



EnWave Announces 2020 Second Quarter Consolidated Interim Financial Results

Vancouver, B.C., May 29th, 2020

EnWave Corporation (TSX-V:ENW | FSE:E4U) (“EnWave”, or the “Company”) today reports the Company’s consolidated interim financial results for the second quarter ended March 31, 2020.

Consolidated Financial Performance:

(\$ '000s)	Three months ended March 31,			Six months ended March 31,		
	2020	2019	Change %	2020	2019	Change %
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%)
Adjusted EBITDA ^(*)	(1,462)	1,002	(246%)	(2,205)	2,165	(202%)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.00)		\$ (0.03)	\$ (0.00)	

* Adjusted EBITDA is a non-IFRS financial measure. Refer to the disclosure below regarding non-IFRS financial measures and in the Company’s MD&A.

EnWave’s interim consolidated financial statements and MD&As are available on SEDAR at www.sedar.com and on the Company’s website www.enwave.net.

Key Financial Highlights for Q2 (expressed in ‘000s):

- Revenue from EnWave in Q2 2020 was \$2,169 compared to \$2,009 in Q2 2019, an increase of \$160 or 8%. The increase in revenue was due to higher Radiant Energy Vacuum (“REVTM”) machinery sales primarily in the food vertical.
- Revenue from NutraDried in Q2 2020 was \$5,323 compared to \$6,764 in Q2 2019, a decrease of \$1,441 or 21%. NutraDried revenues were downwardly impacted by fewer rotations with Costco, partially offset by growth in the grocery and online channels.
- Gross margin for Q2 2020 was 25% compared to 36% for Q2 2019, with the lower gross margin driven by the change in sales mix between NutraDried’s higher margin revenues and EnWave’s typically lower margin machine sales.
- Consolidated net loss after taxes was \$1,850 for Q2 2020 compared to a net loss \$224 for Q2 2019. Adjusted EBITDA^(*) was negative \$1,462 for Q2 2020, compared to negative \$743 for Q1 2020, an increase of \$719. The decrease to Adjusted EBITDA^(*) reflects investments in a larger

sales and marketing function at NutraDried as part of the growth strategy for the Moon Cheese® brand.

- SG&A expenses (inclusive of R&D expenses) for Q2 2020 were a combined \$3,835 compared to \$2,502 for Q2 2019 and \$4,236 for Q1 2020. SG&A expenses for Q2 2020 reflect a large investment in NutraDried's sales and marketing function. We reduced SG&A expenses compared to Q1 2020 by a total of \$401. At the end of March, the Company implemented a major cost containment plan across EnWave and NutraDried to reduce overhead while maintaining operations in response to COVID-19, which is further described below.
- Continue to maintain a strong balance sheet with a working capital surplus of \$24,382 and cash position of \$15,555. After implementing a significant cost containment plan at the end of March and in response to the COVID-19 pandemic, we are in a strong position to pursue growth across both segments of the business.

Impact of COVID-19 Pandemic:

As a result of the evolving COVID-19 outbreak that was declared a global pandemic by the World Health Organization on March 11, 2020, we have implemented a number of changes to how we work to protect the health and safety of our employees and their families. Starting in mid-March, all office staff that can complete their jobs remotely have been required to work from home until further notice. All essential staff within our operations have been supplied with and required to wear personal protective equipment, are following strict physical distancing requirements and we have instituted workplace sanitation procedures to prevent against the spread of COVID-19. To-date, both EnWave and NutraDried have maintained manufacturing operations without interruption.

The international travel restrictions imposed globally to contain the spread of the virus has had a material impact on EnWave's international operations. EnWave's business requires staff to travel internationally to procure new license agreements and to complete large-scale REV™ machine installations and training. Due to COVID-19, our ability to meet with prospective global partners and to complete the installations of additional royalty-bearing REV™ machines has been temporarily impaired. That being stated, our technical team has successfully developed remote installation and training programs for our 10kW REV™ machinery to mitigate the impact, but prolonged international travel restrictions will impact our ability to conduct our business.

COVID-19 has had an impact on the distribution channels for NutraDried's products. Several states in the U.S. have issued stay-at-home orders, leading many non-essential retailers to close in following these orders, thus disrupting NutraDried's distribution logistics. A number of NutraDried's retail customers have closed stores temporarily, including all U.S. Starbucks locations, which has impacted purchase order volumes and patterns. 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.

The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the geographic spread of the disease, the duration of the outbreak, business closures and disruptions, public health restrictions on travel and in-person interactions and the effectiveness of actions to contain the virus. We cannot presently predict with accuracy the duration, scope, or overall impact of COVID-19 on our business over time.

Cost Containment Strategy:

The negative impact of the COVID-19 pandemic and the macroeconomic conditions which we now face have influenced the Company to implement a significant cost containment strategy to preserve liquidity and

reduce non-essential expenses across both business segments. Some of the policies and actions taken at the end of March 2020 include:

- Reduced headcount across EnWave and NutraDried for a combined total of 36 fewer FTEs, consisting of 19 NutraDried production positions and 17 EnWave positions from manufacturing and SG&A functions. We have re-prioritized the remaining roles within the business to continue to execute on our strategies.
- Eliminated the use of contractors and in-sourced several functions that were previously managed by external contractors to reduce expenses.
- Minimized the use of professional services and consultants and now require approval from the executive office for the use of any critical professional services or consulting services.
- Sub-leasing of under-utilized warehouse space at EnWave to reduce monthly fixed overhead.
- Cancelled all in-person tradeshow attendance for the remainder of 2020 and eliminated all international business travel expenses across the business.
- Reduced NutraDried's marketing programming budget for the balance of the year and reallocated the reduced budget to channels expected to yield near-term results.

