ENWAVE CORPORATION

Management Discussion and Analysis

Year ended September 30, 2019

(expressed in thousands of Canadian dollars)

Dated December 10, 2019

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

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Date of this report: December 10, 2019

This Management's Discussion and Analysis ("MD&A") provides a review of EnWave Corporation's ("EnWave", "the Company", "we", "us" or "our") financial performance, on a consolidated basis, for the year ended September 30, 2019 relative to the year ended September 30, 2018, and the financial position of the Company at September 30, 2019 relative to September 30, 2018. It should be read in conjunction with EnWave's annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2019 and 2018, as well as the 2018 annual MD&A, and 2019 Annual Information Form ("AIF") (available at www.enwave.net or on www.sedar.com). The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

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

Management's Responsibility for Financial Information

The Company's management is responsible for presentation and preparation of the annual consolidated financial statements and the MD&A. The annual consolidated financial statements have been prepared in accordance with IFRS.

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

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

Company Overview

REV™ Technology

EnWave Corporation is a Vancouver-based, applied technology company that licenses, builds and installs commercial-scale, proprietary dehydration platforms for applications in the food, cannabis and pharmaceutical sectors for manufacturing companies. EnWave has entered into thirty-four royalty-bearing commercial licenses with related equipment sales in the propagation of its dehydration platforms.

EnWave's proprietary Radiant Energy Vacuum ("REV™") dehydration technology applies microwave energy under vacuum to offer flexible, efficient, low temperature processing suitable for food products, cannabis and biomaterials. The Company currently has two primary commercial scale technologies, *nutra*REV® and *quanta*REV®.

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

The Company strives to grow revenues by securing multiple, diversified royalty streams through the licensing of its technology for specific product applications with a variety of global and local royalty partners. Each commercial license agreement stipulates for royalty payments 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 royalty partner's use of the technology to produce specific applications and processing to a 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 collaborate closely with them to develop and commercialize products using REV™ technology and build demand for increased production capacity, which will lead to larger future royalty streams.

EnWave's dehydration technology has proven commerciality for several applications in multiple market verticals, including fruits and vegetables, dairy products, cannabis products, nutraceuticals, and pharmaceuticals. The Company is actively engaged in multiple research and development ("R&D") projects to expand the number of commercially viable products and to expand the use of REV™ into additional market verticals.

NutraDried Food Company, LLC

The Company's wholly owned subsidiary, NutraDried Food Company LLC ("NutraDried"), is a limited liability corporation registered in Washington State, USA. NutraDried manufactures and sells Moon Cheese®, an all-natural dried cheese snack produced using REV™ technology. NutraDried currently uses two 100kW *nutra*REV® machines and is slated to start-up a third 120kW *nutra*REV® machine in mid-2020. NutraDried produces Moon Cheese® in cheddar, gouda, mozzarella, bacon cheddar, parmesan garlic and pepper jack flavours at its manufacturing facility located in Ferndale, Washington, USA. Moon Cheese® is sold in over 25,000 retail locations across Canada and the United States. Notable retail points of distribution include Starbucks, Costco, Whole Foods, Sprouts, REI, Jewel Osco, Shop Rite, Raley's, QFC, Wegmans, King Soopers, HEB, Fresh Thyme, Publix, Target, Rite Aid, and CVS.

NutraDried has demonstrated the ability for REV™ technology to operate reliably at scale for commercial operations. This operation began as a proof-of-concept for the Company as it showcased the capabilities of large-scale commercial REV™ machinery to current and potential royalty partners, but now has grown into a world-class branded snacking company. Furthermore, NutraDried's business success has established a precedent for analysis by dairy companies considering the commercialization of REV™ technology into their operations. The Company's strategy is to grow the NutraDried business through additional customer and distribution acquisitions via a robust channel strategy, introducing new innovative product extensions into its portfolio, and by increasing production capacity when necessary. NutraDried will continue to demonstrate the commerciality of REV™ to potential royalty partners supporting further 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)	*Dec 31, 2017*	*Mar 31, 2018*	*Jun 30, 2018*	*Sep 30, 2018*	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*
NutraDried Royalty(1)	118	122	254	327	357	366	270	837

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

Commercial License Agreements

EnWave has entered into thirty-five royalty-bearing commercial license agreements ("CLA") with major food processing, cannabis and pharmaceutical companies. The table below outlines EnWave's current royalty-bearing license agreements signed to-date. Our dehydration technology has proven commercial applications in multiple market verticals, including fruits and vegetables, cheese products, yogurt products, meat products, nutraceuticals, pharmaceuticals, hemp 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	**Licensed Territory**	**Licensed Product Category**	**REV™ Machine Capacity**
Milne Fruit Products	State of Idaho and the United States	Fruits and Vegetables, Blueberries and Strawberries exclusive in the United States	120kW *quanta*REV® 114kW MIVAP 120kW *quanta*REV® (2)
Gay Lea Foods	Canada	Cheese Snacks	100kW *nutra*REV® 10kW REV™
NutraDried (1)	United States	Cheese Snacks	100kW *nutra*REV® 100kW *nutra*REV® 120kW *nutra*REV® (2) 10kW REV™ 10kW REV™ (2) 2kW *nutra*REV®
Bonduelle Group	Worldwide	Dehydro-frozen Vegetables	120kW *quanta*REV®
Cal-San Enterprises	British Columbia	Blueberries, Cranberries	75kW *nutra*REV®
Pitalia	Central America	Fruits and Vegetables, Cheese Snacks	100kW *quanta*REV® (2) 10kW REV™ 10kW REV™
Ereğli Agrosan	Turkey	Fruits and Vegetables, Cheese	100kW *nutra*REV® 10kW REV™ 10kW REV™ 2kW *nutra*REV®
Van Dyk Specialty Products	Worldwide	Wild Blueberries	60kW *nutra*REV®
Tilray	Canada and Portugal	Cannabis Products	60kW REV™ (2) 60kW REV™ (2) 10kW REV™
Merom Farms	British Columbia	Wasabi Products	20kW *nutra*REV®
Nanuva Ingredients	Chile	Fruits & Vegetables	10kW REV™ 10kW REV™ 10kW REV™

Umland Pure Dry LLC	United States	High Kosher Cheese Snacks	10kW REV™
Perdue Farms	United States	Pet Food and Pet Treats	10kW REV™
Lake Blue (Intakt Snacks)	Chile	Cheese Snacks	10kW REV™
Dominant Slice	Portugal and Spain	Cheese Snacks, Fruit Products	10kW REV™
Kesito (Air Cheese)	Greece	Cheese Snacks	10kW REV™
Ashgrove Cheese	Australia	Cheese Snacks	10kW REV™ 10kW REV™
Howe Foods	Australia	Banana Products	10kW REV™
AvoLov	North America	Avocado Snacks	10kW REV™
Bare Foods (PepsiCo)	Thailand, Canada and United States	Fruits Snacks	10kW REV™ 10kW REV™ 10kW REV™
Arla Foods	Denmark, Sweden, Finland and Norway	Dairy Products	10kW REV™
Nomad Nutrition	Canada	Specific Ready-to-Eat Meals	10kW REV™
Merck, Sharp & Dohme	Worldwide	Pharmaceuticals	*freeze*REV®
Aurora Cannabis	Canada, Europe, South America and Australia	Cannabis Products	10kW REV™ 120kW REV™ (2) 120kW REV™ (2) 60kW REV™ (2)(3) 60kW REV™ (2)(3)
The Green Organic Dutchman	Canada	Cannabis Products	60kW REV™ 120kW REV™ (2) 120kW REV™ (2) 120kW REV™ (2)
FrieslandCampina	Netherlands, Belgium and Germany	Dairy Products	10kW REV™
Consulting Fresh Business	Peru	Fruit and Vegetables	10kW REV™
Calbee	Japan	Premium Snack Products	10kW REV™
Electric Farms	United States	Hemp Products	10kW REV™
Glasshouse Botanics	Canada	Cannabis Products	10kW REV™
Kameya Foods	Japan	Seafood, Wasabi and Fruit	10kW REV™
Patatas Fritas Torres	Spain	Cheese Snacks	10kW REV™ (2)
Cann Group	Australia	Cannabis Products	10kW REV™ (2)
Swiss Hemp Company	Switzerland	Hemp Products	10kW REV™ (2)
Helius Therapeutics	New Zealand	Cannabis Products	10kW REV™ (2)

Notes:

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

(2) Machine is currently under fabrication or is not yet installed for commercial for use by the royalty partner.

