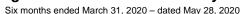


Second Quarter 2020 Management Discussion and Analysis

Six months ended March 31, 2020

(expressed in thousands of Canadian dollars)

Dated: May 28, 2020





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

MANAGEMENT DISCUSSION AND ANALYSIS SECOND QUARTER FOR THE SIX MONTHS ENDED MARCH 31, 2020

Date of this report: May 28, 2020

This Management's Discussion and Analysis ("MD&A") provides a review of EnWave Corporation's ("EnWave", "the Company", "we", "us" or "our") financial performance, on a consolidated basis, for the six months ended March 31, 2020 relative to the six months ended March 31, 2019, and the financial position of the Company at March 31, 2020 relative to September 30, 2019. It should be read in conjunction with the EnWave's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended March 31, 2020 and 2019, as well as the 2019 annual MD&A and the 2019 annual audited consolidated financial statements and accompanying notes, and 2019 Annual Information Form ("AIF") (available at www.enwave.net or on www.enwave.net or on www.sedar.com). The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

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

Management's Responsibility for Financial Information

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

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

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

Company Overview

Radiant Energy Vacuum ("REV™) Technology

EnWave Corporation is an applied technology company that licenses its intellectual property, and manufactures commercial-scale proprietary dehydration equipment for applications in the food, cannabis and pharmaceutical sectors. EnWave has entered into 37 royalty-bearing commercial licenses with and sold REV™ equipment to a diverse portfolio of companies operating throughout sixteen different countries.

REV™ dehydration technology applies microwave energy under vacuum to offer flexible, efficient, low temperature drying suitable for food products, cannabis and biomaterials. The Company currently has





two primary commercial scale technologies, *nutra*REV®, a drum-based system, and *quanta*REV®, a tray-based system.

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

The Company strives to grow revenues by securing multiple, diversified royalty streams through the licensing of its technology for the production of specific applications with a number of global and local royalty partners. The majority of commercial license agreements stipulate for royalty payments based on a percentage of sales generated or units produced by the royalty partner from the use of the REV™ technology to be paid to the Company on a quarterly basis. These licenses also restrict the royalty partner's use of the technology to commercially produce specific applications within a limited geographic territory. 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 is currently being used to produce commercial applications in multiple market verticals, including fruits and vegetables, dairy products, cannabis products, nutraceuticals, and pharmaceuticals. The Company is actively engaged in many, commercially focused, research and development projects to expand the number of viable REV™-dried products and to expand the use of REV™ into additional markets.

NutraDried Food Company

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

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

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



Six months ended March 31, 2020 - dated May 28, 2020

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

(\$ '000s)	Jun 30,	Sep 30,	Dec 31,	Mar 31,	Jun 30,	Sep 30,	Dec 31,	Mar 31,
	2018	2018	2018	2019	2019	2019	2019	2020
NutraDried Royalty ⁽¹⁾	254	327	357	366	270	837	208	288

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

Recent Developments

Impact of the COVID-19 Pandemic

On March 11, 2020, the coronavirus outbreak (hereafter referred to as "COVID-19") was declared a pandemic by the World Health Organization. Since then, global government responses to contain and prevent the further spread of the virus have evolved rapidly over the course of the second fiscal quarter of 2020 until the date of this report. This has resulted in mandating various restrictions, including travel restrictions, restrictions on public gatherings, physical distancing requirements, the closing of non-essential businesses until further notice, stay-at-home advisories and self-quarantining of people who may have been exposed to the virus.

Our priority is the health and safety of our employees and their families. In response, we have changed our work environment and have made arrangements to ensure we are in compliance with all Provincial and State health authority regulations. This included maintaining minimum physical distancing requirements, working from home remotely wherever possible, restricting all non-essential travel and guests from visiting our premises, intensive cleaning and sanitization protocols, mandating the use of personal protective equipment, and providing the necessary support and time if any one has to adhere to self-isolation requirements.

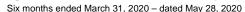
The international travel restrictions imposed globally to contain the spread of the virus has had a material impact on the Company's operational activities. EnWave's business requires staff to travel internationally to secure new licensing agreements and to complete machine installations and training. While the impact is expected to be temporary, COVID-19 is unprecedented, complex and continues to evolve; thus, there is uncertainty around the duration and severity of this pandemic. The Company expects this event to negatively impact its results of operations, financial position and cash flows in Q3 and Q4 2020, but the impact cannot be reasonably estimated at this time.

We have taken several steps to further strengthen our financial position, and maintain financial liquidity and flexibility, which included reviewing and reducing operating expenses and capital expenditures. The measures taken by EnWave and NutraDried, which are discussed below, should result in an annualized run rate reduction of expense of approximately \$4.9 million, of which \$1.9 million relates to direct costs functions and \$2.8 million relates to selling, general and administrative functions. With a strong cash position, the Company has not had to assume any additional debt or financing; however, we are applying for available government stimulus programs which are also discussed below.

EnWave

EnWave has not been required by government authorities to close down during COVID-19, but to ensure the safety of our employees, the Company has temporarily stopped all non-essential international travel, implemented physical distancing requirements throughout its facilities and where possible, employees are working remotely.

To date, EnWave has not experienced any significant disruption to its supply chain or operations regarding REVTM machinery fabrication due to COVID-19. The manufacturing activity at our facility in Delta, British Columbia continues while following all regulatory safety precautions related to COVID-





19. However, the government mandated travel restrictions have prevented us from sending qualified technical staff to complete machine installations globally. At the end of Q2 2020, there were five 10kW machines that were awaiting installation which translates into approximately \$1.1 million in equipment sales revenues to be recognized. Our equipment purchase contracts require advanced deposit payments; however, the final payment obligation is tied to the successful installation and commissioning of the equipment, and the travel restrictions have delayed our collection of these payments. Additionally, the delay to installation translates into delays to the commencement of commercial production and the related royalties payable to EnWave from the commercial use of the technology.

EnWave's international licensing business model requires our qualified engineers and technical staff to travel internationally to conduct business. We have licensed partners in sixteen countries, and we seek to expand this global footprint through our business development efforts. The international travel restrictions imposed by governments due to COVID-19 has impacted our business development efforts to meet new prospective licensed partners, and to complete REVTM machine installations for existing partners. A prolonged inability to travel internationally will substantially impact EnWave's business operations and ability to generate revenue from the sale of REVTM machine systems.

At the end of March, management undertook a review of all critical operations of the Company and took substantial steps to reduce non-essential activities and expenses amidst the pandemic. As a result of the review, many immediate cost reduction measures were implemented, including the elimination of external contractors, rationalization of 17 full-time employees, termination of non-essential service contracts, sub-leasing underutilized warehouse space, cancellation of business travel and in-person tradeshows, and reduction of non-critical use of professional services. These cost reduction measures should result in a reduction of expenses at an annualized run-rate of approximately \$1.9 million. EnWave's cost containment strategy has been designed to improve short-term financial liquidity and better short and mid-term resource allocation with the reduced operational activity caused by COVID-19.

