



E N W Λ V E
C O R P O R A T I O N

Third Quarter 2018
Management Discussion and Analysis

Nine months ended June 30, 2018

(expressed in thousands of Canadian dollars)

Dated: August 27, 2018

**ENWAVE CORPORATION
("EnWave" or "the Company")****MANAGEMENT DISCUSSION AND ANALYSIS
THIRD QUARTER
FOR THE NINE MONTHS ENDED JUNE 30, 2018****Date of this report: August 27, 2018**

This Management's Discussion and Analysis ("MD&A") provides a review of EnWave Corporation's ("EnWave", "the Company", "we", "us" or "our") financial performance, on a consolidated basis, for the nine months ended June 30, 2018 relative to the nine months ended June 30, 2017, and the financial position of the Company at June 30, 2018 relative to September 30, 2017. It should be read in conjunction with the EnWave's unaudited condensed consolidated interim financial statements and accompanying notes for the nine months ended June 30, 2018 and 2017, as well as the 2017 annual MD&A and the 2017 annual audited consolidated financial statements and accompanying notes, and 2016 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 the presentation and preparation of the condensed consolidated interim financial statements and the MD&A. The condensed consolidated interim financial statements have been prepared in accordance with IFRS.

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

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

EnWave Corporation**Company Overview**

EnWave is a Vancouver-based applied technology company that licenses, builds and installs commercial-scale dehydration platforms for applications in the food, pharmaceutical, legalized cannabis and industrial sectors to manufacturing companies. EnWave has entered into twenty-four royalty-bearing commercial licenses with major food, medical cannabis, and pharmaceutical companies.

EnWave's proprietary Radiant Energy Vacuum ("REV™") dehydration platforms apply microwave energy under vacuum to offer flexible, efficient, low temperature processing suitable for food products,

cannabis products and biomaterials. The Company currently has three commercial scale technologies, *nutraREV*[®], *quantaREV*[®] and *powderREV*[®] and one technology in the pilot-scale stage, *freezeREV*[®].

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 reducing processing costs, increasing throughputs, and/or creating new or improved product opportunities. Management believes that REV[™] technology has the ability to produce better quality products in certain applications than air drying, spray drying or freeze drying. It is also typically faster and more economical than freeze-drying.

The Company strives to grow revenues by securing multiple royalty streams through the licensing of its technology for specific market applications with a variety of royalty partners. Each commercial license agreement defines the royalty terms based on a percentage of sales generated or units produced by the royalty partner from the use of the REV[™] technology. These agreements will also restrict the partner's use of the technology to specific applications and processing to a defined, limited geographic area. The Company also seeks to generate profits from the sale of its REV[™] machines. The Company's strategy with respect to existing royalty partners is to work closely with them to develop and commercialize products using REV[™] technology and build future royalty streams by building production capacity.

EnWave's dehydration technology has proven commercial applications in multiple market verticals, including fruits and vegetables, cheese products, yogurt products, meat products, nutraceuticals, pharmaceuticals and cannabis products. We are actively engaged in multiple R&D programs to expand this commercial product portfolio and to expand the use of REV[™] into additional market verticals.

Royalty Partner Pipeline

EnWave has numerous prospective royalty partners evaluating the REV[™] technology 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 them 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 license company during the TELOA phase of the sales cycle 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; there have been cases where a prospective licensee has bypassed the TELOA phase and entered directly into a commercial license agreement ("CLA") and purchased REV[™] machinery. This is often the case when the product application has been previously proven in another geography, or when the value proposition and commercial business cases are compelling enough for the prospect to enter directly into commercial production.

As of the date of this report, EnWave has 11 active TELOAs and one active R&D project with prospective licensees evaluating the use of REV[™] for applications in the dairy, fruit products, vegetable products, meat products, and cannabis verticals. Several of the active agreements are with major international processing companies.

In addition to the companies in the Company's sales pipeline, EnWave's strategy is to expand royalty-bearing processing capacity with its existing licensees. Of the 24 licenses signed to-date, we have received multiple machine orders from seven of those licensees, and anticipate more will expand into larger-scale machinery in the near to mid-term. As our royalty partners grow and their products become more accepted in the marketplace, we expect to receive additional machine orders from licensees to expand their royalty-bearing processing capacity.

NutraDried

The Company's wholly owned subsidiary, NutraDried, is a limited liability corporation registered in Washington, USA. EnWave completed the acquisition of the 49% non-controlling interest in NutraDried from NutraDried Creations LLP ("Creations") on February 21, 2018, as further described under *Recent Developments*.

NutraDried manufactures and sells Moon Cheese[®], an all-natural dried cheese snack produced using a 100kW nutraREV[®] machine. NutraDried produces Moon Cheese[®] in cheddar, gouda, mozzarella, sriracha and pepper jack flavours at its manufacturing facility located in Ferndale, Washington, USA. Moon Cheese[®] is sold in over 20,000 retail locations across Canada and the United States. Notable retail points of distribution include Starbucks, Publix, Target, Rite Aid, CVS, Safeway, Loblaws, Whole Foods, Save-On-Foods, and most recently, Costco.

NutraDried has demonstrated the ability for REV[™] technology to operate in a large-scale commercial operation. This operation has served the Company as a showcase of the capability of large-scale commercial REV[™] machinery to current and potential royalty partners. Furthermore, NutraDried's business success has established a precedent for analysis by dairy companies considering the commercialization of REV[™] technology into their operations. The Company's strategy is to grow the NutraDried business through additional customer acquisitions, introducing new innovative product extensions, and by increasing production capacity when necessary, and to continue to demonstrate the commerciality of REV[™] to potential royalty partners to advance the adoption of REV[™] in the global dehydration industry.

NutraDried holds a commercial license for REV[™] technology and pays a quarterly royalty to EnWave Canada based on sales. The royalty payment from NutraDried, a subsidiary of EnWave Canada, is eliminated from revenue in the consolidated financial statements of the Company. The quarterly royalty payments from NutraDried to EnWave were as follows:

| (\$ '000s) | Sep 30, 2016 | Dec 31, 2016 | Mar 31, 2017 | Jun 30, 2017 | Sep 30, 2017 | Dec 31, 2017 | Mar 31, 2018 | Jun 30, 2018 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| NutraDried Royalty ⁽¹⁾ | 66 | 66 | 60 | 91 | 100 | 118 | 122 | 254 |

- (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*.

Recent Developments

REV[™] Technology in the Legal Cannabis Market

In October 2017, EnWave signed a royalty-bearing CLA with Tilray, a large, well established Canadian medical cannabis licensed producer. This license expands the application of EnWave's REV[™] technology to the rapidly growing global medicinal cannabis markets. Tilray will pay EnWave royalties based on the units of cannabis dried using EnWave's technology, and we are expecting to generate the first royalties from commercial cannabis production in late 2018.