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

Recent Developments

Aurora Strategic Investment

On April 26, 2019, the Company issued 5,302,227 common shares on a private placement basis to Aurora Cannabis Inc. ("Aurora") in exchange for consideration of 840,576 common shares of Aurora. The Company disposed of the common shares of Aurora immediately on closing of the private placement for gross proceeds of $10,087 and incurred share issuance costs of $910 related to professional fees, legal fees and other fees related to the transaction. Aurora's strategic investment the ("Aurora Investment") in EnWave was designed to create economic alignment between EnWave and Aurora in the deployment of REV™ technology into the European Union, South America and Australian markets for industrial cannabis processing. Aurora has signed an exclusive, royalty-bearing license agreement with sub-licensing rights for the use of EnWave's REV™ technology in the European Union (excluding Portugal), South America (excluding Peru) and Australia. The scope of the licensing arrangement with Aurora is further discussed in the *Commercial Licensing and Partnership Development* section of this MD&A. Aurora continues to have purchase order requirements to maintain its licensed rights in the aforementioned jurisdictions.

Intellectual Property Agreement with Aurora

On April 26, 2019, Aurora and EnWave entered into an Intellectual Property Agreement (the "IPA") with the intent to jointly-develop new innovations relating to REV™ technology that are applicable to the cannabis industry. All intellectual property developed under the IPA will be owned by EnWave, but any realizable commercial value will be shared on an undisclosed basis with Aurora. EnWave's R&D personnel will collaborate with Aurora in the near term to develop new innovations and potential intellectual property for the expansion of REV™ technology into the cannabis industry. This collaboration will also generate pertinent data to further support the existing value proposition to use REV™ technology in the cannabis industry.

Reorganization of NutraDried Sales Function

On April 1, 2019, NutraDried reorganized its sales and marketing function with the hiring of a new Senior Vice President of Sales and a Chief Marketing Officer, and terminated its Management Services Agreement (the "Slant Agreement") with Slant Design and Marketing Inc. The Company incurred a one-time restructuring cost of US $464 (CA $612) in the form of a contract termination payment in order to terminate the Slant Agreement. Following the termination of the Slant Agreement, the Company has hired a total of four internal sales professionals to advance the sales efforts for Moon Cheese® and grow North American distribution of the product in the club, retail grocery, convenience and food service channels. NutraDried now has a full-time dedicated sales and marketing team focussed on growing the Moon Cheese® brand.

Management and Board of Directors

On February 27, 2019, Mr. Stephen Sanford was appointed to the Board of Directors. Mr. Sanford is a seasoned legal executive with over 30 years of experience as an executive with Fluor Corporation, a Fortune 500 construction and engineering company. Mr. Sanford brings significant multi-jurisdictional legal experience and oversight to EnWave's Board of Directors.

Overall Performance

For the year ended September 30, 2019, the Company had consolidated revenues of $42,842, compared to $22,825 in fiscal 2018, an increase of 88% or $20,017. The Company had a consolidated net loss of $1,986 in fiscal 2019, compared to a consolidated net loss of $945 for fiscal 2018, an increase of $1,041. During the first three quarters of 2019, the Company continued to build momentum with increased revenues and operating cash flows from an increased volume of machine sales and continued growth of Moon Cheese®. The Company reported Adjusted EBITDA of $3,168 for fiscal 2019 compared to $2,932 for fiscal 2018, an increase of $236.

EnWave Canada reported revenues of $12,848 for the fiscal year 2019 compared to $6,322 for the fiscal year 2018, an increase of $6,526. EnWave Canada reported a segment loss of $4,953 for the fiscal year 2019 compared to $4,089 for the fiscal year 2018, an increase of $864.

NutraDried reported revenues of $29,994 for the year ended September 30, 2019, compared to $16,503 for the year ended September 30, 2018, an increase of $13,491 or 82%. NutraDried reported segment income of $2,967 for the year ended September 30, 2019, compared to $3,144 for the year ended September 30, 2018, a decrease of $177. NutraDried's revenues improved year over year due to additional distribution of Moon Cheese® into the U.S. and Canadian markets.

Commercial Licensing and Partnership Development

License Agreement with Friesland Campina

On January 21, 2019, EnWave signed a royalty-bearing commercial license agreement with Royal Friesland Campina N.V. ("Friesland Campina"), a major European dairy company. Friesland Campina will launch REV™ products in the European marketplace and purchased a 10kW REV™ machine to initiate commercial production in the Netherlands. Friesland Campina's "Milkubator" innovation program aims to develop new products that fit the evolving consumer needs and taste preferences using EnWave's REV™ food dehydration technology for its innovation roadmap.

License and Equipment Purchase Agreements with Consulting Fresh Business

On April 10, 2019, EnWave and Fresh Business Consulting S.L. ("Fresh Business") signed a royalty-bearing commercial license agreement granting Fresh Business the exclusive rights to produce a variety of premium food products in Peru. Fresh Business purchased a 10kW small scale REV™ machine to initiate commercial production. Fresh Business will use the locally grown agriculture in Peru partnered with the Company's REV™ technology to provide healthy fruit and vegetable products to be sold commercially. Fresh Business has paid a non-refundable deposit for an EnWave machine of 100kW or greater power and must commit to purchasing a machine of 100kW or greater in rated power before December 31, 2019 in order to retain its exclusivity under the agreement.

License and Equipment Purchase Agreement with Calbee

On May 13, 2019, EnWave and Calbee Inc. ("Calbee") signed a royalty-bearing Commercial License and Equipment Purchase Agreement for the purchase of a 10kW REV™ dehydration machine. Calbee will explore and pilot the use of the Company's REV™ technology for the development of premium snack products and ingredients in Japan. Calbee is a major Japanese company engaged in the manufacturing and sales of snack confectionary, bakery and cereal food.

License and Equipment Purchase Agreement with Kameya Foods Corporation

On September 9, 2019, EnWave and Kameya Foods Corporation ("Kameya Foods") signed a royalty-bearing Commercial License and Equipment Purchase Agreement for the purchase of a 10kW REV™ dehydration machine. Kamaya Foods will have non-exclusive rights to the use of the Company's REV™ technology for the development of premium seafoods, wasabi and fruit products in Japan. Kameya foods started as a Japanese pickle manufacturer and is committed to generating unique new business ideas that are competitive in today's marketplace.

Equipment Purchase Agreement with Ashgrove Cheese Ltd Pty

On September 9, 2019, the Company signed a second EPA with Ashgrove Cheese Ltd Pty ("Ashgrove Dairy"). Ashgrove Dairy has successfully developed a dehydrated cheese snack, Amazeballs, using REV™ technology. Ashgrove has purchased a second 10kW REV™ machine to further production.

Ashgrove is one of Australia's leading independent premium dairy brands and manufacturers distributed through out Australia.

License and Equipment Purchase Agreement with Patatas Fritas Torres

On September 24th, 2019, EnWave and Patatas Fritas Torres S.L. ("Patatas Fritas Torres") signed a royalty-bearing Commercial License and Equipment Purchase Agreement for the purchase of a 10kW REV™ dehydration machine. Patatas Fritas Torres will have non-exclusive rights to process a variety of premium cheese snack products in Spain. Patatas Fritas Torres is an award-winning premium potato chip manufacturer with a wide range of premium snacks and chips and has international distribution.

Cannabis Industry Developments

EnWave is proactively engaging with numerous companies in the global cannabis market. EnWave is targeting companies in jurisdictions where either medical or recreational use is legal. EnWave is in active discussions with over two dozen companies for potential licensing of the REV™ dehydration technology to allow cannabis producers to decrease drying times, increase yield and ensure specific composition of the finished product.

EnWave currently has secured purchase orders for large-scale REV™ machines with Aurora, Tilray and The Green Organic Dutchman, all leading global cannabis companies. EnWave has also signed commercial license agreements and secured purchases of 10kW REV™ machines with Glasshouse Botanics (Canada), Cann Group (Australia), a Swiss Medicinal Hemp Company (Switzerland) and Electric Farms (Hemp – USA). With these valued partnerships verifying the capabilities of the Company's patented technology, EnWave expects continued growth in the number of royalty-bearing commercial licenses and equipment purchase contracts for this vertical.

As part of the joint commercialization strategy with Aurora, EnWave will work with Aurora's subsidiary company, Aurora Larsen Projects ("ALPS") that specializes in technical consulting and engineering of cultivation and processing operations specific to the cannabis industry. The strategy under this joint effort will be to leverage ALPS' to promote the use of the EnWave's REV™ dehydration technology to its clientele during the design and construction of greenhouse operations.