EnWave has applied for COVID-19 financial relief in Canada under the Canada Emergency Wage Subsidy ("CEWS") program. The CEWS program is a wage subsidy program launched by the Canadian Federal government to qualifying employers to subsidize payroll costs during the COVID-19 pandemic. The qualified subsidy amounts received under the CEWS program are non-repayable. In May 2020, the Company applied for and was approved for \$232 of subsidy funding under the CEWS program.

NutraDried

On March 23, 2020, Washington State's governor issued an executive 'stay-at-home' order requiring all non-essential businesses to close and for citizens to stay home. Under the Washington State guidance NutraDried was able to continue manufacturing as food manufacturing businesses were deemed essential. NutraDried has remained continuously operational, and has implemented several enhanced safety protocols, including physical distancing and sanitization protocols, to ensure the safety of employees.

COVID-19 has had an impact on the distribution channels for NutraDried's products. With many States in the U.S. issuing stay-at-home orders, and many non-essential retailers closing down as part of these orders, many of NutraDried's distribution points have been affected. Several of NutraDried's retail customers have closed stores, including all U.S. Starbucks locations, which has impacted ordering volumes and patterns. Additionally, many retailers in the U.S. have been addressing supply chain issues with existing products and have put category reviews and new product evaluations temporarily on hold due to COVID-19. In the current environment, COVID-19 has challenged our ability to secure meetings with buyers to gain new points of distribution for Moon Cheese®, which causes delays in securing new distribution for the product.





As a result of the challenging macroeconomic environment caused by COVID-19, NutraDried implemented several measures to reduce expenses and to appropriately manage liquidity and working capital in mid-March. These include a revised marketing plan for fiscal year 2020 that involves a reduced level of programming while maintaining key messaging within strategic consumer channels, reduced headcount by rationalizing 19 manufacturing personnel, and a reduction of non-essential general and administrative ("G&A") expenses. At the start of April, the Company significantly reduced the monthly production of Moon Cheese® in response to current inventory levels, the distribution challenges created by COVID-19 and unpredictable repeat Costco business. The cost containment measures implemented at NutraDried should reduce expenses at an annual run rate of approximately \$2.8 million, and was intended to manage near-term liquidity and working capital, to sell down the current inventory levels, and to enable a rapid scale-up for when the impacts of COVID-19 can be overcome. The Company's sales team continues to actively pursue new opportunities across multiple channels. Management anticipates that as retailers re-open and retail supply chains stabilize that the Company will be able to secure new distribution and continue to develop the Moon Cheese® brand.

On April 25, 2020, NutraDried was issued a US \$704 (CA \$989) promissory note from People's Bank in Washington State under the U.S. Federal Government's Paycheck Protection Program ("PPP"). The PPP provides forgivable loans to small businesses to cover payroll costs, rent and utilities expenses for an eight-week period during the COVID-19 crisis. The Company can apply to have a portion of the principal value of the PPP loan forgiven for the portion used for eligible payroll costs, rent and utility costs incurred in the eight-weeks subsequent to the receipt of the PPP loan, subject to certain restrictions. The Company intends to apply for loan forgiveness to the maximum extent possible, and any amounts not forgiven under the PPP will bear interest at 1% and will be paid back in 18 equal monthly payments with the first payment due on November 25, 2020.

Expansion of Intellectual Property Portfolio

The Company has received nine recent patent approvals from a number of key international patent offices. The Company received approvals from the Chilean, Indonesian and Mexican patent offices for the modular nutraREV® patent, approval from the Brazilian patent office for its vaccine processing patent, approvals from both the Australian and Canadian patent offices for its Frozen-In process patent, approval from the United States patent office for the quantaREV® apparatus patent, approval from the Australian patent office for the vacuum-microwave puffed-snack patent and most importantly, patent approval from the Canadian patent office for the dehydration and decontamination of cannabis using REV™ technology. The Company also has six national phase patent applications that have been completed and submitted to the international Patent Cooperation Treaty examiner for review and potential approval in the coming months.

U.S. Cannabis Licensing Expansion

The Company's board of directors approved a plan to license the Company's proprietary REVTM technology into the U.S. cannabis market through a wholly-owned American subsidiary. The U.S. market presents a significant opportunity for the Company to license REVTM for the drying and decontamination of cannabis. The Company is in active dialogue with a number of prospective licensees in the U.S. and is actively working to confirm commercial license agreements for cannabis products in the U.S. marketplace.

Appointment of New Independent Director

On February 12, 2020, EnWave announced that it had appointed Mr. Patrick Turpin, the co-founder of Popchips, Inc. ("Popchips") and a veteran of the consumer packaged goods industry, to the Company's board of directors. The addition of Patrick Turpin will broaden and strengthen the skillset of the board by adding a wealth of experience and leadership in the better-for-you segment of the snacking vertical, where NutraDried operates.

Six months ended March 31, 2020 – dated May 28, 2020



Commercial Licensing and Partnership Development

License Agreement and Equipment Purchase Agreement with Ballantyne Dairy

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

License and Equipment Purchase Agreement with Pacifico Snacks

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

Installation of 3rd Large-Scale REVTM Machine at Milne MicroDried

In January 2020, the Company completed the installation and commissioning of the third 120kW REVTM processing line for Milne MicroDried, its royalty partner in Idaho, U.S. Milne MicroDried produces a variety of premium quality dried fruit and vegetable products using EnWave's technology, primarily for business to business sales, and pays EnWave a royalty based on a percentage of revenue generated from REVTM product sales. With three large-scale REVTM machines installed, Milne MicroDried now has the largest installed capacity of any of EnWave's royalty partners as it continues to expand its business.

Installation of 60kW at The Green Organic Dutchman

The Company is in the process of completing the installation of a 60kW REVTM cannabis processing line for The Green Organic Dutchman ("TGOD") at its facility in Ancaster, Ontario. As of the date of this report the 60kW was largely completed and the Company is awaiting COVID-19 related challenges to subside in order to send qualified technical staff to complete the final commissioning and training for the unit. Once the 60kW line has been fully commissioned and the TGOD personnel appropriately trained, the machine can begin royalty-bearing commercial production.

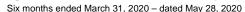
Fabrication of Aurora Cannabis Inc. REV™ Equipment

Aurora purchased two 120kW REVTM machines for installation at its Aurora Sky and Aurora Sun facilities in April 2019. The fabrication of these two machines is almost complete, and the Company expects to ship the first of the two units to the Aurora Sky facility in late Q3 or early Q4 2020 for installation. The timeline for installation of the second unit at the Aurora Sun machine will depend on the readiness of the Aurora Sun facility, that is currently under construction, to receive the unit.