On April 30, 2018, EnWave and Tilray expanded the CLA to include rights for processing legalized cannabis in the country of Portugal. Tilray submitted a third purchase order for a 60kW REV[™] unit to be installed at its new Portugal medical cannabis production facility. This most recent equipment purchase of REV[™] machine capacity brings Tilray's total REV[™] processing capacity to 130kW. To-date Tilray has purchased a 10kW for R&D and process refinement, a 60kW for its new Ontario production facility and a 60kW for its new Portugal production facility. We are currently fabricating the first 60kW REV[™] machine with targeted delivery before the end of calendar year 2018. The 10kW unit was delivered in the second quarter of 2018.

Tilray and EnWave will work to secure additional licensed producers in Canada for the use of REV™ in cannabis processing, in exchange for the rights to share in the sub-license royalties. All future potential REV™ processing equipment will be sold to sub-licensees of the technology by EnWave directly, with profits from machine sales being solely for EnWave's benefit. The royalties generated from sub-licenses issued by the Licensed Producer will be shared between EnWave and the Licensed Producer on an undisclosed basis.

On April 20, 2018, EnWave entered into a TELOA with one of Canada's largest licensed cannabis producers (the "LP") to enable the LP to evaluate EnWave's REV™ technology for rapid decontamination and dehydration of cannabis. The TELOA grants the LP the exclusive rights to license REV™ for processing cannabis in a country in Europe. The LP will rent a pilot-scale REV™ machine during the term of the TELOA to facilitate the evaluation of EnWave's technology.

EnWave's REV™ technology has potential to offer a material processing advantage to licensed producers of medical cannabis. Our strategy is to secure additional machine orders from sub-licensees for processing of cannabis, as well as long-term royalties from the Tilray and sub-licensees based on the units of cannabis dried using REV™. We are also focussed on securing additional licenses with new, well-established legalized cannabis companies operating in international markets outside of Canada. Canada has an established and rapidly growing legalized medicinal cannabis industry. The Canadian Federal Government has also communicated a timeline to bring the proposed *Cannabis Act* into force no later than October 2018, which will potentially legalize the recreational sale and use of cannabis.

U.S. Cannabis Market

Cannabis in the U.S. is a Schedule 1 drug under the *Controlled Substances Act* and is federally illegal under U.S. federal laws. The regulatory environment in the U.S. remains complex, with many states legalizing the cultivation and distribution of recreational cannabis, but it remains federally illegal. EnWave does not have any business activities related to cannabis in the U.S., including CLAs and/or TELOAs, and will not pursue business development in U.S. market for cannabis until the regulatory environment becomes more favorable.

Acquisition of Remaining 49% Interest in NutraDried

On February 21, 2018, EnWave completed the acquisition of the 49% non-controlling interest in NutraDried from Creations, for total cash consideration of US \$1,800 (CAD \$2,316). Concurrent with the closing of the purchase of the non-controlling interest, the Company, pursuant to the laws of Washington State, converted NutraDried from a Limited Liability Partnership into a Limited Liability Corporation. As part of the transaction, the Company also completed a name change, with the new wholly owned subsidiary being named NutraDried Food Company, LLC. After the close of the transaction, the Company owns 100% of the equity interest in NutraDried Food Company, LLC, its consolidated subsidiary.

The acquisition of the non-controlling interest in NutraDried will allow the Company to pursue additional commercial opportunities using NutraDried's installed 100kW *nutraREV*® processing line, as well as enhance the ability for EnWave to use NutraDried's processing capabilities as a showcase to prospective royalty partner companies. NutraDried's business performance strengthened significantly in fiscal year 2017, and through the first quarter of 2018, and we believe that by obtaining 100% equity ownership the Company will be able to further drive growth in the revenue and profitability from Moon Cheese® sales. Moon Cheese® is one of the most successful consumer products making use of the Company's REV™ technology, and is sold in over 20,000+ points of distribution, including major U.S. and Canadian retailers.

Renewal of INAP Patent-and-Know-How Agreement Exclusive Term

On March 28, 2018, the Company renewed its Patent and Know-How Licensing agreement (the "INAP License") with INAP GmbH ("INAP") for an additional five years ending October 15, 2022. The INAP

License grants the Company exclusive worldwide rights to INAP's MIVAP technology, a potentially competitive microwave vacuum dehydration technology. Pursuant to the INAP License, the Company will pay INAP a 25% share of the royalties received from the Company's customers making use of the MIVAP technology for food applications outside of North America, and 12.5% of the royalties generated from non-food applications outside of North America. Royalties generated from the Company's *quantaREV*® machine platform make use of the MIVAP technology, and will be subject to the royalty sharing arrangement. The renewal of the INAP License provides EnWave with a continued competitive advantage in the market by reducing the possibility of competition from other companies pursuing similar technologies and strengthening our intellectual property position. The INAP License agreement secures the exclusive rights to INAP's MIVAP technology through October 15, 2022.

The present value of the expected royalty amounts payable to INAP equal to \$511 was recognized as an intangible asset and a corresponding other liability in the consolidated financial statements. The intangible asset will be amortized over the useful life of the INAP License.

Equity Financing

On November 15, 2017, the Company completed a prospectus offering (the "Offering") of 8,760,000 units of the Company (the "Units") at a price of \$1.05 per Unit, which includes the exercise in full of the underwriters' over-allotment option, for aggregate gross proceeds of \$9,198. The Offering was conducted by way of a short form prospectus dated November 9, 2017 through a syndicate of underwriters led by Cormark Securities Inc. Each Unit consists of one common share of the Company (a "Common Share") and one-half of one transferable Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at a price equal to \$1.50 for a period of 60 months following the closing of the Offering.

On November 15, 2017, the Company also closed a concurrent non-brokered private placement (the "Concurrent Private Placement") of 770,000 units of the company (the "Placement Units") at a price of \$1.05 per Placement Unit, for aggregate gross proceeds of \$809. The Placement Units were identical to the Units sold pursuant to the Offering, except that they were subject to a statutory four-month hold period which expired on March 16, 2018.

The aggregate gross proceeds from both the Offering and Concurrent Private Placement were \$10,006, prior to share issue costs including cash commissions, legal fees and transfer agent fees paid by the Company. The Warrants were accepted for listing by the TSX Venture Exchange and commenced trading under the symbol ENW.WT at the open of the market on November 22, 2017.

Summarized Quarterly Results

EnWave's revenues, direct costs and net loss fluctuate based on the timing of machine orders from companies in our sales pipeline. Management works closely with each company evaluating REV™ technology under TELOAs and R&D projects, but is not able to accurately predict the timing and frequency of machine orders. The revenue in any given period will vary depending on the number of machine orders received and CLAs signed, and this causes variability in our quarterly financial performance. 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.

Revenues for Q4 2016 were lower than the first three quarters in 2017 as a result of lower equipment purchase contract activity and volume; this trend improved through the first three quarters of 2017, and the first quarter of 2018. Revenues for Q4 2017 were again lower than the first three quarters due to timing of equipment purchase contracts. Revenues for Q2 and Q3 2018 increased due to increased Moon Cheese® sales and distribution by NutraDried.

