

To our fellow and valued shareholders;

Looking back on 2021 and looking forward on 2022

We think that it's quite timely to provide a fulsome update. We issue a lot of press releases. We have a very busy calendar of business development initiatives under way. The capital markets are roiling away with an unusually large amount of information of all types to digest. The EnWave story can be sometimes lost or misunderstood.

The objective of this communication is to provide, you, the reader and hopefully a shareholder, with a detailed and clear picture of where we have been recently and where we are going.

Snapshot

EnWave's vacuum-microwave technology business significantly improved in fiscal 2021, posting record revenue, gross margin, third-party royalties and a bottom-line net profit. Our outlook continues to look very bright with a robust pipeline of potential repeat machine orders from existing licensed partners and numerous new prospects actively evaluating our tech. NutraDried, however, had a terrible year primarily due to an inflated expense structure and underperformance regarding new distribution wins.

Notwithstanding, I'm proud of the resilience demonstrated by our team in this most challenging environment. We battled against all things thrown at us by the global pandemic, decisively restructured NutraDried, significantly advanced our vacuum-microwave intellectual property and delivered the best-ever annual financial performance in our machine sales and royalty business unit.

But to be fair, when I look back at EnWave's consolidated business performance we've consistently had one of our two business units working well, but never both at the same time. We are changing this trend.

NutraDried turnaround well underway

We significantly cut spending at NutraDried in February and hired a new CEO in June. NutraDried won material new distribution through the past two quarters - a credit to the new leadership and re-invigorated team - including new distribution in 2,200 Kroger stores for 3 SKUs, and expanding our presence in Target from 500 stores to all 1,800 stores nationally. Additional new regional customers will begin selling multiple SKUs of Moon Cheese® in the second half of fiscal 2022.

NutraDried's Q2 will be highlighted by a Costco Canada promotion running January to February, and we are working to secure another national promotion over the summer. Kroger will launch four Moon Cheese® SKUs in March, Lidl will run an additional rotation of White Cheddar Black Peppa 10oz and Jewel Osco has picked up both Protein Blitz Mix SKUs chainwide.

Importantly, we will be launching new versions of our crunchy cheese snack in the popular stick form later this year. Unlike the competition, which is merely dusting extruded corn or grain sticks with cheese seasoning, all five Moon Cheese® Crunchy Cheese Stick SKUs are made from 100% cheese and provide a much more nutritionally sound and equally delicious cheese snack.



Moon Cheese® Crunchy Cheese Sticks will be on shelves nationally at all U.S. Whole Foods Market locations in May 2022, with distribution expanding throughout the year.

In addition to Whole Foods Market, we are working hard at showing the Moon Cheese® Crunchy Cheese Sticks to well known and large grocery retailers in the second quarter of 2022. Buyers clearly understand the product line's differentiation and seem very positive on the proposition. Our team will also be presenting Moon Cheese® Crunchy Cheese Sticks to more buyers at the upcoming Natural Products Expo West tradeshow from March 8-12, 2022 in Anaheim.

Moon Cheese® Crunchy Cheese Sticks will come in five flavors including: Cheesy Does It (cheddar), Kick It Up a Nacho (nacho), Rowdy Ranch (ranch), Wild White Cheddar' (white cheddar), and Yum Inferno (spicy), with a suggested MSRP of US\$4.99.

Concurrently with the continued effort to grow the success of NutraDried's branded portfolio, we are also pursuing new bulk sales opportunities. In fiscal 2021 we sold approximately 180,000 pounds to several new customers. We are now selling bulk dried cheese for ingredients in trail mixes, salad toppings and other applications. The margin associated with our bulk sales is attractive and we anticipate to confirm additional bulk customers in fiscal 2022.



We have observed that while COVID lingers, the retail grocer community has largely returned to normal, allowing NutraDried to showcase its full range of products to generally positive reviews.

Momentum is building. It will take a few months, but investors should see results in subsequent quarters.

EnWave's REV™ business builds momentum

We keep adding new royalty partners to our portfolio. After all, our primary goal is to build out a massive, diversified portfolio of royalty streams. Since I became CEO, our team has more than doubled the number of royalty-bearing licenses, adding twenty-nine (29) since 2018 with fourteen (14) added in this last fiscal year alone.

We now have 49 licensed royalty partners, many of which are meaningfully growing their respective businesses. Others are close to making a decision regarding the scale up of their manufacturing capacity and hopefully they will become meaningful royalty payers within the next year. When they grow, we grow. These partners include Dole, Calbee, Europe Snacks, and both current U.S. cannabis partners, amongst others.



Third-party royalties are growing. In fiscal 2018, we generated \$571K in royalties and we expect to earn between three and four times that in fiscal 2022.

Before the end of Q3 2022 we expect three additional large-scale REV™ machines to be commissioned, two for U.S. cannabis MSOs and the third for BranchOut Food for the production of avocado and banana snacks. These installations contribute to fast growth in royalty generation.

I recently approved the manufacture of two 120kW REV™ machines on spec, with one being purchased by our royalty partner from Italy, Orto Al Sole, yesterday. We will continue to invest in new inventory as the purchase orders roll in. We need the ability to deploy these machines quickly to coincide with facility construction and the food manufacturing needs of our royalty partners. As supply chain challenges can creep into our fabrication planning, it's fiscally and operationally prudent to get ahead of critical componentry supply delays.

Cannabis opportunities ready for harvest

When we first entered the cannabis industry in 2018, we had no quantifiable data to support clear advantages for using REV™ versus traditional methods. We knew that we had a superior technology, but had to prove it. Then we partnered with The Green Organic Dutchman (TGOD), a very collaborative partner and we developed a process that clearly yields better retention of cannabinoids and terpenes, provides a clean smoke and consistent moisture content. We've trademarked this process as Terpene Max™ and applied for patent for protection. We recently announced that our process patent for the drying and decontamination of cannabis was granted by the USPTO, a major step forward in protecting our opportunity to become the industry standard for drying in cannabis.