Overall Performance

For the first two quarters of fiscal 2020, the Company had consolidated revenues of \$16,101, compared to \$16,579 in the same period in fiscal 2019, a decrease of 3% or \$478. The Company had a consolidated net loss of \$3,276 in the first two quarters of fiscal 2020, compared to a consolidated net loss of \$239 for fiscal 2019, an increase of \$3,037. During the first two quarters of 2020, the Company's revenues from machine sales almost doubled, but the increase was offset by lower Moon Cheese® sales in the period. The Company reported negative adjusted EBITDA of \$2,205 for the first two quarters of 2020, compared to a positive adjusted EBITDA of \$2,165 for the first two quarters of 2019, a decrease of \$4,370.

EnWave reported revenues of \$6,724 for the six months ended March 31, 2020 compared to \$3,487 for the six months ended March 31, 2019, an increase of \$3,237. EnWave reported a segment loss of \$1,924 for the six months ended March 31, 2020 compared to \$2,774 for the six months ended March 31, 2019, a decrease of \$850. The Company had five large scale machines in production during Q2 2020 and sold five 10kW machines during the first two quarters of 2020. Due to the COVID-19 related travel restrictions, the Company has been unable to travel to install five 10kW machines and therefore, has not yet recognized the related revenues of approximately \$1.1 million.





NutraDried reported revenues of \$9,377 for the six months ended March 31, 2020, compared to \$13,092 for the six months ended March 31, 2019, a decrease of \$3,715 or 28%. NutraDried reported segment loss of \$1,220 for the six months ended March 31, 2020, compared to segment income of \$2,535 for the six months ended March 31, 2019, a decrease of \$3,755, which can be attributed to fewer product rotations with Costco during the year. Moon Cheese® is not a permanent item in Costco, and the distribution to Costco is managed by regional divisions.

Royalty Partner Pipeline

EnWave has several prospective royalty partners evaluating REV™ technology under Technology Evaluation and License Option Agreements ("TELOAs"). EnWave earns revenue under TELOAs from short-term REV™ machine rentals as well as fees for access to EnWave's research and development ("R&D") facilities and product development expertise. EnWave's food scientists and engineers work with the prospective licensees during the term of the TELOA to formulate and optimize innovative products using REV™, and develop a path towards commercialization.

EnWave's current sales pipeline comprises several companies that have entered into TELOAs as well as many earlier-stage prospects that are in active discussions about using REVTM 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 REVTM machinery. This is often the case when the product application has been previously proven commercially, or when the value proposition or business case are compelling enough for the prospect to enter directly into commercial production.

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

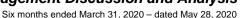
Machine Fabrication and Installation Pipeline:

The table below summarizes the current fabrication and commissioning pipeline of machines that are 60kW or greater purchased by EnWave licensees under Equipment Purchase Agreements as of the date of this MD&A:

Licensee	Machine Capacity	Licensed Product	Territory
The Green Organic Dutchman	60kW	Cannabis	Canada
The Green Organic Dutchman	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Aurora	120kW	Cannabis	Canada
Fresh Business	100kW	Fruits and vegetables	Peru
Aurora (1)	60kW	Cannabis	Australia

Note:

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





Additionally, as of the date of this report, EnWave is in the process of installing five 10kW REV machines for various licensees across the globe, equating to approximately \$1.1 million in unrecognized revenue. However, the installation process has been temporarily delayed due to travel restrictions in place due to COVID-19.

NutraDried Food Company

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

NutraDried has made several investments in the brand and internal sales infrastructure that are part of the strategy to grow the number of points of distribution. The launch of the 1oz package size has been designed for distribution into the convenience store channel, food service channel and checkout lanes in the grocery channel. The Company has expanded its internal sales and marketing team to now comprise seven full-time professionals.

Quarterly sales of Moon Cheese® decreased in both Q1 and Q2 2020 compared to the quarterly sales of the product in fiscal year 2019. The decrease in revenue is primarily attributable to a decrease in product rotations with Costco, a singular account. Moon Cheese® distribution to Costco is highly variable and is done on a regional rotation basis, with each of the eight regional divisions making independent decisions. Costco remains an important component to the sales strategy for the Company and the sales team is focussed on securing additional product rotations with Costco when possible. The Company is targeting additional rotations with Costco in the latter part of the fiscal year.

NutraDried's objective is to continue to grow its core distribution in the U.S. mainstream retail grocery channel by securing new national retail accounts and smaller regional accounts, and by penetrating new channels with the new 1oz package size, including the convenience store channel and food service channels.



Six months ended March 31, 2020 - dated May 28, 2020

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to March 31, 2020 reported in Canadian dollars, the Company's presentation currency:

	2018			20	19		20:	20
(\$ '000s)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Revenues	6,779	7,355	7,806	8,773	10,075	16,188	8,609	7,492
Direct costs	(3,848)	(4,097)	(4,769)	(5,653)	(7,217)	(11,597	(5,413)	(5,629)
Gross profit	2,931	3,258	3,037	3,120	2,858	4,591	3,196	1,863
Expenses	(3,035)	(2,645)	(2,736)	(3,062)	(4,149)	(4,756)	(4,777)	(3,907)
Income tax (expense) recovery	-	(538)	(316)	(282)	(31)	(260)	155	194
Net (loss) income after income tax	(104)	75	(15)	(224)	(1,322)	(425)	(1,426)	(1,850)
Adjusted EBITDA ⁽¹⁾	1,313	1,300	1,163	1,002	139	864	(743)	(1,462)
Loss per share – Basic and diluted	(0.01)	0.00	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)
Total assets	20,958	22,162	23,781	28,114	40,316	43,250	40,139	39,704
Total liabilities	4,190	5,240	5,348	8,919	9,447	12,306	10,075	10,194

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

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

The revenues and gross profit also vary from quarter to quarter depending on the timing of Moon Cheese® product rotations at Costco, a major customer. Revenues for Q2 2020 are lower than Q1 2020 and Q4 2019 due to lower Moon Cheese® sales to Costco. Revenues for Q4 2019 were substantially higher than other quarters due to the Company's participation in Costco's Q4 MVM Coupon program where Moon Cheese® was featured in all of Costco's U.S. stores for a four-week promotion. During Q1, Q2 and Q3 2019 the Company had more product rotations with Costco resulting in revenue growth. Gross margin in Q2 of 2019 was higher than for Q2 of 2020 due to lower raw cheese prices in the U.S. paired with less trade spending related to promotions and discounts.

The Company's expenses increased in Q2 2020 and is attributable to the severance costs paid in relation to the COVID-19 employee terminations, and expanding the sales and marketing capabilities at NutraDried, as well as marketing costs associated with the relaunch of the Moon Cheese® brand. The Adjusted EBITDA⁽¹⁾ was positive quarterly throughout 2019 and was negative for Q1 and Q2 2020 primarily due to lower NutraDried sales and gross profit, as well as higher fixed costs related to sales and marketing at NutraDried.



Selected Financial Information

The following table sets out selected consolidated financial information for the periods indicated and has been derived from EnWave's condensed consolidated interim financial statements and accompanying notes for the three and six months ended March 31, 2020 and 2019, and should be read in conjunction with those financial statements.