The increase in expenses during the last three quarters of 2017 and first three quarters of 2018 is characterized by an increase to our sales and marketing expenses due to the termination of the Master Distribution Agreement with Spire and NutraDried commencing direct sales to wholesalers and retailers through its broker network, and as a result increased expenses for broker commissions, marketing and promotional activities. The further increase in expenses in Q3 2018 was due to an impairment of the Due from Customers on Contracts balance related to the termination of the Sutro Biopharma Inc. (“Sutro”) equipment purchase contract.

The following is a selected summary of quarterly results for the eight most recently completed quarters to June 30, 2018 reported in Canadian dollars, the Company’s presentation currency:

| | 2016 | 2017 | | | | 2018 | | |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| (\$ '000s) | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Revenues | 2,519 | 3,467 | 4,183 | 4,674 | 3,630 | 4,519 | 4,172 | 6,779 |
| Direct costs | (2,120) | (2,683) | (3,155) | (3,052) | (2,764) | (3,093) | (2,877) | (3,848) |
| Expenses | (1,961) | (1,402) | (1,807) | (2,151) | (1,926) | (1,823) | (1,814) | (3,035) |
| Net loss | (1,562) | (618) | (779) | (529) | (1,060) | (397) | (519) | (104) |
| Loss per share – Basic and diluted | (0.02) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.00) |
| Total assets | 14,962 | 14,731 | 14,430 | 13,863 | 13,344 | 21,926 | 20,108 | 20,958 |
| Total liabilities | 2,753 | 3,056 | 3,204 | 2,896 | 3,312 | 2,955 | 3,692 | 4,190 |
| Minority interest | 1,422 | 1,523 | 1,567 | 1,638 | 1,763 | 1,990 | - | - |

Management Discussion of the Third Quarter

EnWave Corporation

In the third quarter of 2018, the Company had consolidated revenues of \$6,779, compared to \$4,674 in the same period of fiscal 2017, an increase of \$2,105. EnWave Canada had revenues of \$1,610 and NutraDried had revenues of \$5,169, compared to \$2,786 and \$1,888, respectively, in the same period of the prior year.

During the third quarter ended June 30, 2018 and up to the date of this document, the following significant advancements were made in EnWave’s business:

- Expanded its royalty-bearing license agreement with Tilray®, a major Canadian medical cannabis Licensed Producer, to include exclusive rights to REV™ technology in the country of Portugal for processing cannabis. Tilray® purchased a second large-scale 60kW REV™ machine to be installed in Portugal.
- Signed a CLA with Arla Foods (“Arla”), the world’s largest manufacturer of organic dairy products and an innovation leader. The CLA grants Arla the exclusive right to use REV™ technology to process dairy products in Denmark, Sweden, Finland and Norway. Arla purchased a 10kW small-scale machine to initiate commercial production.
- Signed a TELOA with a major Canadian licensed producer of cannabis (the “Licensed Producer) and granted the Licensed Producer the exclusive option to license REV™ for processing legalized cannabis in a European country. The Licensed Producer is renting a pilot-scale machine during the term of the TELOA to facilitate evaluation of the technology.
- Signed a TELOA with a Fresh Business Consulting S.L., (“Fresh Business”) a diversified investment and consulting firm headquartered in Spain, to develop several innovative food

products using EnWave's technology in Peru. Fresh Business will rent a small-scale REV™ machine, which will be installed in Lima, Peru.

- Signed a TELOA with a major Australian dairy company to evaluate REV™ technology for the development of several dehydrated, premium dairy ingredients. The company will rent a small-scale REV™ machine for use in Australia for six months, during which time EnWave's team will work closely to facilitate product development.
- Announced the commercial launch of Agropur Dairy Co-operative's iögo Protein Crunch snack products, an innovative way of enjoying yogurt on-the-go that is processed using licensed REV™ technology.
- Expanded distribution of Moon Cheese® with additional product rotations in a number of Costco divisions; achieved the highest ever single quarter sales for Moon Cheese®.
- Announced a capital project to expand the Company's production capacity of Moon Cheese® through the installation of a second 100kW *nutraREV*® machine and a 10kW REV™ machine. The project has commenced and is expected to be commissioned in early fall, which will facilitate the continued sales growth of Moon Cheese® based on projected demand.

Pharmaceutical Business

During the third quarter, EnWave signed a Collaboration and License Option Agreement with GEA Lyophil GmbH, ("GEA"), a Liquid Dosage organization of the Business Application Pharma of the GEA Group. During the six-month term of the collaboration, the Company and GEA will jointly evaluate a potential partnership to facilitate the manufacture and deployment of continuous cGMP REV™ lyophilization equipment into the global pharmaceutical sector. GEA will evaluate the commercial viability of a partnership and the potential integration of EnWave's technology into processing solutions for pharmaceutical applications.

We advanced progress on the first scaled-up Good Manufacturing Practices ("GMP") *freezeREV*® for Merck during the quarter. The GMP *freezeREV*® machine is undergoing factory acceptance testing at EnWave's facility, and if successful, the machine will be delivered and installed at Merck before the end of the year. Merck plans to use the *freezeREV*® machine to pursue GMP certification for new products, and if successful will potentially pursue clinical trials using the EnWave technology.

In August 2018, EnWave and Sutro jointly agreed to discontinue the collaborative project on the first commercial *powderREV*® unit. During factory acceptance testing EnWave and Sutro were unable to satisfy certain quantitative bioactivity measures for the excipient-free, dried cell-free extract formulation. The *powderREV*® unit was able to achieve the target moisture content, drying uniformity and throughput process targets. A suitable drying process has not yet been identified by Sutro for its purposes as the material is highly sensitive. As a result of the project cancellation, we recorded an impairment of the balance in "Due from customers on contract" of \$865 that related to the amount of revenue previously recognized on the project which has become uncollectible as it was billable on achievement of future progress milestones according to the contract.

EnWave plans to pursue other market opportunities for its *powderREV*® dehydration platform, and the setback on the Sutro project was attributable to the specific, highly sensitive, product formulation targeted by Sutro.

NutraDried

NutraDried reported a net income of \$1,908 in the third quarter of 2018 compared to \$167 in the same period of fiscal 2017. NutraDried reported revenues of \$5,169 in the third quarter of 2018 compared to \$1,888 in the third quarter of 2017, an increase of \$3,281 or 174%. The increase in revenues in the third quarter was due to NutraDried securing additional product rotations with Costco in five divisions in the U.S. The repeat orders from Costco follow from the launch of NutraDried's first "Club Pack" size product with a new multi-serving 10oz package. Currently, the 10oz Club Pack is presently distributed only through Costco; however, NutraDried is targeting additional Club Pack distribution opportunities. NutraDried's strategy is to grow revenues and profitability by leveraging its network of food brokers in

the United States, as well as by investing in marketing activities to increase consumer demand and awareness for Moon Cheese®.

During the third quarter, we commenced a capital project to expand the Company's production capacity of Moon Cheese® through the installation of a second 100kW nutraREV® machine and a 10kW REV™ machine. After the second processing line is commissioned the production capacity of NutraDried will approximately double, creating capacity of approximately USD \$40 million in annual top-line revenue. The capacity expansion is expected to be completed and operational in early fall, which will facilitate the continued sales growth of Moon Cheese® based on projected demand. The total capital cost of the expansion project is budgeted to be \$2,042 (USD \$1,550) and as at June 30, 2018 the Company has incurred \$461 (USD \$350) of the total budgeted cost.