A significant portion of EnWave's machine sales in 2019 were generated from sales to the Canadian legalized cannabis sector. While the industry in Canada has grown significantly since the legalization of recreational cannabis on October 17, 2018, it is still in its early stages of maturation and is subject to many distribution and operational challenges. It remains unknown how large the market will be in Canada for recreational cannabis products. The Company is indirectly exposed to the market conditions through its licensed Royalty Partners in the sector.

Sub-License Agreement and Equipment Purchase Agreement with The Green Organic Dutchman

On January 3, 2019, EnWave and Tilray, Inc. ("Tilray") signed a royalty-bearing commercial sublicense with The Green Organic Dutchman Holdings Ltd. (TSX:TGOD) ("TGOD"), a Canadian producer of medical and adult-use cannabis, and a leader in cultivating premium, certified organic cannabis. The Agreement grants TGOD the right to use REV™ technology to dry organic cannabis in Canada. The Company received a purchase order from TGOD for a large-scale 60kW commercial REV™ machine for installation at TGOD's Ancaster, Ontario facility. As of the date of this report, the Company is in the process of installing the 60kW REV™ machine at TGOD's Ancaster, Ontario facility and the Company anticipates this to be complete by Q2 2020.

On March 26, 2019, EnWave and TGOD signed an Equipment Purchase Agreement for three additional large-scale 120kW REV™ machines equipped with Optional Support Equipment and Robotic Arms. The three large-scale machines are to be installed at TGOD's Valleyfield, Quebec facility. The purchase of the three additional 120kW machines brings TGOD's confirmed royalty-bearing cannabis processing capacity to 420kW on four processing lines.

In October 2019, TGOD announced that it will be delaying the construction of the Valleyfield, Quebec facility and segmenting the build out into smaller phases. The timing of the installation of the next three 120kW REV™ machines is dependent on the completion of construction at TGOD's Valleyfield facility, which currently remains unknown. EnWave has slowed the fabrication of the three machines in anticipation of a delayed installation schedule. The Company has been prudent in receiving cash deposits for this project and as of the date of the MD&A has minimal balance sheet exposure.

Licenses and Equipment Purchase Agreements with Aurora Cannabis Inc.

On April 26, 2019, the Company signed a royalty-bearing Sub-License Agreement with Aurora granting it non-exclusive processing rights to use REV™ technology in Canada for the rapid dehydration of cannabis products. Pursuant to the Canadian Sub-License Agreement, Aurora purchased two 120kW REV™ processing lines to be installed at the Aurora Sky and Aurora Sun cultivation facilities and one 10kW R&D machine to be installed at its CanniMed facility in Canada.

EnWave advanced the construction of the two 120kW REV™ machines during 2019. The Company plans to install the first 120kW REV™ machine at Aurora's Sky facility in Edmonton, Alberta in Q2 2020. The second 120kW REV™ machine is planned for Aurora's Sun facility in Medicine Hat, Alberta. Aurora has deferred the completion of construction at the Sun facility into 2020, and the anticipated timing of the installation of the second machine is not known at this time. The Company and Aurora are working together closely to confirm an installation and commissioning schedule. The 10kW REV™ machine should be operational for R&D purposes by Q2 2020.

The Company granted Aurora a Commercial License Agreement for the rapid dehydration of cannabis products in the European Union, except for Portugal, where the EnWave has already granted a license to Tilray. The European Commercial License Agreement is exclusive to Aurora with the ability for EnWave and Aurora to grant sub-licenses for cannabis processing within the European Union. Aurora must commit to the purchase of a 120kW REV™ machine for installation in Europe in order to maintain the exclusivity of the European license agreement. EnWave and Aurora are currently negotiating the scope of an EU-GMP certified machine for Aurora's Nordic facility in Europe. The likelihood and timing of this EU-GMP 120kW REV™ machine purchase order is dependent on the timing of Aurora's construction plans for its Aurora Nordic 2 facility in Denmark, which is currently on hold.

Aurora must meet annual minimum equipment purchases and annual minimum royalties under the European Commercial License Agreement in order to retain its exclusivity. If Aurora fails to meet the specified equipment minimum equipment purchases, then EnWave has the right to terminate the exclusivity under the agreement and license directly to other cannabis companies. Under the exclusive arrangement, royalties generated from sub-licenses in Europe will be shared between EnWave and Aurora on an undisclosed basis.

Aurora also signed an exclusive Commercial License Agreement to utilize EnWave's technology in South America (excluding Peru) and Australia. The terms of the South American and Australian License Agreements are substantially similar to the European License Agreement, with the requirements to meet annual minimum equipment purchases and annual minimum royalties to retain exclusivity. Aurora has signed an equipment purchase agreement for a 60kW REV™ machine to be installed in South America in 2020 and in Australia in 2021. The Company has received non-refundable deposits to for both equipment purchases.

Installation and Commissioning of Tilray's REV™ Machinery

The Company commissioned the first 60kW REV™ machine at Tilray's Ontario facility in August 2019 for dehydration of cannabis. This was the first large-scale cannabis machine commissioned by the Company, and the processing and operations of the machine were a success upon start-up. EnWave successfully demonstrated that REV™ equipment can rapidly and evenly dehydrate cannabis material. The machine was expected to begin consistent commercial operations in Q4 2020; however, the commercial-use of the machine has been delayed at Tilray's Ontario facility due to several internal operating decisions and the Company is uncertain when the first royalties will be generated from the commercial use of the machine.

The Company manufactured and sold a 60kW REV™ machine for Tilray to be installed at Tilray's Portuguese facility. The machine was fully fabricated and shipped to Portugal in 2019 for installation, but the installation and start-up of the machine has also been delayed indefinitely due to Tilray's decision to only implement EU-GMP equipment at that facility. EnWave is currently working closely with Tilray to find a mutually agreeable solution to the requirement for EU-GMP equipment. Both the Ontario and Portugal 60kW REV™ machines have been fully paid for by Tilray, but the timing of future royalty payments remains unknown from this Royalty Partner.

The license agreements signed with Tilray provided for Tilray to receive a share in royalties generated from sub-licensees in Canada and Portugal. The number of REV™ machines sold to sub-licensees significantly exceeds Tilray's processing capacity; therefore, the Company does not expect to generate meaningful net royalties from Tilray.

License Agreement with Glasshouse Botanics

On August 30, 2019, the Company signed a royalty-bearing CLA with Glasshouse Botanics Inc. ("Glasshouse Botanics"), a Canadian cannabis producer. Glasshouse Botanics cultivates pharmaceutical-grade medicinal Cannabis flowers and derivatives in Ontario, Canada. Glasshouse has committed to lease a 10kW REV™ machine for three months with a purchase option to facilitate the rapid dehydration of cannabis in Canada. If Glasshouse Botanics elects to not purchase the REV™ equipment after three months, EnWave may terminate the license.

Sub-License Agreement and Equipment Purchase Agreement with Cann Group Ltd.

On October 22, 2019, the Company and Aurora signed a royalty-bearing sublicense agreement with Cann Group Ltd. ("Cann Group") in Australia. Cann Group is Australia's first Medical Cannabis Cultivation licensee. Cann Group purchased a 10kW REV™ machine in conjunction with the sub-license to dry cannabis. Cann Group holds a Cannabis Research License and Medicinal Cannabis License by the Australian government allowing R&D and cultivation of cannabis, cannabis resin, and medicinal cannabis products. The 10kW REV™ will be installed at Cann Group's facility in Q2 2020.

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. At present, EnWave does not have any business activities related to cannabis (not including hemp) in the U.S., but continues to monitor the U.S. regulatory environment related to cannabis and industries that supply the cannabis sector and remains prepared to act when appropriate to do so.

In December 2018, the U.S. government signed into law the 2018 Farm Bill, which included the Hemp Farming Act, a bill that removed hemp from the federal list of controlled substances and legalized industrial hemp production. Hemp is distinct from cannabis in that it has a miniscule concentration of tetrahydrocannabinol ("THC"), and thus no narcotic capability. Hemp contains cannabidiol ("CBD"), a substance often produced from cannabis that is thought to have certain medicinal benefits. The hemp plant is estimated to be used in more than 25,000 products spanning agriculture, textiles, recycling, automotive, furniture, food, nutrition, beverages, paper, construction materials, and personal care.