(\$ '000s)	Three months ended March 31, Change			Six months ended March 31, Change		
	2020	2019	%	2020	2019	%
Revenues	7,492	8,773	(15%)	16,101	16,579	(3%)
Direct costs	5,629	5,653	0%	11,042	10,422	6%
Gross margin	1,863	3,120	(40%)	5,059	6,157	(18%)
Operating expenses						
General and administration	1,558	1,049	49%	3,316	2,047	62%
Sales and marketing	1,796	1,084	66%	3,739	2,060	82%
Research and development	481	369	30%	1,016	710	43%
•	3,835	2,502	53%	8,071	4,817	68%
Net loss for the period after taxes	(1,850)	(224)	726%	(3,276)	(239)	1271%
Loss per share – basic and diluted	\$ (0.02)	\$ (0.00)		\$ (0.03)	\$ (0.00)	

Discussion of Operations

Revenue

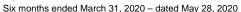
Revenue is earned from two business segments: EnWave and NutraDried. EnWave generates revenue from the sale of REV™ machinery to royalty partners, rental revenue from short-term rentals of REV™ machinery to prospective royalty partners, and royalties earned from commercial license agreements. NutraDried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

	Three months ende	ed March 31,	Six months end	led March 31,
(\$ 000's)	2020	2019	2020	2019
Revenue	7.492	8.773	16.101	16.579

Revenue for the six months ended March 31, 2020 was \$16,101, a decrease of \$478 compared to the six months ended March 31, 2019. Revenue for the three months ended March 31, 2020 was \$7,492, a decrease of \$1,281 compared to the three months ended March 31, 2019. The decrease in revenues for the six months ended March 31, 2020 is primarily due to lower Moon Cheese® sales partially offset by higher purchase order volume for machinery in the first two quarters of 2020 relative to 2019.

Quarterly Revenue	201	8		20 ⁻	19		202	20
(\$ '000s)	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
EnWave	1,610	823	1,478	2,009	5,075	4,286	4,555	2,169
NutraDried	5,169	6,532	6,328	6,764	5,000	11,902	4,054	5,323
Total	6,779	7,355	7,806	8,773	10,075	16,188	8,609	7,492

EnWave had revenue of \$6,724 for the six months ended March 31, 2020, an increase of \$3,237 compared to the revenues of \$3,487 for the six months ended March 31, 2019. EnWave had revenue of \$2,169 for the three months ended March 31, 2020 compared to \$2,009 for the three months ended March 31, 2019 an increase of \$160. The increase in revenue in the second quarter of 2020 compared to the second quarter of 2019 is due to the timing and increase in volume of equipment sale.





We continue to pursue revenue growth in EnWave through commercial machine sales and installations by signing additional royalty-bearing licenses that are accompanied by machine purchase orders. Revenue for EnWave is contract-based and is not considered seasonal; however, fluctuations in revenue will occur based on the magnitude and volume of commercial equipment sales contracts open during a given period.

EnWave earned royalties of \$547 during the six months ended March 31, 2020 compared to \$376 for the six months ended March 31, 2019, an increase of \$171. Royalties are payable to EnWave as a percentage of the value of products sold or based on the number of units produced by our royalty partners. We also stipulate minimum annual royalty thresholds in our commercial license agreements that must be met by the licensee in order for the licensee to retain exclusivity. The minimum annual royalties become due and payable 30 days following the end of the calendar year.

Revenues from NutraDried were \$9,377 for the six months ended March 31, 2020 compared to \$13,092 for the six months ended March 31, 2019, a decrease of \$3,715 or 28%. In the quarter ended March 31, 2020, NutraDried had revenues of \$5,323 compared to \$6,764 for the quarter ended March 31, 2019, a decrease of \$1,441 or 21%. The decrease in revenue for both the first and the second quarters was due to decreased sales to Costco under regional product rotations.

NutraDried experiences variability in order frequency and volumes with significant customers, which can affect the timing of product sales recorded as revenue. There is customer concentration risk through two significant customers, Costco and Starbucks. Revenue from sales to Costco and Starbucks represented 27% and 10% of NutraDried's revenues, respectively, for the six months ended March 31, 2020.

Direct costs

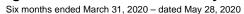
Direct costs comprise the cost of materials, components, manufacturing labour, overhead costs, depreciation of manufacturing plant and equipment, warranty costs and product transportation costs. Direct costs comprise all direct costs related to the revenue generating operations of the Company.

	Three months en	ded March 31,	Six months ended March 31,		
(\$ 000's)	2020	2019	2020	2019	
Direct costs	5,629	5,653	11,042	10,422	
% of revenue	75%	64%	69%	63%	

Direct costs for the six months ended March 31, 2020 increased by \$620, or 6% compared to the six months ended March 31, 2019. Direct costs for the three months ended March 31, 2020 decreased by \$24, and were flat when compared to the three months ended March 31, 2019. Direct costs for EnWave are driven by commercial machine selling and construction activity. As a percentage of revenue, direct costs for the three months ended March 31, 2020 increased by 11%, and for the six months ended March 31, 2020 increased by 6% compared to the six months ended March 31, 2019.

During the six months ended March 31, 2020, EnWave yielded a ratio of direct costs to revenue of 67%, compared to 99% for the six months ended March 31, 2019. The increase in gross margin is due to additional revenue recognized in the period related to additional payments received for large-scale machine orders that were cancelled by certain royalty partners. EnWave reduced manufacturing headcount by twelve full-time manufacturing employees in Q2 2020 to further rationalize the fixed cost structure.

The ratio of direct costs to revenue was 65% for NutraDried for the six months ended March 31, 2020, compared to 53% in the six months ended March 31, 2019. The decrease to gross margin was driven by higher cheese pricing in 2020paired with lower overhead absorption of fixed costs due to lower production volume. We expect there will be slight margin compression in Q3 and Q4 2020 as we have temporarily curtailed production volume to work down our bulk inventory, and this will reduce overhead absorption.





Direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices increased in the first and second quarters of 2020, and in April 2020 have decreased to multi-year lows. We continue to monitor the impact of commodity price fluctuations and may employ hedging tactics where appropriate to mitigate risk.

General and administration

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

	Three months ende	ed March 31,	Six months ended March 31,	
_(\$ 000's)	2020	2019	2020	2019
General and administration	1,558	1,049	3,316	2,047
% of revenue	21%	12%	21%	12%

G&A expenses for the six months ended March 31, 2020 were \$3,316 compared to \$2,047 for the six months ended March 31, 2019, an increase of \$1,269. G&A expenses for the three months ended March 31, 2020 were \$1,558 compared to \$1,049 for the three months ended March 31, 2019, an increase of \$509. The increase in G&A expenses for NutraDried was driven by growth in the administrative functions and professional services. G&A expenses also increased at the EnWave level due to additional costs related to the recruitment of two strategic positions, legal fees associated with commercial license development, and additional investor relations costs.

