain a Stock Option Plan (the "Option Plan") that enables us to grant options to directors, officers, employees and consultants. We maintain a Restricted Share Rights Plan (the "RSR Plan") that enables us to grant RSRs to directors, officers, employees and consultants. The Option Plan and RSR Plan permits the granting of compensation securities up to an aggregate maximum of 10% of our issued and outstanding common shares from time to time on a non-diluted basis, and the maximum number of RSRs granted thereunder is further limited to 1,895,000.

Off-balance Sheet Arrangements

As of the date of this report, there are no 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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