Selected Financial Information

The following table sets out selected consolidated financial information for the periods indicated, and has been derived from EnWave's consolidated financial statements and accompanying notes for the three and nine months ended June 30, 2018 and 2017, and should be read in conjunction with those financial statements.

| (\$ '000s) | Three months ended June 30, | | | Nine months ended June 30, | | |
|----------------------------------|-----------------------------|-----------|----------|----------------------------|-----------|----------|
| | 2018 | 2017 | Change % | 2018 | 2017 | Change % |
| Revenues | 6,779 | 4,674 | 45% | 15,470 | 12,324 | 26% |
| Direct costs | 3,848 | 3,052 | 26% | 9,818 | 8,890 | 10% |
| Gross margin | 2,931 | 1,622 | 81% | 5,652 | 3,434 | 65% |
| Operating expenses | | | | | | |
| General and administration | 510 | 548 | (7%) | 1,709 | 1,606 | 6% |
| Sales and marketing | 1,105 | 705 | 57% | 2,378 | 1,406 | 69% |
| Research and development | 332 | 348 | (5%) | 900 | 939 | (4%) |
| | 1,947 | 1,601 | 22% | 4,987 | 3,951 | 26% |
| Net loss | (104) | (529) | 80% | (1,020) | (1,926) | (47%) |
| Basic and diluted loss per share | \$ (0.00) | \$ (0.01) | | \$ (0.01) | \$ (0.02) | |

Discussion of Operations

Revenue

Revenue is earned from two business segments: EnWave Canada and NutraDried. EnWave Canada generates revenue from the sale of REV™ machinery to royalty partners, rental revenue from short-term rentals of REV™ machinery to prospective royalty partners, and royalties earned from commercial license agreements. NutraDried generates revenue from the sale of Moon Cheese® into retail and wholesale distribution channels.

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|------------|-----------------------------|-------|----------------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue | 6,779 | 4,674 | 15,470 | 12,324 |

Revenue for the nine months ended June 30, 2018 was \$15,470, an increase of \$3,146 compared to the nine months ended June 30, 2017. Revenue for the three months ended June 30, 2018 was \$6,779, an increase of \$2,105 compared to the three months ended June 30, 2017. The increase in revenues for the nine months ended June 30, 2018 is primarily due to an increase in revenues from NutraDried's

sales of Moon Cheese®. Revenues from EnWave’s machinery sales in the third quarter were lower than in prior year due to a lower volume of machine purchase orders. The timing and frequency of each large-scale commercial machine order affects the timing of our revenues from the sale of REV™ machinery. A large portion of EnWave Canada and all of NutraDried revenue is denominated in USD and the results for the period also reflect the impact of loss in foreign exchange. If the CAD changed by \$0.01 relative to the USD, our revenue for the nine months ended June 30, 2018 would have changed by \$92.

Quarterly Revenue

| (\$ '000s) | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|
| EnWave Canada | 1,270 | 2,145 | 2,841 | 2,786 | 1,626 | 2,121 | 1,768 | 1,610 |
| NutraDried | 1,249 | 1,322 | 1,342 | 1,888 | 2,004 | 2,398 | 2,404 | 5,169 |
| Total | 2,519 | 3,467 | 4,183 | 4,674 | 3,630 | 4,519 | 4,172 | 6,779 |

EnWave Canada had revenue of \$5,499 for the nine months ended June 30, 2018, a decrease of \$2,273 compared to the revenues of \$7,772 for the nine months ended June 30, 2017. EnWave Canada had revenue of \$1,610 for the three months ended June 30, 2018 compared to \$2,786 for the three months ended June 30, 2017, a decrease of \$1,176. The decrease in revenue in the third quarter of 2018 compared to the third quarter of 2017 is due to timing and number of commercial equipment sales contracts. During the third quarter of 2018, revenue was generated from commercial equipment sale contracts with Tilray with the purchase of a 60kW unit, Pitalia from the purchase of a 100kW unit, Arla Foods with the purchase of a 10kW unit, Bare Foods purchasing a 10kW unit, among others.

We continue to pursue revenue growth in EnWave Canada through commercial machine sales and installations by signing additional royalty-bearing licenses that are accompanied by machine purchase orders. Revenue for EnWave Canada 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 Canada earned royalties of \$458 during the nine months ended June 30, 2018 compared to \$293 for the nine months ended June 30, 2017, a growth of 56% or \$165 in royalty revenues. 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. The minimum annual royalties become due and payable 30 days following the end of the calendar year. The royalty revenue for the nine months ended June 30, 2018 increased due to higher commercial sales from our partners utilizing REV™ technology, as well as certain licensees making annual minimum royalty payments. We expect our royalties to continue growing as new license agreements are signed and additional REV™ machine dehydration capacity is supplied to our royalty partners.

Revenues from NutraDried were \$9,971 for the nine months ended June 30, 2018 compared to \$4,552 for the nine months ended June 30, 2017. In the quarter ended June 30, 2018, NutraDried had revenues of \$5,169 compared to \$1,888 for the quarter ended June 30, 2017, a growth of \$3,281 or 174%. The increase in revenue for the third quarter was due to NutraDried filling repeat orders for Costco rotations, as well as increased sales volumes to other retailers. NutraDried experiences some variability in order frequency and volumes with significant customers. There is customer concentration risk through two significant customers, Costco and Starbucks. Revenue from sales to Costco and Starbucks represented 24% and 11%, respectively, of total revenues for the nine months ended June 30, 2018. We expect that NutraDried’s revenue will continue to grow steadily over time as we pursue new customers and additional points of distribution for Moon Cheese®.

Direct costs

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

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|--------------|-----------------------------|-------|----------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Direct costs | 3,848 | 3,052 | 9,818 | 8,890 |
| % of revenue | 57% | 65% | 63% | 72% |

Direct costs for the nine months ended June 30, 2018 increased by \$928, or 10% compared to the nine months ended June 30, 2017. Direct costs for the three months ended June 30, 2018 increased by \$796, or 26% compared to the three months ended June 30, 2017. Direct costs for EnWave Canada are driven by commercial machine selling and construction activity. As a percentage of revenue, direct costs for the three months ended June 30, 2018 decreased by 8%, and for the nine months ended June 30, 2018 decreased by 9% compared to the nine months ended June 30, 2017.

During the nine months ended June 30, 2018, EnWave Canada yielded a ratio of direct costs to revenue of 85%, compared to 75% for the nine months ended June 30, 2017. The decrease in gross margin is due to lower machine construction activity in the third quarter of 2018 while maintaining a consistent fixed overhead base. 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 52% for NutraDried for the nine months ended June 30, 2018, compared to 67% in the nine months ended June 30, 2017. The ratio of direct costs to revenue improved due to increased production volumes creating higher economies of scale. The unit cost of Moon Cheese® production decreased over the period due to improved scale. Direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices remained relatively stable to June 30, 2018 and we monitor the impact of commodity price fluctuations.