We recorded a severance charge of \$165 in the three months ended March 31, 2020 related to the permanent layoff of 36 employees (19 NutraDried and 17 EnWave) caused by the COVID-19 pandemic.

Sales and marketing

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

	Three months en	nded March 31,	Six months end	ed March 31,
_(\$ 000's)	2020	2019	2020	2019
Sales and marketing	1,796	1,084	3,739	2,060
% of revenue	24%	12%	23%	12%

S&M expenses for the six months ended March 31, 2020 were \$3,739 compared to \$2,060 for the six months ended March 31, 2019, an increase of \$1,679. S&M expenses for the three months ended March 31, 2020 were \$1,796 compared to \$1,084 for the three months ended March 31, 2019, an increase of \$712.

S&M expenses for EnWave were \$818 for the six months ended March 31, 2020 compared to \$616 for the six months ended March 31, 2019, an increase of \$202. The increase in S&M expenses was due to personnel related costs and increased attendance at trade shows in the period. S&M resources for EnWave are designed to increase the Company's presence, and drive market penetration and revenue growth. We expect EnWave's S&M expenses to decrease during the COVID-19 pandemic, as we shift away from international travel and tradeshows, and use lower cost methods to engage customers on digital and social media platforms.

S&M expenses for NutraDried were \$2,921 for the six months ended March 31, 2020 compared to \$1,444 for the six months March 31, 2019, an increase of \$1,477. The increase in S&M expenses was driven primarily by the expansion of NutraDried's internal sales and marketing team as well as additional marketing campaigns tied to the relaunch of the Moon Cheese® brand. The increase in S&M





expenses is part of the Company's strategy to invest in NutraDried's sales infrastructure and developing its brand.

Research and development

Research and development ("R&D") expenses include the salaries of the pilot plant technicians and scientists, global patent filing and maintenance costs, laboratory and pilot plant facility costs, and R&D staff travel expenses. R&D expenses also include depreciation expense for R&D equipment. R&D expenses are primarily attributable to EnWave as NutraDried does not have significant R&D activity.

	Three months ende	d March 31,	Six months ended March 31,	
(\$ 000's)	2020	2019	2020	2019
Research and development	481	369	1,016	710
% of revenue	6%	4%	6%	4%

R&D expenses for the six months ended March 31, 2020 were \$1,016 compared to \$710 for the six months ended March 31, 2019, an increase of \$306. R&D expenses for the three months ended March 31, 2020 were \$481 compared to \$369 for the three months ended March 31, 2019, an increase of \$112. Our R&D expenses have increased for the period compared to the prior year due to the filing of additional patents and patent maintenance fees related to the Company's intellectual property. The Company continues to make R&D investments into new intellectual property through patent filings and maintenance costs and maintains an R&D team of technology experts to support new product development with current and prospective partners using the EnWave technology.

Stock-based compensation

Stock-based compensation expense was \$842 for the six months ended March 31, 2020, compared to \$809 for the six months ended March 31, 2019, an increase of \$33. Stock-based compensation expense was \$374 for the three months ended March 31, 2020, compared to \$452 for the three months ended March 31, 2019, a decrease of \$78.

	Three months ende	ed March 31,	Six months ended March 31,		
_(\$ 000's)	2020	2019	2020	2019	
Stock-based compensation	374	452	842	809	

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

Amortization of intangible assets

Amortization of intangible assets for the three and six months ended March 31, 2020 were \$62 and \$124, respectively, compared to \$108 and \$245 for the three and six months ended March 31, 2019, respectively. The decrease in amortization expense is due to minimal additions while certain intangible assets become fully amortized during the prior period.

	Three months ended	d March 31,	Six months ended March 31,		
(\$ 000's)	2020	2019	2020	2019	
Amortization of intangible assets	62	108	124	245	





Foreign exchange loss (gain)

Foreign exchange gain for the six months ended March 31, 2020 was \$293 compared to \$25 for the six months ended March 31, 2019. Foreign exchange gain for three months ended March 31, 2020 was \$338 compared to a loss of \$30 for the three months ended March 31, 2019.

	Three months ended March 31,		Six months ended	l March 31,
(\$ 000's)	2020	2019	2020	2019
Foreign exchange (gain) loss	(338)	30	(293)	(25)

The majority of the Company's foreign exchange gain or loss amounts consists of foreign exchange differences driven by our monetary assets and liabilities in USD. EnWave's revenue for contracts outside of Canada is typically denominated in USD. The notable fluctuation of foreign exchange is consistent with the Canadian dollar's depreciation as measured against the USD.

In Q2 2020, the USD strengthened significantly relative to the CAD due to global macroeconomic factors. In addition to USD cash on-hand, the Company has equipment contracts denominated in USD and certain royalty-bearing commercial licenses are denominated in USD, that resulted in the foreign exchange gain for the three and six months ended March 31, 2020.

Income taxes

Income tax recovery was \$194 for the three months ended March 31, 2020, compared to the expense of \$282 for the three months ended March 31, 2019. Income tax recovery was \$349 for the six months ended March 31, 2020 compared to the expense of \$598 for the six months ended March 31, 2019.

	Three months ende	ed March 31,	Six months ende	d March 31,
_(\$ 000's)	2020	2019	2020	2019
Current income tax (recovery) expense	(305)	235	(294)	539
Deferred income tax expense (recovery)	111	47	(55)	59
Total income tax (recovery) expense	(194)	282	(349)	598

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



Liquidity and Capital Resources

Working capital

The components of the Company's working capital on March 31, 2020 and September 30, 2019 are:

(\$ '000s)	March 31,	September 30,
	2020	2019
Current Assets		
Cash and cash equivalents	15,555	18,665
Restricted cash	250	250
Trade receivables	3,346	10,329
Due from customers on contract	352	1,557
Inventory	12,277	5,986
Prepaids and other receivables	682	942
Income taxes receivable	585	98
	33,047	37,827
Current Liabilities	·	·
Short-term borrowings	709	-
Trade and other payables	4,976	8,791
Amounts due to related parties	· -	44
Customer deposits and deferred revenue	2,434	2,768
Current portion of lease liabilities	423	-
Current portion of other liability	123	108
	8,665	11,711
Working Capital	24,382	26,116

As at March 31, 2020, the Company had working capital of \$24,382, compared to \$26,116 as at September 30, 2019. As at March 31, 2020, the cash and cash equivalents balance were \$15,555 compared to \$18,665 as at September 30, 2019, a decrease of \$3,110. The change in cash and cash equivalents is primarily due to the increase to the Company's inventory and reduced trade and other payables, offset by the collection of trade receivables. The Company had net cash outflows from operating activities of \$3,544 for the six months ended March 31, 2020.