License and Equipment Purchase Agreement with Electric Farms LLC

On July 25, 2019, the Company signed a royalty-bearing CLA with Electric Farms LLC ("Electric Farms"), a U.S. hemp producer. Electric Farms cultivates high-quality hemp flowers in both indoor and outdoor facilities at its licensed facility located in Tennessee. Electric Farms purchased a 10kW REV™ machine to facilitate the rapid dehydration of industrial hemp for commercial sale.

Royalty Partner Pipeline

Technology Evaluation License Option Agreements ("TELOAs")

EnWave has numerous prospective royalty partners evaluating the REV™ technology under 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 many recent licenses signed where a prospective licensee has bypassed the TELOA phase and entered directly into a commercial license agreement and purchased REV™ machinery. This is often the case when the product application has been previously proven 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 **three active TELOAs** with prospective licensees evaluating the use of REV™ for applications in the dairy, fruit products, vegetable products, meat products, and cannabis verticals.

Machine Fabrication and Installation Pipeline:

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

Licensee	Machine Capacity	Licensed Product	Territory
Milne MicroDried	120kW	Fruit and vegetables	United States
The Green Organic Dutchman	60kW	Cannabis	Canada
The Green Organic Dutchman	120kW	Cannabis	Canada
The Green Organic Dutchman	120kW	Cannabis	Canada
The Green Organic Dutchman	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Aurora (1)	60kW	Cannabis	South America
Aurora (1)	60kW	Cannabis	Australia

Notes:

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

NutraDried Food Company

Sales and distribution of Moon Cheese® throughout Canada and the U.S. grew substantially during 2019. NutraDried continued sales of its Moon Cheese® product in a 10oz Club Pack format to Costco in 2019 as a product rotation in several of Costco's divisions. Although NutraDried continues to distribute product into several Costco divisions, distribution in Costco is temporary, and Moon Cheese® is not yet an everyday item at Costco. In Q4 2019, Moon Cheese was included in Costco's Most Valuable Member ("MVM") coupon program and the product was distributed to all eight of the Costco divisions in the U.S. for a temporary promotion.

NutraDried has restructured the sales function to bring the services in-house ending a contract with an outside service provider, Slant Design. NutraDried has hired a Vice-President of Sales and a Chief Marketing Officer both with extensive knowledge in the consumer package goods area. NutraDried has enhanced its marketing strategies internally and public relations to develop further opportunities in the retail markets.

NutraDried's strategy is to continue to grow its core distribution in the U.S. mainstream retail grocery channel by securing national retail accounts, as well as to pursue c-store and food service channels.

NutraDried Capacity Expansion

EnWave's Board of Directors has approved a capital investment budget of up to CA $8.0 MM for the Company to construct a new 120kW *nutra*REV® machine and to expand the NutraDried manufacturing facility to allow for robust commercial growth. The investment in the purpose-built commercial infrastructure today will allow for up to a total of five large-scale REV™ machines to be commissioned to address commercial growth. At the completion of the initial expansion, NutraDried will have three large-scale *nutra*REV® machines in commercial production, which is a 50% increase of production capacity. The Company is in the process of identifying an appropriate facility in Ferndale, Washington to accommodate the necessary equipment and infrastructure, and has not yet made any contractual capital commitments on the project.

Moon Cheese® is currently sold in over 25,000 points of distribution in North America including premier retailers such as Starbucks, Costco, Whole Foods, Publix, Target, and Wegmans. The brand has also recently gained distribution at HEB, ShopRite, Sprouts, and Raley's. Moon Cheese is in the midst of a major brand re-launch reflecting new world-class packaging, new varieties (Garlickin' Parmesan and Cheddar Bacon Me Crazy), and new sizes and formats. The re-launch has been enthusiastically received by retail partners and will be supported by significant investments in strategic sales and marketing. The new branding and products will be on-shelf where Moon Cheese® is distributed starting in early calendar year 2020.

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

The following is a selected summary of quarterly results for the eight most recently completed quarters to September 30, 2019 reported in Canadian dollars, the Company's presentation currency:

	2018				2019			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
Revenues	4,519	4,172	6,779	7,355	7,806	8,773	10,075	16,188
Direct costs	(3,093)	(2,877)	(3,848)	(4,097)	(4,769)	(5,653)	(7,217)	(11,597)
Gross profit	1,426	1,295	2,931	3,258	3,037	3,120	2,858	4,591
Expenses	(1,823)	(1,814)	(3,035)	(2,645)	(2,736)	(3,062)	(4,149)	(4,756)
Income tax expense	-	-	-	(538)	(316)	(282)	(31)	(260)
Net (loss) income after income tax	(397)	(519)	(104)	75	(15)	(224)	(1,322)	(425)
Adjusted EBITDA	315	4	1,313	1,300	1,163	1,002	139	864
Loss per share – Basic and diluted	(0.01)	(0.01)	(0.01)	0.00	(0.00)	(0.00)	(0.01)	(0.01)
Total assets	21,926	20,108	20,958	22,162	23,781	28,114	40,316	43,250
Total liabilities	2,955	3,692	4,190	5,240	5,348	8,919	9,447	12,306
Minority interest	1,990	-	-	-	-	-	-	-

Revenues for Q3 and Q4 2019 are higher than Q1 and Q2 2019 due to an increase in machine orders and production than at the end of Q2 2019. NutraDried increased revenues for from Q1 through Q4 2019 with more product rotations in Costco and increased distribution. For Q4 2019, NutraDried's revenues were higher than all prior quarters due to the Costco MVM Program. Direct costs have increased with revenue growth as it relates to both EnWave's machine production and NutraDried's product sales revenues. Expenses were relatively consistent in Q3 and Q4 2019 relative to Q1 and Q2 2019 due to additional personnel costs and recruiting costs tied to growth as well as additional marketing costs and a restructuring cost related to NutraDried.

Selected Annual Information

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

		Year ended September 30,	
($ '000s)	**2019**	**2018**	**2017**
Revenues	42,842	22,825	15,954
Net loss for the year	(1,986)	(945)	(2,986)
Per share, basic & diluted	(0.02)	(0.01)	(0.04)
Comprehensive loss for the year	(1,840)	(746)	(3,115)
Adjusted EBITDA[(1)]	3,168	2,932	6
Total assets	43,250	22,162	13,344
Long term liabilities	595	493	90
Dividends declared	Nil	Nil	Nil

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

Discussion of Operations

Revenue

Revenue is earned from two business segments: EnWave 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.

($ '000s)	**2019**	**2018**
Revenue	42,842	22,825

Revenue for the year ended September 30, 2019 was $42,842, compared to $22,825 for the year ended September 30, 2018, an increase of $20,017. The increase in revenues for the year ended September 30, 2019 was driven primarily by an increase in product sales by NutraDried of $13,491 and an increase in machine sales of $6,526. EnWave Canada had revenue of $12,848 for the year ended September 30, 2019 compared to $6,322 for the year ended September 30, 2018, an increase of $6,526.

Quarterly Revenue	**2018**				**2019**			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
EnWave Canada	2,121	1,768	1,610	823	1,478	2,009	5,075	4,286
NutraDried	2,398	2,404	5,169	6,532	6,328	6,764	5,000	11,902
Total	4,519	4,172	6,779	7,355	7,806	8,773	10,075	16,188

Revenues from NutraDried was $29,994 for the year ended September 30, 2019 compared to $16,503 for the year ended September 30, 2018, an increase of $13,491. Revenues in 2019 increased due to sales of Moon Cheese® to Costco in the U.S., as well as the addition of several new points of retail distribution. Costco also sold Moon Cheese® in the MVM Coupon Program in Q4 2019, which resulted in a temporary national distribution of product in all eight U.S. Costco divisions. There is customer concentration risk through sales to Costco. Revenue from sales to Costco represented 61% of NutraDried revenues for the year ended September 30, 2019. 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®.

The increase to revenues of EnWave Canada in 2019 was driven primarily by growth in the number of machine sales contracts secured by the Company. During 2019, the Company received orders for several large-scale machines for the Canadian cannabis producers, including TGOD and Aurora. During 2019, the Company received one large-scale machine order for the food industry from Milne Microdried, and several small-scale 10kW machine orders to both new Royalty Partners and to existing Royalty Partners expanding capacity.

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 earned royalties of $735 for 2019 compared to $571 for 2018, growth of $164. These royalties do not include the royalties paid by NutraDried as they are eliminated in the consolidated financial statements. Including the NutraDried royalty, EnWave generated royalties of $2,565 for 2019 compared to $1,392 for 2018, growth of $1,173. 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 expect our royalties to grow as we sign new license agreements and supply additional REV™ machine dehydration capacity to our royalty partners.