General and administration

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

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|----------------------------|-----------------------------|------|----------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| General and administration | 510 | 548 | 1,709 | 1,606 |
| % of revenue | 8% | 12% | 11% | 13% |

G&A expenses for the nine months ended June 30, 2018 were \$1,709 compared to \$1,606 for the nine months ended June 30, 2017, an increase of \$103. G&A expenses for the three months ended June 30, 2018 were \$510 compared to \$548 for the three months ended June 30, 2017. The increase in G&A expenses for the nine month period is due to higher personnel costs for annual incentive compensation, as well as certain legal and administrative expenses related to license contracts. G&A expense for the three months ended June 30, 2018 remained consistent with the prior year, with a reduction of \$38. As a percentage of revenue, G&A expenses decreased by 4% for the three months ended June 30, 2018, and decreased 2% for the nine months ended June 30, 2018, relative to the comparative periods in the prior year.

Sales and marketing

Sales and marketing (“S&M”) expenses includes salaries and wages, travel expenses, consulting fees, promotional and marketing fees, sales commissions and office expenses related to selling activities.

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|---------------------|-----------------------------|------|----------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Sales and marketing | 1,105 | 705 | 2,378 | 1,406 |
| % of revenue | 16% | 15% | 15% | 11% |

S&M expenses for the nine months ended June 30, 2018 were \$2,378 compared to \$1,406 for the nine months ended June 30, 2017, an increase of \$972. S&M expenses for the three months ended June 30, 2018 were \$1,105 compared to \$705 for the three months ended June 30, 2017, an increase of \$400.

S&M expenses increased due to NutraDried terminating its MDA with Spire in January 2017. Under the former MDA, Spire was responsible for selling, marketing, commissions and other promotional costs related to Moon Cheese®, whereas subsequent to its termination NutraDried has taken on those functions and expenses. NutraDried now utilizes brokers that receive a commission for sales generated to their accounts. NutraDried also increased marketing costs related to in-store demo activity, promotions and discounts. S&M expenses for NutraDried were \$1,494 for the nine months ended June 30, 2018 compared to \$584 for the nine months June 30, 2017, an increase of \$910.

S&M expenses for EnWave Canada were \$884 for the nine months ended June 30, 2018 compared to \$822 for the nine months ended June 30, 2017, an increase of \$62. The increase in S&M expenses was due to personnel related costs. We expect S&M expenses to increase for EnWave Canada as we invest in activities and personnel resources to drive market penetration and revenue growth. During the year, we hired an additional direct sales person, as well as a full-time marketing professional.

Research and development

R&D expenses include the salaries of technicians, scientists and administration related to research and development activities, patent filing and maintenance costs, costs associated with the Company’s laboratory and pilot plant facility, including insurance, office expenses at the plant, R&D staff travel expenses and consumable materials. R&D expenses also includes depreciation expense for R&D equipment. R&D expenses are primarily attributable to EnWave Canada as NutraDried does not have significant R&D activity.

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|--------------------------|-----------------------------|------|----------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Research and development | 332 | 348 | 900 | 939 |
| % of revenue | 5% | 7% | 6% | 8% |

R&D expenses for the nine months ended June 30, 2018 were \$900 compared to \$939 for the nine months ended June 30, 2017, a decrease of \$39. R&D expenses for the three months ended June 30, 2018 were \$332 compared to \$348 for the three months ended June 30, 2017. Our R&D expenses have remained consistent compared to the prior year. We anticipate R&D expenses to remain consistent, with future increases being attributable to patent filing and patent maintenance activities.

Amortization of intangible assets

Amortization of intangible assets for the three and nine months ended June 30, 2018 were \$167 and \$447 respectively, compared to \$206 and \$680 for the three and nine months ended June 30, 2017, respectively. The decrease in amortization expense is due to certain intangible assets becoming fully amortized during the prior year.

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|-----------------------------------|-----------------------------|------|----------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Amortization of intangible assets | 167 | 206 | 447 | 680 |

Stock-based compensation

Stock-based compensation expense was \$402 for the nine months ended June 30, 2018, compared to \$661 for the nine months ended June 30, 2017, a decrease of \$259. Stock-based compensation expense was \$126 for the three months ended June 30, 2018, compared to \$300 for the three months ended June 30, 2017, a decrease of \$174.

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|--------------------------|-----------------------------|------|----------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Stock-based compensation | 126 | 300 | 402 | 661 |

The decrease to stock-based compensation expense was due to timing of current year vesting of stock options and restricted share rights ("RSRs") granted during the current year and prior year.

Foreign exchange loss (gain)

Foreign exchange loss for the nine months ended June 30, 2018 was \$13 compared to a loss of \$48 for the nine months ended June 30, 2017. Foreign exchange gain for three months ended June 30, 2018 was \$27 compared to a loss of \$39 for the three months ended June 30, 2017.

| (\$ 000's) | Three months ended June 30, | | Nine months ended June 30, | |
|------------------------------|-----------------------------|------|----------------------------|------|
| | 2018 | 2017 | 2018 | 2017 |
| Foreign exchange (gain) loss | (28) | 39 | 13 | 48 |

The majority of the Company's foreign exchange gain or loss amounts consists of foreign exchange differences driven by our monetary assets and liabilities in USD. EnWave's revenue for contracts outside of Canada is typically denominated in USD. The fluctuation of foreign exchange is consistent with the Canadian dollar's appreciation or depreciation as measured against the USD for each period. The Company hedges a portion of its exposure to USD by entering into forward contracts where appropriate.

Impairment of contract balance

During the three and nine months ended June 30, 2018 the Company recorded an impairment charge to the Sutro due from customers on contract balance of \$865. The Company entered into an agreement with Sutro in 2014 to construct a commercial-scale powderREV® machine for use under a technology license with Sutro. The machine was custom designed and fabricated for dehydration of Sutro's specific cell free extract for protein synthesis. After completing fabrication of the machine, the vacuum microwave dehydration process was not able to maintain the target bioactivity levels in the finished dried material.

In August 2018, the Company and Sutro jointly agreed to cease further development of the powderREV® machine that was fabricated for Sutro and an impairment charge of \$865 was recorded for the amount of revenue previously recognized on the project which has become uncollectible as it was billable on achievement of future progress milestones according to the contract.

Liquidity and Capital Resources

Working capital

The components of the Company's working capital on June 30, 2018 and September 30, 2017 are:

| (\$ '000s) | June 30, 2018 | September 30, 2017 |
|--|------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents | 7,086 | 1,319 |
| Restricted cash | 250 | 250 |
| Trade receivables | 4,122 | 2,617 |
| Due from customers on contract | 1,610 | 2,378 |
| Prepays and other receivables | 266 | 186 |
| Inventory | 3,793 | 2,973 |
| | 17,127 | 9,723 |
| Current Liabilities | | |
| Trade and other payables | 3,252 | 2,181 |
| Amounts due to related parties | 2 | 74 |
| Customer deposits and deferred revenue | 460 | 926 |
| Current portion of other liability | 97 | 41 |
| | 3,811 | 3,222 |
| Working Capital | 13,316 | 6,501 |

As at June 30, 2018, the Company had working capital of \$13,316 compared to \$6,501 as at September 30, 2017. As at June 30, 2018 the cash and cash equivalents balance was \$7,086 compared to \$1,319 as at September 30, 2017, an increase of \$5,767. The change in cash and cash equivalents is primarily due to an increase from net cash proceeds from the November 15, 2017 equity financing of \$8,992 (refer to disclosure under "Financing and Liquidity"). On February 22, 2018, the Company used cash of \$2,316 (USD \$1,800) to acquire the 49% non-controlling interest in NutraDried. The Company had net cash outflows from operating activities of \$74 for the first three quarters of 2018.