EnWave had trade receivables of \$1,273 as at March 31, 2020, compared to \$1,356 as at September 30, 2019, and NutraDried had trade receivables of \$2,073 as at March 31, 2020 compared to \$8,973 as at September 30, 2019. The decrease in EnWave's trade receivables relates to the net collections of deposits and performance milestones completed on equipment purchase contracts. The large decrease of NutraDried's trade receivables relates to collections on account for amounts owing to the Company as at September 30, 2019. As at March 31, 2020 the Company has recorded a provision for expected credit losses of \$64 (2019 - \$58).

Due from customers on contract to EnWave as at March 31, 2020 was \$352 compared to \$1,557 as at September 30, 2019. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

Inventory as at March 31, 2020 includes completed machines and machine components of EnWave of \$3,112, which is an increase of \$914 compared to \$2,198 at September 30, 2019. The inventory of EnWave primarily relates to 10kW machines used for rentals and those under fabrication. The increase in inventory is primarily due to the five 10kW machines that were ready to be installed but have been put on hold as a result of travel restrictions put in place to reduce the spread of COVID-19. NutraDried's food product and packaging supplies inventory was \$9,165, which is an increase of \$5,377 compared to \$3,788 at September 30, 2019 due to reduced sales in the period while maintaining production levels to optimize plant efficiencies. In April 2020, NutraDried curtailed production with the objective of reducing inventory levels.





NutraDried had short-term borrowings of \$709 as at March 31, 2020 that relate to draws on the line of credit facility, compared to \$nil as at September 30, 2019. NutraDried maintains a line of credit facility to assist with short-term, temporary working capital needs.

Trade and other payables as at March 31, 2020 includes \$1,549 of trade payables and accrued liabilities related to EnWave, compared to \$2,312 as at September 30, 2019. Trade and other payables fluctuate depending on the timing of material purchases and payments related to equipment construction contracts, as well as personnel costs and related accruals. Trade and other payables of NutraDried were \$3,427, compared to \$6,479 as at September 30, 2019 with the decrease largely associated with the payment of trade and promotional expenses that were accrued at September 30, 2019

Financing and liquidity

Cash and cash equivalents were \$15,555 at March 31, 2020 compared to \$18,665 at September 30, 2019. As at March 31, 2020, we had net working capital of \$24,382 compared to \$26,116 at September 30, 2019. The change in cash consists of:

	Three months ende	d March 31,	Six months ende	d March 31,
(\$ 000's)	2020	2019	2020	2019
Cash (used in) from operating activities	(748)	2,546	(3,544)	2,433
Cash used in investing activities	(262)	(266)	(395)	(929)
Cash (used in) from financing activities	(34)	666	781	1,502

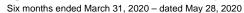
We believe that our current working capital surplus of \$24,382 is sufficient to meet our financing needs, maintain reduced operations caused by the COVID-19 pandemic in the near term, and planned growth in the long term. We structure our machine purchase and installation contracts with a deposit payable at the time of order, which provides advanced liquidity for the construction of the machine.

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

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

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

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





Capital expenditures

During the six months ended March 31, 2020, we incurred capital expenditures of \$550 (2019 - \$1,079), related to plant and equipment. NutraDried accounted for \$468 (2019 - \$865) of the capital expenditures for the period with additions to production and packaging equipment. EnWave accounted for \$82 (2019 - \$214) for office, manufacturing and assembly equipment.

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

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 March 31, 2020:

(\$ '000s)	Due within	Due between	Due after	
	1 year	1 - 3 years	3 years	Total
Financial liabilities				
Short-term borrowings	709	-	-	709
Trade and other payables	4,976	-	-	4,976
Lease liabilities	423	730	281	1,434
Other liability	123	204	-	327
Total	6,231	934	281	7,446

Transactions with Related Parties

During the three and six months ended March 31, 2020, the Company paid quarterly directors' fees to its independent directors through a combination of cash and stock-based compensation for their services as directors of the Company.

The table below summarizes the transactions with related parties for the three and six months ended March 31, 2020 and 2019:

(\$ '000s)	Three montl	Six months ended March 31,		
	N			
	2020	2019	2020	2019
	\$	\$	\$	\$
Directors' fees	50	33	90	56
Stock-based compensation	111	19	185	48
	161	52	275	104

Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and/or its subsidiaries, including any external director of the Company and/or its subsidiaries. Remuneration of key management personnel of the Company, for the three and six months ended March 31, 2020 and 2019 comprises the following expenses:

Six months ended March 31, 2020 – dated May 28, 2020

(\$ '000s)	Three month	Six months ended		
	N	March 31		
	2020	2019	2019	2019
	\$	\$	\$	\$
Salaries, bonuses, and short-term employee benefits	236	244	991	775
Stock-based compensation	168	173	410	393
	404	417	1,401	1,168

Critical Accounting Estimates

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

Other than the estimates used in the adoption of IFRS 16, *Leases*, (refer to Note 3 in the condensed consolidated interim financial statements for the three and six months ended March 31, 2020), there have been no changes in the Company's critical accounting estimates during the six months ended March 31, 2020. For more information on the Company's accounting policies and key estimates, refer to the note disclosures in the annual consolidated financial statements and MD&A as at and for the year ended September 30, 2019.

New accounting standards adopted during the period

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

IFRS 16 - Leases

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

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

The Company has adopted IFRS 16 using the modified retrospective approach with the cumulative effect of initial application recognized as an adjustment to retained deficit within shareholders' equity on October 1, 2019. We have not restated comparatives for the year ended September 30, 2019. The





definition of a lease under IFRS 16 was applied to all existing contracts and new contracts entered into or changed after October 1, 2019.

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

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

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

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

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

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

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

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

Leases

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

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

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



Six months ended March 31, 2020 – dated May 28, 2020

Lease accounting

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

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

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

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

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

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

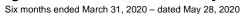
Financial Instruments Risk

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

Credit risk

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

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables and due from customers on contract. Prior to issuing credit, management reviews the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables and due from customers on contract by maintaining ongoing close contact with customers, and by reviewing individual account balances, and proactively following up on overdue amounts. The Company maintains a provision for credit losses relating to specific losses estimated on





individual exposures. As at March 31, 2020, the Company has recorded a \$64 (2019 - \$58) provision for expected credit losses.

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

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

The following table provides information regarding the aging of receivables as at March 31, 2020:

(\$ '000s)	Neither past due nor impaired	Past du	ie but not imp	paired
	0 – 30 days	31 – 90 days	91 – 365 days	Over 365 days
Trade receivables	3,024	264	58	-
Due from customers on contract	-	118	234	-
Total	3,024	382	292	-

Liquidity risk

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

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

The Company attempts to ensure that sufficient funds are available to meet its operating requirements after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At March 31, 2020, the Company had cash and cash equivalents of \$15,555 to settle current liabilities of \$8,665.