Direct costs

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

($ '000s)	**2019**	**2018**
Direct costs	29,236	13,915
% of revenue	68%	61%

Direct costs for the year ended September 30, 2019 increased by $15,321, or 110% compared to the year ended September 30, 2018. Direct costs for EnWave Canada are driven by commercial machine selling and construction activity. As a percentage of revenue, direct costs for the year ended September 30, 2019 increased by 7% compared to the year ended September 30, 2018.

During the year ended September 30, 2019, EnWave Canada yielded a ratio of direct costs to revenue of 95%, compared to 90% during the year ended September 30, 2018. The decrease in gross margin is due to additional manufacturing overhead costs required to deliver a higher number of machines to Royalty Partners. 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. A large portion of the costs of manufacturing REV™ machinery are fixed overheads, and if we secure a larger volume of machine orders, we can improve margins through economies of scale.

The ratio of direct costs to revenue was 56% for NutraDried for the year ended September 30, 2019, compared to 50% in the year ended September 30, 2018. The ratio of direct costs to revenue was decreased partially due to an increase in discounts and trade spending, which is recorded as a reduction of revenues. This was offset by the unit cost of Moon Cheese® decreasing over the period due to higher production output from 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 increased in the third and fourth quarter of 2019 and we monitor the impact of commodity price fluctuations and may employ hedging tactics to mitigate risk.

General and administration

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

($ '000s)	**2019**	**2018**
General and administration	4,329	2,439
% of revenue	10%	11%

G&A expenses for the year ended September 30, 2019 were $4,329 compared to $2,439 for the year ended September 30, 2018, an increase of $1,890. The increase in G&A expenses for the year was largely driven by growth in the administrative functions of NutraDried to keep pace with the growth in sales. In addition, EnWave Canada increased G&A with higher personnel related costs, higher legal fees associated with negotiating commercial license agreement and recruitment costs for the addition of new talent. As a percentage of revenue, G&A expenses decreased 1% for the year ended September 30, 2019 relative to the year ended September 30, 2018.

Sales and marketing

Sales and marketing ("S&M") expenses includes salaries and wages, travel expenses, consulting fees, promotional and marketing fees, agency fees, and office expenses related to selling activities.

($ '000s)	**2019**	**2018**
Sales and marketing	5,787	3,731
% of revenue	14%	16%

S&M expenses for the year ended September 30, 2019 were $5,787 compared to $3,731 for the year ended September 30, 2018, an increase of $2,056.

S&M expenses for NutraDried were $4,321 for the year ended September 30, 2019 compared to $2,451 for the year ended September 30, 2018, an increase of $1,870. The increase in S&M expenses for the year ended September 30, 2019 was due to NutraDried adding building out its internal sales and marketing function, paired with an increase in marketing and branding expenses. The Company incurred expenses related to the re-branding of Moon Cheese® and the launch of new flavours and package size formats. The growth in S&M expenses is part of the Company's strategy to promote Moon Cheese® with consumers and to gain additional points of distribution for the product.

S&M expenses for EnWave Canada were $1,466 for the year ended September 30, 2019 compared to $1,280 for the year ended September 30, 2018, a modest increase of $186. The S&M expenses at EnWave Canada primarily relate to an increase in personnel costs related to the sales and marketing function as well as increased spending on industry tradeshows to promote our technology. S&M expenses increased for EnWave Canada as we invest in activities and personnel resources to drive market penetration and revenue growth.

The adoption of IFRS 15 impacted the classification of certain promotional expenses and discounts that were previously recorded as S&M expenses, and are recorded as a reduction to revenues under IFRS 15 in the fiscal year 2019. The amount of these expenses for the year ending September 30, 2019 is $6,781. Refer to the section *New Accounting Policies Adopted during the Period.*

Research and development

R&D expenses include the salaries of engineers, technicians, scientists and management 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, and R&D staff travel expenses. 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.

($ '000s)	**2019**	**2018**
Research and development	1,692	1,213
% of revenue	4%	5%

R&D expenses for the year ended September 30, 2019 were $1,692 compared to $1,213 for the year ended September 30, 2018, an increase of $479. Our R&D expenses have increased due to costs related to several new patent applications during the year as well as the international filing fees associated with filing previously granted patents in new market. The Company's strategy is to increase its intellectual property portfolio to serve as the foundation for its licensing business model. We anticipate R&D expenses to remain consistent, with future increases being attributable to patent filing and patent maintenance activities to secure our intellectual property.

Amortization of intangible assets

Amortization of intangible assets for the year ended September 30, 2019 was $391 compared to $573 for the year ended September 30, 2018. The decrease in amortization expense is due to certain intangible assets becoming fully amortized. The Company did not have significant additions to its intangible assets during the year ended September 30, 2019.

($ '000s)	**2019**	**2018**
Amortization of intangible assets	391	573

Stock-based compensation

Stock-based compensation expense was $1,821 for the year ended September 30, 2019, compared to $545 for the year ended September 30, 2018. The increase in stock-based compensation expense was due to timing of current year vesting of stock options and restricted share rights ("RSRs") granted during the current and prior years. The Company made three grants of stock options in September 2018, December 2018 and August 2019 that have related expenses recorded over an eighteen-month vesting period, resulting in the increased stock-based compensation expenses.

($ '000s)	**2019**	**2018**
Stock-based compensation	1,821	545

Foreign exchange loss

Foreign exchange gain for the year ended September 30, 2019 was $9 compared to the loss of $11 for the year ended September 30, 2018. The majority of the Company's foreign exchange gain or loss amounts consists of foreign exchange differences driven by our monetary assets in US dollar ("USD").

($ '000s)	**2019**	**2018**
Foreign exchange loss	(9)	11

The fluctuation of foreign exchange is consistent with the Canadian dollar's appreciation or depreciation as measured against the USD for each period.

Restructuring costs

Restructuring costs relate to a restructuring of the sales and marketing function of NutraDried. Until May 2019, the Company was under contract with Slant Design and Marketing Inc. ("Slant"), an external agency, to provide full-service sales management and marketing management for Moon Cheese®. The Company restructured the management of its sales and marketing by bringing these functions in-house and hiring an internal sales and marketing function. The Company paid a contract termination payment to Slant in order to complete the restructuring.

($ '000s)	**2019**	**2018**
Restructuring Costs	612	-

Income taxes

Income tax expense was $889 for the year ended September 30, 2019, compared to $538 for the year ended September 30, 2018. The Company's current and deferred tax expenses are solely related to NutraDried's U.S. sourced income.

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

($ '000s)	**2019**	**2018**
Current tax expense	691	392
Deferred tax expense	198	146
Income tax expense	889	538

Fourth Quarter Highlights

	Three months ended September 30,	
	2019 $	**2018 $**
Revenues	**16,188**	7,355
Direct costs	**(11,597)**	(4,097)
	4,591	3,258
Expenses		
General and administration	**1,164**	731
Sales and marketing	**2,524**	1,353
Research and development	**317**	312
Stock-based compensation	**511**	143
Restructuring charges	**-**	-
Amortization of intangible assets	**54**	126
Loss on disposal of assets	**259**	-
Foreign exchange (gain) loss	**3**	(2)
Finance income, net	**(76)**	(18)
	4,756	2,643
Loss for the period before income taxes	**(165)**	(613)
Income tax expense		
Current	**116**	392
Deferred	**144**	146
Net (loss) income for the period	**(425)**	75

Revenue

EnWave Canada had revenue of $4,286 for the three months ended September 30, 2019 compared to $823 for the three months ended September 30, 2018, an increase of $3,463. The increase in revenue for the three months ended September 30, 2019 relative to September 30, 2018 is due to higher purchase order volume for machinery in the fourth quarter of 2019 relative to 2018. During the fourth quarter of 2019, revenue was generated from commercial equipment sale contracts from Aurora with the purchase of two 120kW REV™ machines, The Green Organic Dutchman with one 60kw and three 120kW REV™ machines and Milne Microdried with the purchase of a 120kW REV™ machine. EnWave Canada earned royalties of $224 during the three months ended September 30, 2019 compared to $113 for the three months ended September 30, 2018, an increase of $111.