As a result of these cost containment strategies implemented starting in Q3 2020, the Company has reduced expenses (at an annual run rate) by approximately \$4.7 million. EnWave has reduced annual expenses at a run rate of \$1.9 million and NutraDried has reduced expenses at an annual run-rate of \$2.8 million. The reductions have been made across all business functions, with approximately \$1.9 million from functions relate to direct costs and \$2.8 million out of SG&A functions. The reduction of expenses combined with the re-prioritization of the Company's internal resources should allow for improved financial liquidity and has right-sized the level of overhead expenses in response to the macroeconomic environment.

Q2 Significant Accomplishments:

Significant accomplishments made during Q2 2020 and to the date of this report include:

- Signed a royalty-bearing commercial license agreement with KL Ballantyne Pty Ltd ("Ballantyne"), a leading family-owned Australian dairy producer. Ballantyne purchased a 10kW REV™ machine to initiate commercial production of several dairy ingredients and products developed for business to business sales in Australia and internationally.
- Signed a royalty-bearing commercial license agreement with Pacifico Snacks S.A.S. ("Pacifico Snacks") and received a purchase order for a 10kW machine. Pacifico Snacks is a woman-owned Columbian producer of natural snacks with distribution to specialty retailers and for private label in North America. Pacifico plans to launch mango, pineapple and banana products using REV™ in 2020.
- Completed the installation of the third 120kW REV™ processing line for Milne MicroDried, our royalty partner in Idaho, U.S. Milne MicroDried produces a variety of premium quality dried fruit and vegetable products using EnWave's technology, primarily for business to business sales, and pays EnWave a royalty based on a percentage of revenue generated from REV™ product sales.
- Signed a technology license and joint development agreement (the "JDA") with GEA Lyophil GmbH, a global manufacturer and marketer of freeze-dry units for the pharmaceutical and biotech industries, to accelerate the potential commercialization of REV™ technology in the pharmaceutical industry.
- Entered into four new Technology Evaluation and License Option Agreements with companies that will rent 10kW REV™ machinery to evaluate the commercialization of new and innovative products that leverage the Company's patented dehydration technology.

- Announced plans to begin the commercial deployment of REV™ technology into the U.S. cannabis vertical and are in talks with numerous U.S. cannabis companies to advance the development of this new market.
- Re-launched the Moon Cheese® brand with vastly improved packaging, branding, consumer messaging and digital assets. Moon Cheese® is now available in 10oz, 2oz and 1oz package sizes that have been customized to suit specific channels of distribution.
- Launched three new Moon Cheese® flavors: Bacon Cheddar, Garlic Parmesan and White Cheddar with Black Pepper.
- Redesigned the www.mooncheese.com website to be more interactive and consumer friendly, and more effective in communicating our core advantages, with a focus on growing the high-margin online sales of Moon Cheese®.

(*) Non-IFRS Financial Measures:

Adjusted EBITDA is not a measure of financial performance under IFRS. 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. This measure is not necessarily comparable to similarly titled measures used by other companies and should not be construed as an alternative to net income or cash flow from operating activities as determined in accordance with IFRS. Please refer to the discussion included in the Company's interim MD&A for the six months ended March 31, 2020.

About EnWave

EnWave Corporation, a Vancouver-based advanced technology company, has developed a Radiant Energy Vacuum ("REV™") – an innovative, proprietary method for the precise dehydration of organic materials. EnWave has further developed patented methods for uniformly drying and decontaminating cannabis through the use of REV™ technology, shortening the time from harvest to marketable cannabis products.

REV™ technology's commercial viability has been demonstrated and is growing rapidly across several market verticals in the food, and pharmaceutical sectors, including legal cannabis. EnWave's strategy is to sign royalty-bearing commercial licenses with innovative, disruptive companies in multiple verticals for the use of REV™ technology. The company has signed over thirty royalty-bearing licenses to date. In addition to these licenses, EnWave established a Limited Liability Corporation, NutraDried Food Company, LLC, to manufacture, market and sell all-natural dairy snack products in the United States, including the Moon Cheese® brand.

EnWave has introduced REV™ as a disruptive dehydration platform in the food and cannabis sectors: faster and cheaper than freeze drying, with better end product quality than air drying or spray drying. EnWave currently offers two distinct commercial REV™ platforms:

1. *nutraREV*® which is a drum-based system that dehydrates organic materials quickly and at low-cost, while maintaining high levels of nutrition, taste, texture and colour; and,
2. *quantaREV*® which is a tray-based system used for continuous, high-volume low-temperature drying.

EnWave is also active in the pharmaceutical industry through a joint development agreement with GEA Lyophil, a leader in GMP drying machinery.

More information about EnWave is available at www.enwave.net.

EnWave Corporation

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