Financial assets maturity table:

(\$ '000s)	0 – 30 days	31 – 90 <u>days</u>	91 – 365 <u>days</u>	Over 365 days
Cash and cash equivalents and restricted cash	15,555	_	250	-
Trade receivables	3,232	56	58	-
Due from customers on contract	-	118	234	-
Income taxes receivable	585	-	-	-
Total	19,372	174	542	-



Six months ended March 31, 2020 - dated May 28, 2020

Financial liabilities maturity table:

(\$ '000s)	0 – 30 days	31 – 90 days	91 – 365 days	Over 365 days
Short-term borrowings	709	-	-	-
Trade and other payables	4,484	492	-	-
Lease liabilities	34	69	320	1,011
Other liability	-	29	94	204
Total	5,227	590	414	1,215

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents, restricted cash, and short-term borrowings. The Company earns interest on deposits based on current market interest rates, which during the six months ended March 31, 2020 ranged from 2.05% to 2.10% (2019 - 2.10% to 2.30%). A 1% change in interest rates would affect the results of operations for the six months ended March 31, 2020 by approximately \$70 (2019 - \$59).

Foreign exchange risk

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

- (i) The Company operates in the United States and a portion of its expenses are incurred in US dollars; and
- (ii) The Company is exposed to currency risk through contracts with customers denominated in US dollars.

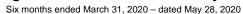
A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations. As at March 31, 2020, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts when appropriate to minimize exposure to foreign currencies when appropriate. At March 31, 2020, and September 30, 2019 the Company held no foreign exchange contracts. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's net loss for the six months ended March 31, 2020 and 2019 as follows:

∕Φ	$(\Omega \cap \Omega \cap A)$	١
(\$	'000s)	

Currency	2020	2019
US dollar	61	320





Capital management

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

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

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

Non-IFRS Financial Measures

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

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

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

(\$ '000s)	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020
NutraDried Royalty Intercompany Revenue Adjustment (1)	254	327	357	366	270	837	208	288
•	(254)	(327)	(357)	(366)	(270)	(837)	(208)	(288)
Revenues ⁽²⁾	6,779	7,355	7,806	8,773	10,075	16,188	8,609	7,492
Revenues	6,779	7,355	7,806	8,773	10,075	16,188	8,609	7,492

Notes:

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

We define Adjusted EBITDA as earnings before deducting amortization and depreciation, stock-based compensation, foreign exchange gain or loss, finance expense or income, income tax expense or recovery and non-recurring impairment, restructuring and severance 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.

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

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

	Jun 30,	Sep	Dec	Mar	Jun 30,	Sep	Dec	Mar
	2018	30,	31,	31,	2019	30,	31,	31,
_(\$ '000s)		2018	2018	2019		2019	2019	2020
Net (loss) income after income tax	(104)	75	(15)	(224)	(1,322)	(425)	(1,426)	(1,850)
Amortization and depreciation	495	564	578	492	359	591	359	407
Stock-based compensation	126	143	357	452	501	511	468	374
Foreign exchange (gain) loss	(27)	(2)	(55)	30	13	3	45	(338)
Finance income, net	(42)	(18)	(18)	(30)	(55)	(76)	(34)	(26)
Income tax expense (recovery)	-	538	316	282	31	260	(155)	(194)
Non-recurring impairment and restructuring charges	865	-	-	-	612	-	-	165
Adjusted EBITDA	1,313	1,300	1,163	1,002	139	864	(743)	(1,462)

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

Risk Factors

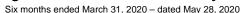
In addition to the *Risk Factors* disclosed in the Company's 2019 Annual Information Form filed on www.sedar.com, the Company has identified new risk factors below that users should read and carefully consider in evaluating the Company and our business.

Risks Related to COVID-19

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

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

In the countries of Canada and the U.S, our primary operating markets, the Federal, Provincial and State governments have announced aggressive actions to reduce the spread of the disease, including limiting non-essential gatherings of people, ceasing all non-essential travel, ordering certain businesses and government agencies to cease non-essential operations at physical locations and





issuing shelter-in-place orders, which direct individuals to remain at their places of residence. In Washington State, where NutraDried operates, the State Governor issued a state-wide 'stay-at-home' order forcing the closure of all non-essential businesses.

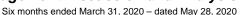
COVID-19 has coincided with periods of significant volatility in global financial, commodities and other markets, resulting in global recessionary conditions, which could adversely affect our business, future results of operations and financial condition.

In March 2020, financial market volatility increased substantially, with several one-day stock market swings that caused significant market declines. Additionally, in March market pricing deteriorated in virtually all sectors and asset classes with the exception of U.S. Treasury securities; the World Health Organization declared COVID-19 to be a pandemic; the U.S. President declared the COVID-19 pandemic to be a national emergency along with several Canadian Provincial governments and the European Union; many States and cities across Canada, the U.S. and the European Union declared health emergencies, lockdowns, travel restrictions, and quarantines, prohibiting gatherings of more than a small number of people and ordering or urging most businesses and workplaces to close or operate on a very restricted basis; the United States Federal Reserve Board lowered short-term interest rates twice and started a "quantitative easing" program intended to lower longer-term interest rates and foster access to credit; the effective yields of 10-year and 30-year U.S. Treasury securities achieved record low rates; and the U.S. Congress enacted relief legislation which, among other things, is intended to provide emergency credit to businesses at financial risk and to mitigate an economic recession which has not been officially measured or declared but is widely believed to have begun in March.

The economic effects of these and related actions and events across the world have included: large numbers of partial or full business closures; large numbers of people being furloughed or laid off; large increases in unemployment; large numbers of workers being partially or wholly ordered to work from home; large numbers of businesses at risk of insolvency as revenues drop off precipitously, especially in businesses related to travel, hospitality, leisure, and physical personal services; large numbers of investors realizing substantial losses in their portfolios and retirement funds; inability of companies to access capital markets or complete mergers; and large numbers of consumers being unwilling to undertake significant discretionary spending.

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

- Disruption to our supply chain for both EnWave and NutraDried;
- Notices from licensees, customers, suppliers and other third parties arguing that their nonperformance under our contracts with them is permitted as a result of force majeure or other reasons;
- Our licensed royalty partners experiencing business interruption, financial difficulty and/or hardship resulting in temporary or permanent business closures;
- A need to preserve liquidity, which could result in a reduction or suspension or a delay or change in operations;
- Cybersecurity issues, as digital technologies may become more vulnerable and experience a higher rate of cyberattacks in the current environment of remote connectivity;
- Litigation risk and possible loss contingencies related to COVID-19 and its impact, including with respect to commercial contracts, employee matters and insurance arrangements;
- A continued reduction of our workforce to adjust to market conditions, including severance payments, retention issues, and an inability to hire employees when market conditions improve;





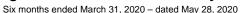
- Infections and quarantining of our employees and the personnel of our suppliers, partners and other third parties in areas in which we operate;
- Changes in regulations for the production of food products that may result in additional costs making the production of our products significantly more costly; and,
- Actions undertaken by national, regional and local governments and health officials to contain the virus or treat its effects.