EnWave Canada had trade receivables of \$878 as at June 30, 2018, compared to \$1,823 at September 30, 2017, and NutraDried had trade receivables of \$3,244 compared to \$794 at September 30, 2017. The decrease in EnWave Canada's trade receivables relates to payments received on equipment purchase contracts. The increase to NutraDried's trade receivables relates to increases in product sales. As at June 30, 2018 and September 30, 2017 there were no significant doubtful accounts.

Due from customers on contract to EnWave Canada as at June 30, 2018 was \$1,610 compared to \$2,378 as at September 30, 2017. There was \$461 included in amounts due from customers on contract related to the Company's ongoing pharmaceutical equipment contract. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

Inventory as at June 30, 2018 includes completed machines and machine components of EnWave Canada of \$2,668, which is an increase of \$235 compared to September 30, 2017. NutraDried's food products and packaging supplies inventory was \$1,125, which is an increase of \$585 compared to September 30, 2017 due to increased production.

Trade and other payables as at June 30, 2018 includes \$1,978 of trade payables and accrued liabilities related to EnWave Canada, compared to \$1,751 on September 30, 2017. Trade and other payables of NutraDried were \$1,274, compared to \$430 on September 30, 2017. Trade and other payables fluctuates depending on the timing of purchases and payments related to equipment construction contracts, as well as personnel costs and related accruals.

Financing and liquidity

Cash and cash equivalents was \$7,086 at June 30, 2018 compared to \$1,319 at September 30, 2017. As at June 30, 2018, we had net working capital of \$13,316 compared to \$6,501 at September 30, 2017. The change in cash consists of:

| (\$ '000's) | Three months ended June 30, | | Nine months ended June 30, | |
|--|-----------------------------|-------|----------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash from (used in) operating activities | 3 | (385) | (74) | (1,896) |
| Cash used in investing activities | (639) | (13) | (3,253) | (107) |
| Cash from (used in) financing activities | 178 | (137) | 9,001 | (383) |

Cash from operations before changes in non-cash working capital, a non-IFRS financial measure, was positive \$1,632 for the nine months ended June 30, 2018 compared to \$284 in the nine months ended June 30, 2017. Cash from operations before changes in non-cash working capital is reconciled to net loss for the period below:

| (\$ '000s) | Nine months ended June 30, | |
|---|----------------------------|---------|
| | 2018 | 2017 |
| Net loss for the period | (1,020) | (1,926) |
| Add: Depreciation and amortization | 1,414 | 1,481 |
| Impairment of contracts | 865 | - |
| Stock-based compensation | 402 | 661 |
| Finance (income) expense, net | (42) | 20 |
| Foreign exchange loss | 13 | 48 |
| Cash from operations before changes in non-cash working capital | 1,632 | 284 |

Our working capital needs will continue to grow with revenue growth. We believe that our current working capital surplus of \$13,316 is sufficient to meet our financing needs and planned growth in the near term, and that we will have access to additional capital as we further expand. 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. We believe that NutraDried will generate sufficient cash from its operations to fund its continued expansion of Moon Cheese® distribution.

On November 15, 2017, the Company completed the Offering and Concurrent Private Placement for a total of 9,530,000 Units for total gross proceeds to the Company of \$10,006. The net proceeds from the financing was \$8,992. The proceeds from the Offering and Concurrent Private Placement have provided the Company with appropriate levels of cash and working capital to pursue its commercialization strategy in the short term.

The Company is working toward increasingly funding operations through cash flows generated from machine sales and royalties from the commercialization of *nutraREV*®, *quantaREV*®, *powderREV*® and *freezeREV*® technologies. The Company is not exposed to any externally imposed capital requirements. While we plan to fund our operations through sales of REV™ machinery, there can be no assurance that sufficient revenue will be generated to meet our cash needs.

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

Use of Proceeds

The following table compares the estimated use of net proceeds (other than working capital) as set out in the Company's final short-form prospectus dated November 9, 2017, and the actual use of the proceeds as of June 30, 2018:

(\$ '000s)

| Principal Purpose | Intended Use of Proceeds | Actual Use of Proceeds at June 30, 2018 | (Over)/Under Expenditure | Note |
|---|--------------------------|---|--------------------------|------|
| To Manufacture REV™ Equipment for Sale and Rental | 2,500 | 2,477 | 23 | (1) |
| Patent Protection | 350 | 196 | 154 | (2) |
| Optimizing Manufacturing Process | 250 | 15 | 235 | (3) |
| Adding Qualified Technical Sales Personnel | 200 | 135 | 65 | (4) |
| Total (before working capital) | 3,300 | 2,823 | 1,621 | |

Notes:

- (1) The Company has used \$2,477 as of June 30, 2018 on the fabrication and construction of two large-scale REV™ machines for its royalty partners, as well as fabrication of the Merck GMP freezeREV machine.
- (2) The Company has spent \$196 as of June 30, 2018 on fees associated with filing new patents and maintaining its patent portfolio. The remainder of the proceeds allocated for this purpose will be spent to strengthen the Company's patent portfolio during the balance of the fiscal year.
- (3) The Company has spent \$15 on an outside manufacturing consultant as the first stage of reviewing and optimizing its manufacturing process as of June 30, 2018.
- (4) The Company hired a new Director of Sales in January 2018.

Capital expenditures

During the nine months ended June 30, 2018, we incurred capital expenditures of \$1,016 (2017 - \$132), related to plant and equipment. NutraDried accounted for \$800 of the capital expenditures for the period with certain facility upgrades and the addition of a new packaging line. Although we plan to continue to invest in capital equipment as necessary to support our growth, our business is not overly capital intensive. NutraDried will require additional capital expenditures to expand production capacity in the future as distribution of Moon Cheese® continues to expand. As of the date of this MD&A, we have no formal commitments for material capital expenditures, but we do anticipate our needs for investments in capital assets will grow with our business.

We commenced a capital project to expand the Company's production capacity of Moon Cheese® through the installation of a second 100kW nutraREV® machine and a 10kW REV™ machine. The total capital cost of the expansion project is budgeted to be \$2,042 (USD \$1,550) and as at June 30, 2018 the Company has incurred \$461 (USD \$350) of the total budgeted cost. We expect to complete the project and commission the expansion in the fall of 2018.

