First Quarter 2018

Management Discussion and Analysis

Three months ended December 31, 2017

(expressed in thousands of Canadian dollars)

Dated February 22, 2018

ENWAVE CORPORATION
(“EnWave” or “the Company”)

MANAGEMENT DISCUSSION AND ANALYSIS
FIRST QUARTER
FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

Date of this report: February 22, 2018

This Management’s Discussion and Analysis (“MD&A”) provides a review of EnWave Corporation’s (“EnWave”, “the Company”, “we”, “us” or “our”) financial performance, on a consolidated basis, for the three months ended December 31, 2017 relative to the three months ended December 31, 2016, and the financial position of the Company at December 31, 2017 relative to September 30, 2017. It should be read in conjunction with the EnWave’s unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended December 31, 2017 and 2016, as well as the 2017 annual MD&A and the 2017 annual audited consolidated financial statements and accompanying notes, and 2016 Annual Information Form (“AIF”) (available at www.enwave.net or on www.sedar.com). The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which is the required reporting framework for Canadian publicly accountable enterprises.

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

Forward-looking Statements

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

- EnWave’s ultimate success in selling, licensing or generating a sustainable royalty stream from its *freeze*REV®, *nutra*REV®, *quanta*REV® and *powder*REV® technologies in the pharmaceutical, food and medical cannabis industries will depend, in a large part, on whether these targeted markets view our technologies (“the EnWave technologies”) as safe, effective and economically beneficial. Market acceptance will also depend on the Company’s ability to demonstrate that the EnWave technologies are attractive alternatives to existing options. If the Company fails to demonstrate feasibility, commercially viable scale that yields acceptable product quality and equipment performance standards, or competes successfully against existing or potential competitors, its operating results may be adversely affected.
- EnWave’s technologies targeted for use in the pharmaceutical industry will be subject to regulatory approval by a number of government entities, including the Food and Drug Administration (“FDA”) in the United States and by comparable authorities in other countries. Technology development within this regulatory framework takes a number of years and may involve substantial expenditures. Any delays in obtaining regulatory approval would have an adverse impact on the Company’s ability to earn future revenues.
- Research and development activities for new technologies are costly and may not be successful. There is no assurance that any of EnWave’s technologies will be approved for marketing by the FDA or the equivalent regulatory agency of any other country. There is also no assurance that the Company will be able to generate additional technology candidates for its pipeline, either through internal research and development, or through the in-licensing or

acquisition of other technologies. Even if a technology is approved for marketing by the applicable regulatory agency, there is no assurance that the Company will be able to ultimately deliver this technology on a commercial scale or obtain approvals for other technology platforms in the development pipeline.

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

Actual results could, however, be substantially different due to the risks and uncertainties associated with and inherent to EnWave's business, as more particularly described in the *"Risk Factors*" section of this document. Additional risks and uncertainties applicable to the forward looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; EnWave will become involved in material litigation; material defects and component quality of parts and raw materials sourced from EnWave suppliers; unforeseen changes to food safety and compliance regulations in the U.S. food processing industry; R&D efforts may not result in the creation of new or enhanced products in a timely or cost-effective fashion or at all; EnWave's royalty partners' and licensees' unwillingness to continue doing business with EnWave on favourable terms or at all; EnWave's business development efforts may not result in increased vertical and market penetration in the global dehydration industry; EnWave's technology may not function as intended or be suitable for the end users it is intended for; unknown or unexpected defects with EnWave's technology that are not correctable in a timely or cost-effective fashion or at all; EnWave's *freeze*REV® and *powder*REV® technology platforms may not meet customer specifications or Good Manufacturing Practises standards; necessary additional financing may not be available on favourable terms or at all; inability to recruit and retain qualified personnel; legal or regime changes, including changes to import and export requirements of foreign jurisdictions; political risk of domestic and foreign nations; war, terrorism, rebellion, revolt, protests, or other civil conflict; unionization, strikes or labour unrest; the global economic climate; general market trends; EnWave's intellectual property may not be sufficiently protected against third party infringement or misappropriation; EnWave's products may materially infringe 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 as a customer of NutraDried; information technology data and security breaches; fire, flood, earthquake, or other natural events; failure to obtain necessary permits, certifications, and authorizations; foreign currency fluctuations; dairy and other food commodity pricing fluctuations; share price volatility; 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.

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 "cash from operations before to changes in non-cash working capital". Management believes that these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of business trends.