Revenues from NutraDried were $11,902 for the three months ended September 30, 2019 compared to $6,532 for the three months ended September 30, 2018, an increase of $5,370. The increase in revenue for the third quarter was due to NutraDried increased sales to Costco with the product being distributed in Costco's MVM Coupon Program. NutraDried experiences variability in order frequency and volumes with significant customers, which can affect the timing of product sales recorded as revenue.

	Three months ended September 30,	
($ '000s)	**2019**	**2018**
Revenue	16,188	7,355

Direct costs

Direct costs for the three months ended September 30, 2019 were $11,597 compared to $4,097 for the three months ended September 30, 2019, an increase of $7,500. The increase to direct costs was attributed to both NutraDried's sales growth and also EnWave Canada's increase in machine production and the related cost of fabricating machinery. Direct costs as a percentage of revenues for the three months ended September 30 at 72%, 2019 compared to 56% for the three months ended September 30, 2018, an increase of 16%. The decrease in margin was a result of the trade spending related to the NutraDried's Costco MVP Coupon as well as an increase in the manufacturing overhead costs for EnWave Canada related to machine fabrication.

	Three months ended September 30,	
($ '000s)	**2019**	**2018**
Direct costs	11,597	4,097
% of revenue	72%	56%

General and administration

G&A expenses for the three months ended September 30, 2019 were $1,164 compared to $731 for the three months ended September 30, 2018, an increase of $433. The increase is primarily due to hiring of three mid to senior level employees at NutraDried and other administrative personnel. EnWave Canada also incurred increased legal fees related to securing new license contracts.

	Three months ended September 30,	
($ '000s)	**2019**	**2018**
General and administration	1,164	731
% of revenue	7%	10%

Sales and marketing

S&M expenses for the three months ended September 30, 2019 were $2,524 compared to $1,353 for the three months ended September 30, 2019, an increase of $1,171. The increase to S&M expenses in the quarter was driven primarily by the growth in NutraDried's sales and marketing personnel costs. NutraDried hired a full-time SVP of Sales, a Chief Marketing Officer as well as three full-time sales representatives as part of the plan to grow distribution. EnWave Canada's S&M expenses increased slightly due to increased personnel costs, tradeshow activities and travel expenses.

	Three months ended September 30,	
($ '000s)	**2019**	**2018**
Sales and marketing	2,524	1,353
% of revenue	16%	18%

Research and development

R&D expenses for the three months ended September 30, 2019 were $317 compared to $312 for the three months ended September 30, 2018. R&D expenses maintained consistent for the three months September 30, 2019 compared to the three months ended September 30, 2018. The Company continues to make R&D investments into new intellectual property through patent filings and maintenance costs, and maintains an R&D team of technology experts to support new product development with current and prospective partners using the EnWave technology.

	Three months ended September 30,	
($ '000s)	**2019**	**2018**
Research and development	317	312
% of revenue	2%	4%

Amortization of intangible assets

Amortization of intangible assets for the three months ended September 30, 2019 was $54 compared to $126 for the three months ended September 30, 2018. The decrease in amortization expense is due to certain intangible assets becoming fully amortized during the year.

	Three months ended September 30,	
($ '000s)	**2019**	**2018**
Amortization of intangible assets	54	126

Stock-based compensation

Stock-based compensation expense was $511 for the three months ended September 30, 2019, compared to $143 for the three months ended September 30, 2018. The increase to stock-based compensation expense was due to the vesting of stock options and RSRs granted during previous quarters.

	Three months ended September 30,	
($ '000s)	**2019**	**2018**
Stock-based compensation	511	143

Liquidity and Capital Resources

Working capital

The components of the Company's working capital on September 30, 2019 and September 30, 2018 are:

($ '000s)	September 30, 2019	September 30, 2018
Current Assets		
Cash and cash equivalents	**18,665**	9,101
Restricted cash	**250**	250
Trade receivables	**10,329**	3,522
Due from customers on contract	**1,557**	727
Prepaids and other receivables	**942**	285
Income taxes receivable	**98**	-
Inventory	**5,986**	2,873
	37,827	**16,758**
Current Liabilities		
Trade and other payables	**8,791**	3,037
Amounts due to related parties	**44**	19
Customer deposits and deferred revenue	**2,768**	1,201
Income taxes payable	**-**	392
Current portion of other liability	**108**	98
	11,711	**4,747**
Working Capital	**26,116**	**12,011**

As at September 30, 2019, the Company had working capital of $26,116, compared to $12,011 as at September 30, 2018. As at September 30, 2019 the cash and cash equivalents balance was $18,665 compared to $9,101 as at September 30, 2018, an increase of $9,564. The change in cash and cash equivalents is primarily due to the Aurora Investment with net proceeds of $9,177, the remaining increase is due to deposits received from customers on machine purchases as well as cash received from the exercise of stock options and warrants. The Company had net cash outflows from operating activities of $2,413 for the year ended September 30, 2019.

EnWave Canada had trade receivables of $1,356 as at September 30, 2019, compared to $940 at September 30, 2018, and NutraDried had trade receivables of $8,973 at September 30, 2019 compared to $2,582 at September 30, 2018. The increase in EnWave Canada's trade receivables relates to deposits received on equipment purchase contracts. The increase to NutraDried's trade receivables relates to increased sales to Costco in the fourth quarter. As at September 30, 2019 the Company has recorded a provision for expected credit losses of $58 (2018 - $nil).

Due from customers on contract to EnWave Canada as at September 30, 2019 was $1,557 compared to $727 as at September 30, 2018. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

Inventory as at September 30, 2019 includes completed machines and machine components of EnWave Canada of $2,198, which is an increase of $480 compared to September 30, 2018. EnWave Canada had more 10kW REV™ machines in inventory which were produced during 2019. NutraDried's food product and packaging supplies inventory was $3,788, which is an increase of $2,632 compared to September 30, 2018 due to additional inventory produced to meet purchase orders.

Trade and other payables as at September 30, 2019 includes $2,312 of trade payables and accrued liabilities related to EnWave Canada, compared to $1,588 on September 30, 2018, with the increase associated with the increased number of equipment construction contracts. Trade and other payables of NutraDried were $6,479, compared to $1,449 on September 30, 2018, with the increases associated with increased purchasing of raw materials and to meet to increased sales. Trade and other payables fluctuate depending on the timing of purchases and payments related to equipment construction contracts and food products inventory, as well as personnel costs and related accruals.

Financing and liquidity

Cash and cash equivalents were $18,665 at September 30, 2019 compared to $9,101 at September 30, 2018. As at September 30, 2019, we had net working capital of $26,116 compared to $12,011 at September 30, 2018. The change in cash consists of:

($ '000s)	**2019**	**2018**
Cash used in operating activities	**(2,413)**	4,090
Cash used in investing activities	**(2,062)**	(5,357)
Cash (used in) generated from financing activities	**14,025**	8,970

During Q3 2019 we completed a strategic investment with Aurora resulting in net cash proceeds of $9,177. Please refer to the *Recent Developments Section, Aurora Strategic Investment.* The Company received $4,056 from the exercise of stock options and $891 from the exercise of warrants. We believe that our current working capital surplus of $26,116 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.

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

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

Capital expenditures

During the year ended September 30, 2019, we incurred capital expenditures of $2,469 (2018 - $3,106), related to plant and equipment. NutraDried accounted for $1,583 of the capital expenditures for the period with the addition of a new packaging line and other production equipment. EnWave accounted for $886 for manufacturing and assembly equipment for the new facility in Delta, B.C., new R&D equipment for our pilot plant and a renovation of the corporate office located in Delta, B.C.

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

The Company has announced a capital project of up-to $8 million for NutraDried. The expansion will include a third 120kW *nutra*REV® processing line to increase our production capacity for Moon Cheese® by 50%. At this time the Company is still evaluating site alternatives for NutraDried's capacity expansion and has not yet made any contractual commitments for the project. Based on our current projections, we believe we will need the additional production capacity operational before fall of 2020 to meet growing demand for Moon Cheese®.

Contractual obligations

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table provides information about certain of the Company's significant contractual obligations as at September 30, 2019:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	8,741	42	8	8,791
Amounts due to related parties	44	-	-	19
Other liability	108	247	-	355
	8,893	**289**	**8**	**9,190**
Commitments				
Contractual obligations including operating leases	835	1,346	658	2,839
Total	**9,728**	**1,635**	**666**	**12,029**

Transactions with Related Parties

During the year ended September 30, 2019, the Company paid quarterly directors' fees to its four independent directors through a combination of cash and stock-based compensation for their services as directors of the Company.