Contractual obligations

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table provides information about certain of the Company's significant contractual obligations as at June 30, 2018:

| (\$ '000s) | Due within 1 year | Due between 1 - 3 years | Due after 3 years | Total |
|--|-------------------------|-------------------------------|-------------------------|--------------|
| Financial liabilities | | | | |
| Trade and other payables | 3,252 | - | - | 3,252 |
| Amounts due to related parties | 2 | - | - | 2 |
| | 3,254 | - | - | 3,254 |
| Commitments | | | | |
| Contractual obligations including operating leases | 514 | 792 | 416 | 1,722 |
| Total | 3,768 | 792 | 416 | 4,976 |

Transactions with Related Parties

During the three and nine months ended June 30, 2018, the Company paid quarterly directors' fees to its three independent directors through a combination of cash and stock-based compensation for their services as directors of the Company.

During the three and nine months ended June 30, 2017, the Company paid consulting and management fees to Creations for administration services provided by Creations personnel to NutraDried, as well as for NutraDried's portion of shared office and administration functions provided by Creations. The Company ceased paying consulting and management fees to Creations in May of 2017 and began managing its administration functions independently. The Company also paid facilities rent to Heron Point Properties LLC ("Heron"), a company under common control of Creations, and ceased rental payments rent to Heron in the first quarter of 2017 as it no longer shared any facilities with Creations.

The table below summarizes the transactions with related parties for the three and nine months ended June 30, 2018 and 2017:

| (\$ '000s) | Three months ended | | Nine months ended | |
|--|--------------------|------|-------------------|------|
| | June 30, | | June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Consulting, management and directors' fees | 23 | 77 | 68 | 332 |
| Stock-based compensation | 46 | 45 | 98 | 103 |
| Facilities rent and other | - | - | 7 | 32 |
| | 69 | 122 | 173 | 467 |

During the nine months ended June 30, 2018, the Company did not have any revenue from sales to related parties. During the nine months ended June 30, 2017, the Company, through its subsidiary NutraDried, recorded sales of \$1,551 to Spire Brands, LLC ("Spire"), a related party of NutraDried. Spire was related to NutraDried by way of Creations', the former non-controlling partner in NutraDried, equity ownership interest in Spire. The Company terminated its MDA with Spire effective on January 15, 2017 and no longer sells product to Spire.

Compensation of key management personnel

Remuneration of key management personnel of the Company, for the three and nine months ended June 30, 2018 and 2017 is comprised of the following expenses:

| (\$ '000s) | Three months ended | | Nine months ended | |
|--|--------------------|------|-------------------|------|
| | June 30, | | June 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | \$ | \$ | \$ | \$ |
| Salaries, bonuses and short-term employee benefits | 172 | 140 | 751 | 573 |
| Stock-based compensation | 53 | 129 | 158 | 283 |
| | 225 | 269 | 909 | 856 |

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.

Critical Accounting Estimates

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 recognition of revenue as of the consolidated statement of financial position date requires management to make significant estimates primarily relating to the percentage-of-completion method to determine the amount of revenue to recognize. The stage of completion is measured by reference to the actual contract costs incurred as a percentage of total estimated costs for each contract. 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 \$260 (2017 - \$642).

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.

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 the agreement. The liability is measured at the end of each reporting period, and changes are recorded in the consolidated statement of net 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 ultimate use of the technology which gives rise to the royalty.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of net loss on a straight-line basis over the period of the lease. The Company leases certain plant and equipment and assesses whether substantially all the risks and rewards of ownership rest with the Company or the lessee.

When the Company determines that substantially all the risks and rewards of ownership rest with the Company, the Company records the lease payments earned; however, when assessed as a finance lease, the amounts are capitalized at the lease’s commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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.

New Accounting Standards Not Yet Adopted

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). In April 2016, the IASB issued amendments to clarify the standard and provide additional transition relief for modified contracts and completed contracts. IFRS 15 applies to all revenue contracts with customers and provides a model for the recognition and measurement of the sale of some non-financial assets such as property, plant, and equipment, and intangible assets. It sets out a five-step model for revenue recognition and applies to all industries. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. IFRS 15 requires numerous disclosures, such as the disaggregation of total revenue, disclosures about performance obligations, changes in contract asset and liability account balances, and key judgements and estimates. In addition, the accounting for loss-making contracts will fall under the onerous contracts guidance in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Company is reviewing the implementation of IFRS 15 and provides regular updates to the Audit Committee, including a work plan. Major provisions of IFRS 15 include determining which goods and services are distinct and require separate accounting (performance obligations), determining the total transaction price, estimating and recognizing variable consideration, identifying and accounting for contract modifications, and determining whether revenue should be recognized at a point in time or over time (including guidance on measuring the stage of completion). IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has performed an assessment of the potential effect of IFRS 15 on its consolidated financial statements, including the timing of revenue recognition, and does not anticipate there to be a significant impact. The mandatory effective date of IFRS 15 is for years starting on or after January 1, 2018, with earlier application permitted. This standard may be adopted using a full retrospective or modified retrospective approach. The Company has not yet selected the transition method it will apply or quantified the financial reporting impact of adopting this

standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the year commencing October 1, 2018.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9, *Financial Instruments* (“IFRS 9”) to introduce new requirements for the classification and measurement of financial assets and financial liabilities, including derecognition. IFRS 9 requires that all financial assets be subsequently measured at amortized cost or fair value. The new standard also requires that changes in fair value attributable to a financial liability’s credit risk be presented in other comprehensive income, not in profit or loss. In addition, it includes a single expected-loss impairment model and a reformed approach to hedge accounting. The Company does not expect there to be a significant impact to the consolidated financial statements upon adoption of IFRS 9.

IFRS 16 - Leases

On January 13, 2016, IFRS 16, *Leases*, was issued which requires, among other things, lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. The standard replaces IAS 17, *Leases* and is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. The Company is in the process of assessing the impact of the new standard.

Financial Instruments

Financial instruments and risk management

The Company’s cash and cash equivalents, restricted cash, trade receivables, receivables from related parties, trade and other payables and amounts due to related parties 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 Company’s financial assets and liabilities are classified into the following categories:

| | |
|---|-----------------------------|
| Cash and cash equivalents | Loans and receivables |
| Restricted cash | Loans and receivables |
| Trade receivables | Loans and receivables |
| Due from customers on contract | Loans and receivables |
| Trade and other payables | Other financial liabilities |
| Amounts due to related parties | Other financial liabilities |
| Customer deposits and deferred revenues | Other financial liabilities |
| Other liability | Other financial liabilities |

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

The Company did not hold any held-to-maturity or available-for-sale financial instruments during the nine months ended June 30, 2018 and 2017.

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.

Financial risk factors

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

Credit risk

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

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables. 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 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 an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at June 30, 2018, and September 30, 2017, the Company has recorded \$nil allowance for doubtful accounts.