Terpene Max™ is now being used by all of our cannabis partners.



We now have compelling data showing that REV™ retains 20% more terpenes on average than rack or room drying. Processing time from harvest to dry has been reduced from many days to a few hours. Bioburden/mold issues have been all but eliminated by drying so much faster than room or rack drying and by reducing oxygen exposure to the plant material. Our labor requirement is much less (only requiring three FTEs to run a 120kW machine) and the energy required to dry the same amount of cannabis plant material is much lower with REV™.

The story of our tech can sometimes be perceived as 'too good to be true'. Thus, we are busy providing firsthand demos to eliminate the apprehension towards our claims. Additionally, our current royalty partners are providing independent references and allowing for site tours – a sign of real partnership with a vision for shared success. The cannabis vertical is heading in the right direction for EnWave.

REVworx™ takes flight

We have seen many deals not advance to a large-scale machine purchase due to the perceived risk associated with launching new food products to market. To reduce this risk and provide a platform to enable potential REV™ technology adopters to explore new offerings, we committed to building our own toll manufacturing facility - REVworx™. It will allow companies to produce new product innovations without deploying capital. Our REVworx™ facility buildout is set to finish this week.



Initial line trials are scheduled in the coming weeks. We believe that REVworx™ will entice more companies to invest in their own REV™ manufacturing capabilities after obtaining positive affirmation relating to their business case assumptions. Several companies are poised to conduct initial product runs in Q2 and we have the potential of winning material production contracts from some of our larger royalty partners in the latter half of the year.

Intellectual property development and protection

Our total patent portfolio consists of nineteen (19) patent families. For each family we have typically filed in multiple jurisdictions where we plan to or already are conducting business. Six of the nineteen patents have been filed in the past three years, including the Terpene Max™ patent. The ability of our current team to translate concept into commercially viable opportunities continues to be stellar.

Beyond our patents, we highly covet our know-how, trade secrets and confidential information. Our Chief Scientific Officer, Dr. John Zhang and our Chief Engineer, Mehmet Sucu, P.Eng, have significantly contributed to the evolution of our intellectual property and now as business unit leaders are bringing an even higher level of competence and execution. Our team is currently working on additional innovations that are potentially patentable. We all understand well the importance of our IP and that it is the foundation of our royalty-licensing business model. We will protect this foundation vigorously.

Civil claims

We will continue to strongly pursue our civil claims in the B.C. Supreme Court against several former EnWave employees and other parties. In our original Notice of Civil Claim, we allege that Mr. Durance, EnWave's former CEO, among others have used and disclosed EnWave's confidential information in breach of obligations owed to EnWave. The Notice of Civil Claim seeks damages, an accounting of profits and injunctive relief.

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

The Injunction Application was heard in the B.C. Supreme Court on January 17th to 20th. In terms of outcome, the application was argued and the honourable justice reserved his decision, with written reasons to follow which we expect will be published on the court website and thus available to members of the public when issued. Due to a sealing order in place, court filings are not publicly available electronically through the court's website. As of the date of this shareholder letter, the prior injunction is still in place, and we await a decision by the court.

Capital markets

The majority of our internal resources in fiscal 2021 were put towards building our business and less so to investor relations. There was an immediate need to focus on closing deals and correcting the course of NutraDried. That focus remains, but now with both business units appropriately resourced and an optimistic outlook present, our executive management will be more proactive in building the awareness of our positive commercial progress in the capital markets through fiscal 2022.

In fiscal 2021 we dealt with a major sell off prompted by a larger short position following Q2 fiscal 2021 financial results. Fast forward a few months and a major institutional holder communicated a desire to exit a five million share position. That created a steady pressure on the stock until the seller fully exited their position.

Moving Forward

At the beginning of fiscal 2022 I provided guidance regarding our machine sales targets. Our pipeline of potential sales remains to be the strongest it has ever been. We are still hunting ten (10) large-scale and fifteen (15) 10kW machine sales. Approximately 60% of our targeted machine sales are anticipated to come from existing licensed royalty partners. I expect that several pending decisions will take place in Q2 and Q3. As a business unit, EnWave was profitable in fiscal 2021 and we are optimistic that this trend will continue.

You have read (above) our plans and expectations for NutraDried.

We are not cautiously optimistic about our future, we are bullishly optimistic. We expect both business units to perform well simultaneously in the latter half of this fiscal year. Our balance sheet is strong. We have funding to strategically build inventory in either business unit and we are ready to scale quickly if we are inundated with new large-scale purchase orders.

I want to thank you for your continued support as a shareholder and I hope that our efforts this year will result in improvements in share value and ultimately your financial success.

A handwritten signature in blue ink, appearing to read "B. Charleton", with a stylized flourish at the end.

Brent Charleton, CFA
President and CEO

Caution regarding forward-looking information statements

Safe Harbour for Forward-Looking Information Statements: This release may contain forward-looking information 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, product development, market position, expected expenditures, future financial position, results of operations, cash flows, financing plans, research and development, business strategy, products and services, competitive positions, growth opportunities, plans and objectives of management for future operations, including statements that include words such as "anticipate," "if," "believe," "plan," "estimate," "expect," "intend," "may," "could," "should," "will," and other similar expressions that are forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. These statements are not a guarantee of future performance and involve a number of risks, uncertainties and assumptions. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Please refer to the *Risk Factors* disclosed in the Company's Annual Information Form as filed on www.sedar.com. All third-party references to market information in this release are not guaranteed to be accurate as the Company did not conduct the original primary research.