The table below summarizes the transactions with related parties for the three months and year ended September 30, 2019 and 2018:

($ '000s)	**Three months ended September 30,**		**Years ended September 30,**	
	2019	2018	**2019**	2018
	$	$	**$**	$
Directors' fees	**40**	22	**136**	90
Stock-based compensation	**214**	24	**287**	122
Facilities rent and other	**-**	-	**-**	7
	254	46	**423**	219

Compensation of key management personnel

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

($ '000s)	Three months ended September 30, 2019 $	Three months ended September 30, 2018 $	Years ended September 30, 2019 $	Years ended September 30, 2018 $
Salaries, bonuses, severance and short-term benefits	**233**	368	**1,169**	1,119
Stock-based compensation	**300**	67	**733**	225
	533	435	**1,902**	1,344

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 $955 (2018 - $247).

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 purchase. The liability is measured at the end of each reporting period, and changes are recorded in the consolidated statement of loss.

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

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 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 adopted during the period

Beginning on October 1, 2018, the Company adopted certain IFRS standards and amendments. As required by International Accounting Standards 34, *Interim Financial Reporting* and International Accounting Standards 8*, Accounting Policies, Changes in Accounting Estimates and Errors*, the nature of these changes are disclosed below.

IFRS 15 – Revenue from Contracts with Customers

Effective October 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which replaces all previous revenue recognition standards including international accounting standards 18, Revenue ("IAS 18") and IAS 11, Construction Contracts ("IAS 11") and related interpretations.

IFRS 15 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. A five-step model is utilized to achieve the core principle: (1) identify the customer contract; (2) identify the contract's performance obligation; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation; and (5) recognize revenue when or as a performance obligation is satisfied. New disclosures are also required.

Transition considerations

The Company adopted IFRS 15 by applying the modified retrospective method, without restatement of comparatives figures. The Company applied the following practical expedients upon adoption of IFRS 15 on October 1, 2018:

Completed contracts – the Company applied IFRS 15 retrospectively only to contracts that were not completed contracts as at October 1, 2018. Contract modifications – the Company did not apply IFRS 15 retrospectively to contract modifications that occurred before October 1, 2018.

The timing of revenue recognition from the sale of small-scale, standardized machine designs was affected by the change in accounting policy. Under IFRS 15, revenue from the sale of small-scale, standardized machine designs is recognized at a point in time, when the installation of the unit is complete. Previously, under IAS 18, revenue was recognized over time using the percentage of completion method for these contracts.

The classification of revenues and selling and marketing expenses from product sales was affected by the change in accounting standards. Under IFRS 15, discounts and certain promotional expenditures are recorded as a reduction of revenue. Previously, under IAS 18, these costs were classified as selling and marketing expenses. The revised accounting policies had no other significant effect on revenue recognition in any of the other revenue sources.

The financial impact of adopting IFRS 15 on the opening consolidated balance sheet is as follows:

	As at October 1, 2018 $
Inventory	119
Customer deposits and deferred revenue	202
Retained deficit	83

The financial impact of adopting IFRS 15 on the consolidated statement of loss for the year ended September 30, 2019 is as follows:

	Amounts prior to adoption of IFRS 15 $	**Impact of adopting IFRS 15 $**	**As reported on the consolidated financial statements $**
Revenues	49,623	(6,781)	42,842
Sales and marketing expenses	12,568	(6,781)	5,787
Net income (loss)	-	-	-

The Company's revised revenue recognition accounting policy is described below:

Customized equipment sales contracts

The Company designs and builds customized dehydration equipment to meet customers' specific needs. The Company typically receives a deposit prior to starting work on an equipment contract, and receives interim payments as work progresses. The Company recognizes a liability for advance payments in excess of revenue recognized and presents it as contract liability on the consolidated balance sheet in customer deposits and deferred revenue. The advance payment typically is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract.

The Company receives payments from customers based on a billing schedule, as established in the equipment purchase contracts. Amounts are billed as work progresses in accordance with the terms of the contract, either upon achievement of contractual milestones or at periodic intervals.

When an equipment purchase contract is for a customized machine design that is specific to a customer's equipment specification, the Company generally recognizes revenue over time because of continuous transfer of control to the customer. Because of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and the Company typically uses the cost-to-cost measure of progress for contracts because it best depicts the transfer of assets to the customer which occurs as costs are incurred on contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionately as costs are incurred. Costs to fulfil the performance obligation are recognized as cost of goods sold in the period they are incurred. Typically, the customized machine contracts of the Company do not have a duration of greater than 12 months, and the Company has applied the practical expedient under IFRS 15.121.

Management must make assumptions and estimates regarding the measurement of progress towards completion of the performance obligation over time. These assumptions and estimates relate to the complexity of the work being performed, achievement of technical specifications and milestone events, and the overall estimated cost, including materials, labour and overhead, to meet the performance obligations.

Standardized equipment sales contracts

The Company builds and installs small-scale dehydration equipment of standardized designs. The Company typically receives a deposit when the order for a machine is placed, a second deposit prior to the shipment of the machine, and the final payments become due upon installation of the machine. The Company will recognize a liability in advance of recognizing revenue for the deposits received prior to installation. Revenue from the sale of small-scale, standardized dehydration equipment is recognized at a point in time, upon completion of installation of the machine at the customer's facility.

Sales of products

The Company manufactures and sells food products in the consumer market. Revenue is measured at the fair value of the amount of consideration to which the Company expects to be entitled, including variable consideration, if any, to the extent that it is highly probable that a significant reversal will not occur. These criteria are generally met at the time the product is shipped and when control transfers to the customer. Revenue is measured based on the price specified in the sales contract and net of discounts. Discounts and certain promotional costs are recorded as a reduction of revenue. At the end of the period any unpaid discounts, trade expenses and promotional costs are recorded in accrued liabilities. In many situations, the Company uses brokers to sell the products and will pay a sales commission. Sales commissions are recorded as sales and marketing expenses, and are not recorded net against revenue from the sale of products.

Royalties and licensing fees

The Company licenses its technology and charges sales-based or usage-based royalties to its licensees. Royalties and licensing fees are recognized at the time the subsequent sale or usage occurs, and when there is a binding right to receive such payments pursuant to the terms of the relevant agreement, which is the period the royalties are generated and earned.

The Company has provided the table below to show the effect the presentation change for certain discounts and promotional expenses under IFRS 15 on the fiscal year 2018 financial statements:

	Quarter ended				Year ended
($ '000s)	**Dec 31, 2017**	**Mar 31, 2018**	**Jun 30, 2018**	**Sep 30, 2018**	**Sep 30, 2018**
As previously reported					
Revenues	4,519	4,172	6,779	7,355	22,825
S&M expenses	590	683	1,105	1,353	3,731
Net (loss) income	(397)	(519)	(104)	75	(945)
IFRS 15 presentation adjustment(1)	153	166	372	549	1,240
If reported under IFRS 15					
Revenues	4,366	4,006	6,407	6,806	21,585
S&M expenses	437	517	733	804	2,491
Net (loss) income	(397)	(519)	(104)	75	(945)

Note:
(1) Amount represents certain discounts and promotional expenses that are recorded as a reduction of revenue under IFRS 15.

IFRS 9 - Financial Instruments

Beginning on October 1, 2018, the Company adopted IFRS 9, *Financial Instruments* ("IFRS 9"), which replaces IAS 39, *Financial Instruments: Recognition and Measurement,* and related amendments to IFRS 7, *Financial Instruments: Disclosures,* and provides detailed guidance on classification and measurement of financial assets and liabilities, impairment of financial assets, and hedge accounting. There was no material impact to the Company's consolidated financial statements with regards to the changes in IFRS on the classification and measurement of financial assets and liabilities and hedge accounting.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Due from customers on contract	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Amounts due to related parties	Other financial liabilities	Amortized cost
Customer deposits and deferred revenue	Other financial liabilities	Amortized cost
Other liability	Other financial liabilities	Amortized cost

Accounting standards and amendments issued and not yet adopted

IFRS 16 - Leases

In January 2016, IFRS 16, *Leases,* was issued which sets out a new model for lease accounting. The standard replaces IAS 17, *Leases,* and is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted. The mandatory effective date of IFRS 16 is for years starting on or after January 1, 2019. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset's value is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors will continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17, *Leases*.