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

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

The following table provides information regarding the aging of receivables as at June 30, 2018:

| (\$ '000s) | Neither past due nor impaired | Past due but not impaired | | |
|--------------------------------|-------------------------------------|---------------------------|------------|----------|
| | 0 – 30 | 31 – 90 | 91 – 365 | 365 + |
| Trade receivables | 3,821 | 132 | 169 | - |
| Due from customers on contract | 1,610 | - | - | - |
| Total | 5,431 | 132 | 169 | - |

Liquidity risk

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

Financial assets maturity table:

| (\$ '000s) | <u>0 - 30</u> | <u>31 - 90</u> | <u>91 - 365</u> | <u>365 +</u> |
|---|---------------|----------------|-----------------|--------------|
| Cash and cash equivalents and restricted cash | 7,086 | - | 250 | - |
| Trade receivables | 4,122 | - | - | - |
| Due from customers on contract | 675 | 444 | 491 | - |
| Other receivables | 20 | - | - | - |
| Total | 11,903 | 444 | 741 | - |

Financial liabilities maturity table:

| (\$ '000s) | <u>0 - 30</u> | <u>31 - 90</u> | <u>91 - 365</u> | <u>365 +</u> |
|--------------------------------|---------------|----------------|-----------------|--------------|
| Trade and other payables | 2,688 | 213 | 351 | - |
| Amounts due to related parties | 2 | - | - | - |
| Total | 2,690 | 213 | 351 | - |

The Company manages liquidity risk through ongoing management and forecasting of cash flows, budgeting, and equity financings. Cash flow forecasting is performed to monitor cash requirements and to manage capital management decisions. Such forecasting takes into account current and potential customers, contractual obligations and the Company's technology development and commercialization expectations.

The Company's investment policy is to invest its cash in highly liquid short-term interest bearing investments with varying maturities selected with regards to the expected timing of expenditures from continuing operations.

The Company attempts to ensure that sufficient funds are 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 June 30, 2018, the Company had cash and cash equivalents of \$7,086 to settle current liabilities of \$3,811.

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the nine months ended June 30, 2018 ranged from 1.10% to 1.95% (2017 - 0.60% to 1.25%). A 1% change in interest rates would affect the results of operations for the nine months ended June 30, 2018 by approximately \$56 (2017 - \$25).

The Company has amounts due to related parties that bear interest. The interest rates are fixed and the Company considers the interest rate risk to be low.

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 Euros;
- (ii) The Company is exposed to currency risk through customers with sales contracts denominated in US dollars;
- (iii) The Company purchases machine parts from European suppliers and is exposed to currency risk as a portion of its expenses are incurred in Euros;

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar, and Euro currencies could have an effect on the Company's results of operations. As at June 30, 2018, 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 when appropriate. At June 30, 2018, and September 30, 2017 the Company held no foreign exchange contracts. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's net loss for the nine months ended June 30, 2018 and 2017 as follows:

| (\$ '000s) | | |
|------------|------|------|
| Currency | 2018 | 2017 |
| US dollar | 531 | 575 |
| Euro | 4 | 23 |

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 Food Company LLC ("NutraDried" – refer to *Recent Developments*) royalties and "cash from operations before changes in non-cash working capital". 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 in the Company's consolidated financial statements:

| (\$ '000s) | Sep 30, 2016 | Dec 31, 2016 | Mar 31, 2017 | Jun 30, 2017 | Sep 30, 2017 | Dec 31, 2017 | Mar 31, 2018 | Jun 30, 2018 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| NutraDried Royalty | 66 | 66 | 60 | 91 | 100 | 118 | 122 | 254 |
| Intercompany Revenue Adjustment ⁽¹⁾ | (66) | (66) | (60) | (91) | (100) | (118) | (122) | (254) |
| Revenues ⁽²⁾ | 2,519 | 3,467 | 4,183 | 4,674 | 3,630 | 4,519 | 4,172 | 6,779 |
| Revenues | 2,519 | 3,467 | 4,183 | 4,674 | 3,630 | 4,519 | 4,172 | 6,779 |

Notes:

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

We define cash from operations before changes in non-cash working capital as cash from operating activities excluding working capital adjustments. The Company reports "cash from operations before changes in non-cash working capital" because it considers the metric to provide 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. We consider cash from operations before changes in non-cash working capital to be a key measure as it demonstrates our ability to generate cash necessary to fund our ongoing operating activities. We have provided a quantitative reconciliation of "cash from operations before changes in non-cash working capital" to net loss under the heading *Financing and Liquidity*.

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, research and development, 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 *freezeREV*[®], *nutraREV*[®], *quantaREV*[®] and *powderREV*[®] technologies in the pharmaceutical, food and medical cannabis 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 pharmaceutical industry will be subject to regulatory approval by a number of government entities, including the Food and Drug Administration ("FDA") in the United States and by comparable authorities in other countries. Technology development within this regulatory framework takes a number of years and may involve substantial expenditures. Any delays in obtaining regulatory approval would have an adverse impact on the Company's ability to earn future revenues.
- Research and development 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 research and development, 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 research and development, ongoing testing programs, regulatory approvals and ultimately impact its ability to commercialize its technologies.

Actual results could, however, be substantially different due to the risks and uncertainties associated with and inherent to EnWave's business, as more particularly described in the "Risk Factors" section of this document. 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; EnWave's *freezeREV*® and *powderREV*® technology platforms may not meet customer specifications or Good Manufacturing Practises standards; 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 or Costco as customers of NutraDried; 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; deficiencies in accounting policies or internal controls and procedures over financial reporting; insufficiency of insurance; unavailability of certain tax credits; and unexpected tax liabilities.

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

Capital Structure and Outstanding Share Data

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

| | June 30, 2018 | | August 27, 2018 | |
|---------------------------|---------------|------------------------------------|-----------------|------------------------------------|
| | Number | Weighted average exercise price \$ | Number | Weighted average exercise price \$ |
| Common shares outstanding | 100,910,509 | | 100,911,409 | |
| Options | | | | |
| Outstanding | 5,709,300 | 1.11 | 5,708,400 | 1.11 |
| Exercisable | 4,869,306 | 1.10 | 4,903,407 | 1.10 |
| RSRs | | | | |
| Outstanding | 590,000 | n/a | 590,000 | n/a |
| Warrants | | | | |
| Investor warrants | 8,007,912 | 1.39 | 8,007,912 | 1.39 |
| Broker warrants | 514,574 | 1.05 | 514,574 | 1.05 |

As of the date of this MD&A, the Company has 100,911,409 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 1,000,000.

Risk Factors

Refer to the Company's 2017 annual MD&A available on SEDAR at www.sedar.com for a discussion of the risk factors affecting the Company.

Off-balance Sheet Arrangements

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, management discussion and analyses, 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 | Senior Officers | Position |
|---------------------|--------------------|---|
| John P.A. Budreski | John P.A. Budreski | Executive Chairman |
| Dr. Tim Durance | Dr. Tim Durance | President and Chief Executive Officer |
| Dr. Gary Sandberg | Dan Henriques | Chief Financial Officer |
| Hugh McKinnon | Brent Charleton | Senior Vice-President, Sales and Business Development |
| Dr. Stewart Ritchie | | |
| Mary C. Ritchie | | |

Contact information:

| Corporate and Strategic | Investor Inquiries | Administration and Finance |
|--|--|---|
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