It is difficult to predict the impact of the COVID-19 pandemic on our businesses for the remainder of 2020 and afterwards. Our efforts to mitigate the adverse impacts of COVID-19 may not be effective, and in any case are likely to only be a partial mitigant. The full extent of impacts resulting from the COVID-19 pandemic and other events beyond our control will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity of the pandemic and further action, including governmental, regulatory and other federal, provincial, state and local actions, taken to prevent, treat, or mitigate the spread of COVID-19, among others. In addition, the COVID-19 pandemic could result in business disruption to us, and if unable to recover from such a business disruption on a timely basis, the businesses, financial condition, and results of operations of EnWave would be adversely affected. We may also incur additional costs to remedy damages caused by such disruptions, which could adversely affect our financial condition and results of operations.

Forward-looking Statements

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

- EnWave's ultimate success in selling, licensing or generating a sustainable royalty stream from its nutraREV® and quantaREV® technologies in the cannabis and food industries will depend, in a large part, on whether these targeted markets view our technologies ("the EnWave technologies") as safe, effective and economically beneficial. Market acceptance will also depend on the Company's ability to demonstrate that the EnWave technologies are attractive alternatives to existing options. If the Company fails to demonstrate feasibility, commercially viable scale that yields acceptable product quality and equipment performance standards, or competes successfully against existing or potential competitors, its operating results may be adversely affected.
- EnWave's technologies targeted for use in the cannabis and pharmaceutical industries will be subject to regulatory approval by a number of government entities and legal systems. Technology development within this regulatory and legal framework may take a number of years and may involve substantial expenditures that vary for each jurisdiction. Any delays in obtaining regulatory and/or legal approval would have an adverse impact on the Company's ability to earn future revenues.
- R&D activities for new technologies are costly and may not be successful. There is no assurance that any of EnWave's technologies will be approved for marketing by the FDA or the equivalent regulatory agency of any other country. There is also no assurance that the Company will be able to generate additional technology candidates for its pipeline, either through internal R&D, or through the in-licensing or acquisition of other technologies. Even if a technology is approved for marketing by the applicable regulatory agency, there is no assurance that the Company will be able to ultimately deliver this technology on a commercial scale or obtain approvals for other technology platforms in the development pipeline.

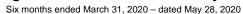




- EnWave's business is dependent upon securing proprietary rights to its technologies and the Company may be subject to intellectual property infringement claims by others or may not ultimately receive issued patents in all jurisdictions where patents are pending or for new applications.
- EnWave is partially dependent on third-party groups for developing its technology. The inability
 to design and build commercial scale technology in a timely manner could result in significant
 delays in development and commercialization of its technologies, which could adversely affect
 the Company's business, financial condition and results of operations.
- EnWave depends on third-party collaborators to license, co-develop and jointly commercialize some of its technologies. There is no guarantee these third-parties will meet the Company's expectations or be able to find commercial opportunities with the technology to support successful commercialization of the EnWave technologies.
- EnWave's business success and progress is dependent upon securing additional funding to
 expand its business and develop new technologies. If the Company cannot raise capital from
 investors or secure grants, it may limit the Company's business expansion, ongoing testing
 programs, regulatory approvals and ultimately impact its ability to commercialize its
 technologies.

Actual results could, however, be substantially different due to the risks and uncertainties associated with and inherent to EnWave's business, as more particularly described in the "Risk Factors" section of the Company's 2019 Annual Information Form. Additional risks and uncertainties applicable to the forward-looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; EnWave will become involved in material litigation; material defects and component quality of parts and raw materials sourced from EnWave suppliers; unforeseen changes to food safety and compliance regulations in the U.S. food processing industry; R&D efforts may not result in the creation of new or enhanced products in a timely or cost-effective fashion or at all; EnWave's royalty partners' and licensees' unwillingness to continue doing business with EnWave on favourable terms or at all; EnWave's business development efforts may not result in increased vertical and market penetration in the global dehydration industry; EnWave's technology may not function as intended or be suitable for the end users it is intended for: unknown or unexpected defects with EnWaye's technology that are not correctable in a timely or cost-effective fashion or at all; necessary additional financing may not be available on favourable terms or at all; inability to recruit and retain qualified personnel; legal or regime changes, including changes to import and export requirements of foreign jurisdictions; political risk of domestic and foreign nations; war, terrorism, rebellion, revolt, protests, or other civil conflict; unionization, strikes or labour unrest; the global economic climate; general market trends; EnWave's intellectual property may not be sufficiently protected against third party infringement or misappropriation; EnWave's products may materially infringe on a third party's intellectual property rights; the ongoing ability and desirability of licensees to continue paying EnWave patent licensing royalties on a timely basis or at all; material litigation may arise; material unexpected costs related to EnWave's technology liability or warranty; loss of Starbucks and/or Costco as customer(s) of NutraDried: produce recalls or other food safety issues and regulatory actions could arise; information technology data and security breaches; fire, flood, earthquake, or other natural events; failure to obtain necessary permits, certifications, and authorizations; foreign currency fluctuations; dairy and other food commodity pricing fluctuations; share price volatility; unfavourable legal environments for the deployment of REV™ machinery for cannabis processing in certain jurisdictions; deficiencies in accounting policies or internal controls and procedures over financial reporting; insufficiency of insurance; unavailability of certain tax credits; and unexpected tax liabilities.

Although EnWave has attempted to identify factors that may cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, predicted, estimated or intended. Also, many





of the factors are beyond the control of EnWave. Accordingly, readers should not place undue reliance on forward-looking statements. EnWave undertakes no obligation to reissue or update any forward-looking statements as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

Capital Structure and Outstanding Share Data

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

	March 31, 2020		May 28, 2020	
		Weighted		Weighted
		average		average
		exercise		exercise
		price		price
	Number	\$	Number	\$_
Common shares	111,409,755	N/A	111,409,755	N/A
outstanding				
Options				
Outstanding	6,272,334	1.48	6,265,667	1.48
Exercisable	4,191,916	1.30	4,415,253	1.34
RSRs				
Outstanding	525,000	1.35	525,000	1.35
Warrants				
Investor warrants	7,774,202	1.39	7,774,202	1.39

As of the date of this MD&A, the Company has 111,409,755 common shares issued and outstanding. We maintain a Stock Option Plan (the "Option Plan") that enables us to grant options to directors, officers, employees and consultants. We maintain a Restricted Share Rights Plan (the "RSR Plan") that enables us to grant RSRs to directors, officers, employees and consultants. The Option Plan and RSR Plan permits the granting of compensation securities up to an aggregate maximum of 10% of our issued and outstanding common shares from time to time on a non-diluted basis, and the maximum number of RSRs granted thereunder is further limited to 1,895,000.

Off-balance Sheet Arrangements

As of the date of this MD&A, the Company had a US \$437 (CA \$620) letter of credit issued in favour of a customer related to an equipment purchase contract. There are no other material off-balance sheet arrangements.

Other MD&A Requirements

Information pursuant to National Instrument 51-102.

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

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

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

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



Six months ended March 31, 2020 – dated May 28, 2020

Contact information:

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