The standard may be adopted using a full retrospective or modified retrospective approach. The Company intends to adopts IFRS 16 on October 1, 2019 using the modified retrospective approach by recognizing the cumulative impact for initial adoption in the opening retained deficit (i.e. the difference between the right of use asset and the lease liability, net of deferred tax impact) and comparatives will not be restated. The majority of our property leases, which are currently treated as operating leases, are expected to be impacted by the new standard which will result in lower rent expense, higher depreciation expense and higher finance costs related to accretion and interest expense of the lease liability. IFRS 16 will also affect the consolidated statement of cash flows by decreasing operating cash flows and increasing financing cash flows by the amount of payments made on right-of-use-asset leases contracts. The new standard will not change the amount of cash transferred between the lessor and lessee, but will change the presentation of the operating and financing cash flows presented in the Company's consolidated statement of cash flows.

The Company has performed an assessment of the potential effect of IFRS 16 on its consolidated financial statements. The anticipated impact of IFRS 16 as a result of right-of-use assets created by the present value of future lease payments is between $1.4 million to $1.7 million. The anticipated recognition of a lease liability is between $1.5 million and $1.8 million. Both of these adjustments will be made to the consolidated statement of financial position with the difference recognized in retained deficit. The Company intends to adopt IFRS 16 in the consolidated financial statements for the year commencing on October 1, 2019.

Financial Instruments

Financial instruments and risk management

The Company's cash and cash equivalents, restricted cash, trade receivables, trade and other payables and amounts due from 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 fair value of financial assets and financial liabilities classified as amortized cost approximates their carrying value due to their short-term nature.

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

The carrying value of other liability as at September 30, 2019 was $355 (2018 - $445) which approximates its fair value and is recorded at amortized cost. The carrying value of the other liability was determined based on the discounted future cash flows using rates for similar financial instruments subject to similar risks and maturities.

The Company does not hold any equity instruments that are measured at fair value or amortized costs during the years ended September 30, 2019, and 2018.

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 a provision for expected credit losses relating to specific losses estimated on individual exposures. As at September 30, 2019, the Company has recorded a provision for expected credit losses of $58 (2018 - $nil).

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

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

The following table provides information regarding the aging of receivables as at September 30, 2019:

	Neither past due nor impaired	Past due but not impaired		
($ '000s)	**0 – 30**	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	9,380	194	755	-
Due from customers on contract	1,557	-	-	-
Indirect taxes receivable	132	-	-	-
Total	11,069	194	755	-

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)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash and cash equivalents and restricted cash	18,665	-	250	-
Trade receivables	10,227	44	58	-
Due from customers on contract	-	636	921	-
Income taxes receivable	98	-	-	-
Indirect taxes receivable	132	-	-	-
Total	29,122	680	1,229	-

Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	8,741	42	8	-
Amounts due to related parties	44	-	-	-
Other liability	-	26	82	247
Total	8,785	68	90	247

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 September 30, 2019, the Company had cash and cash equivalents of $18,665 to settle current liabilities of $11,711.

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 year ended September 30, 2018 ranged from 1.85% to 2.30% (2018 – 0.60% to 2.20%). A 1% change in interest rates would affect the results of operations for the year ended September 30, 2019 by approximately $106 (2018 - $51).

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;

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

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations. As at September 30, 2019, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. At September 30, 2019 and 2018, the Company held no foreign exchange contracts. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's loss for the years ended September 30, 2019 and 2018 as follows:

($ '000s)

Currency	**2019**	**2018**
US dollar	146	810

Capital management

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

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

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

Non-IFRS Financial Measures

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

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

($ '000s)	*Dec 31, 2017*	*Mar 31, 2018*	*Jun 30, 2018*	*Sep 30, 2018*	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*
NutraDried Royalty	118	122	254	327	357	366	270	837
Intercompany Revenue Adjustment(1)	(118)	(122)	(254)	(327)	(357)	(366)	(270)	(837)
Revenues(2)	4,519	4,172	6,779	7,355	7,806	8,773	10,075	16,188
Revenues	4,519	4,172	6,779	7,355	7,806	8,773	10,075	16,188

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

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

	Year ended September 30,		
($ '000s)	**2019**	**2018**	**2017**
Net loss after income tax	(1,986)	(945)	(2,986)
Amortization and depreciation	2,022	1,978	1,964
Stock based compensation	1,821	545	891
Foreign exchange loss	(9)	11	102
Finance (income) expense	(179)	(60)	35
Income tax expense	889	538	-
Non-recurring impairment and restructuring costs	612	865	-
Adjusted EBITDA	3,168	2,932	6

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

($ '000s)	*Dec 31, 2017*	*Mar 31, 2018*	*Jun 30, 2018*	*Sep 30, 2018*	*Dec 31, 2018*	*Mar 31, 2019*	*Jun 30, 2019*	*Sep 30, 2019*
Net (loss) income after income tax	(397)	(519)	(104)	75	(15)	(224)	(1,322)	(425)
Amortization and depreciation	483	436	495	564	578	492	359	591
Stock-based compensation	147	129	126	143	357	452	501	511
Foreign exchange loss (gain)	94	(54)	(27)	(2)	(55)	30	13	3
Finance (income) expense	(12)	12	(42)	(18)	(18)	(30)	(55)	(76)
Income tax expense	-	-	-	538	316	282	31	260
Non-recurring impairment and restructuring costs	-	-	865	-	-	-	612	-
Adjusted EBITDA	315	4	1,313	1,300	1,163	1,002	139	864

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 *freeze*REV®, *nutra*REV® and *quanta*REV® technologies in the cannabis, pharmaceutical and food industries will depend, in a large part, on whether these targeted markets view our technologies ("the EnWave technologies") as safe, effective and economically beneficial. Market acceptance will also depend on the Company's ability to demonstrate that the EnWave technologies are attractive alternatives to existing options. If the Company fails to demonstrate feasibility, commercially viable scale that yields acceptable product quality and equipment performance standards, or competes successfully against existing or potential competitors, its operating results may be adversely affected.

- EnWave's technologies targeted for use in the cannabis and pharmaceutical industries will be subject to regulatory approval by a number of government entities and legal systems. Technology development within this regulatory and legal framework may take a number of years and may involve substantial expenditures that vary for each jurisdiction. Any delays in obtaining regulatory and/or legal approval would have an adverse impact on the Company's ability to earn future revenues.
- 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 the Company's 2019 Annual Information Form. Additional risks and uncertainties applicable to the forward-looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; EnWave will become involved in material litigation; material defects and component quality of parts and raw materials sourced from EnWave suppliers; unforeseen changes to food safety and compliance regulations in the U.S. food processing industry; R&D efforts may not result in the creation of new or enhanced products in a timely or cost-effective fashion or at all; EnWave's royalty partners' and licensees' unwillingness to continue doing business with EnWave on favourable terms or at all; EnWave's business development efforts may not result in increased vertical and market penetration in the global dehydration industry; EnWave's technology may not function as intended or be suitable for the end users it is intended for; unknown or unexpected defects with EnWave's technology that are not correctable in a timely or cost-effective fashion or at all; EnWave's *freeze*REV®

and *powder*REV® technology platforms may not meet customer specifications or Good Manufacturing Practices 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 and/or Costco as a customer 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; unfavourable legal environments for the deployment of REV™ machinery for cannabis processing in certain jurisdictions; deficiencies in accounting policies or internal controls and procedures over financial reporting; insufficiency of insurance; unavailability of certain tax credits; and unexpected tax liabilities.

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

Off-balance Sheet Arrangements

There are no off-balance sheet arrangements.

Capital Structure and Outstanding Share Data

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

	September 30, 2019		**December 10, 2019**	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	110,836,515		111,058,505	
Options				
Outstanding	5,952,000	1.45	5,889,000	1.45
Exercisable	2,931,131	1.15	3,159,795	1.22
RSRs				
Outstanding	775,000	n/a	745,000	n/a
Warrants				
Investor warrants	7,953,731	1.39	7,811,961	1.39
Agent's warrants	60,955	1.05	-	-

As of the date of this MD&A, the Company has 111,055,505 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.

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
John P.A. Budreski
Brent Charleton
Dr. Stewart Ritchie
Mary C. Ritchie
Hugh McKinnon
Stephen Sanford

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

Contact information:

Corporate and Strategic	Investor Inquiries	Administration and Finance
Brent Charleton, CFA President and Chief Executive Officer Telephone (+1) 778 378 9616 bcharleton@enwave.net	Deborah Honig Investor Relations Telephone (+1) 647 203 8793 dhonig@enwave.net	Dan Henriques, CPA, CA Chief Financial Officer Telephone (+1) 604 835 5212 dhenriques@enwave.net

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