We reference the NutraDried LLP (prior to February 21, 2018) and NutraDried Food Company LLC (post February 21, 2018) (both "NutraDried" – refer to *Recent Developments*) royalty payment to the Company which is an intercompany transaction that is eliminated upon consolidation from revenue as reported in the Company's consolidated financial statements. The Company reports the royalty payments to itself from NutraDried because it provides the amount of royalties being paid by NutraDried under its license agreement with the Company. The intercompany royalty revenue does not have any standardized meaning under IFRS and therefore may not be comparable to other similar measures presented by other issuers. The table below provides a reconciliation of the NutraDried royalty to revenues as reported the Company's consolidated financial statements:

($ '000s)	*Mar 31, 2016*	*Jun 30, 2016*	*Sep 30, 2016*	*Dec 31, 2016*	*Mar 31, 2017*	*Jun 30, 2017*	*Sep 30, 2017*	*Dec 31, 2017*
NutraDried Royalty	87	80	66	66	60	91	100	118
Intercompany Revenue Adjustment(1)	(87)	(80)	(66)	(66)	(60)	(91)	(100)	(118)
Revenues(2)	4,586	5,224	2,519	3,467	4,183	4,674	3,630	4,519
Revenues	4,586	5,224	2,519	3,467	4,183	4,674	3,630	4,519

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

We define cash from operations before changes in non-cash working capital as cash from operating activities excluding working capital adjustments. The Company reports "cash from operations before changes in non-cash working capital" because it considers the metric to provide an alternative measure of profitability, before taking into account the Company's non-cash expenses, and it is used by management to measure performance; however, this metric is not defined under IFRS. As a result, this amount may not be comparable to those calculated by other issuers. We consider cash from operations before changes in non-cash working capital to be a key measure as it demonstrates our ability to generate cash necessary to fund our ongoing operating activities. We have provided a quantitative reconciliation of "cash from operations before changes in non-cash working capital" to net loss under the heading *Financing and Liquidity.*

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

Management's Responsibility for Financial Information

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

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

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

EnWave Corporation

Company Overview

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

EnWave's proprietary Radiant Energy Vacuum ("REV™") dehydration platforms apply microwave energy under vacuum to offer flexible, efficient, low temperature processing suitable for food products, cannabis products and biomaterials. The Company currently has three commercial scale technologies, *nutra*REV®, *powder*REV® and *quanta*REV® and one technology in the pilot-scale stage, *freeze*REV®.

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

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

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

Royalty Partner Pipeline

EnWave has numerous prospective royalty partners evaluating the REV™ technology under Technology Evaluation and License Option Agreements ("TELOAs"). The strategy under these arrangements is to co-develop product applications using the technology for specific partner opportunities and to ultimately convert them into commercial licenses. EnWave earns revenue under TELOAs from short-term REV™ machine rentals as well as fees for access to EnWave's R&D facilities and product development expertise. EnWave's food scientists and engineers work with the prospective license company during the TELOA phase of the sales cycle to formulate and optimize innovative products using REV™, and develop a path towards commercialization.

EnWave's current sales pipeline is comprised of multiple companies that have entered into TELOAs as well as many earlier-stage prospects that are in active discussions about using REV™ under mutual non-disclosure agreements. Not every prospective licensee enters into a TELOA; there have been cases where a prospective licensee has bypassed the TELOA phase and entered directly into CLA and purchased REV™ machinery. This is often the case when the product application has been previously proven in another geography, or when the value proposition and commercial business cases are compelling enough for the prospect to enter directly into commercial production.

As of the date of this report, EnWave has 13 active TELOAs and two active R&D projects with prospective licensees evaluating the use of REV™ for applications in the dairy, seafood, spice & herb, fruit products, vegetable products, and meat products verticals. Several of the active agreements are with major international processing companies.

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

NutraDried

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

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

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

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

($ '000s)	*Mar 31, 2016*	*Jun 30, 2016*	*Sep 30, 2016*	*Dec 31, 2016*	*Mar 31, 2017*	*Jun 30, 2017*	*Sep 30, 2017*	*Dec 31, 2017*
NutraDried Royalty(1)	87	80	66	66	60	91	100	118

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

Recent Developments

REV™ Technology in the Legal Cannabis Market

In October 2017, EnWave signed a royalty-bearing CLA with a Tilray, a large, well established Canadian medical cannabis licensed producer. This license expands the application of EnWave's REV™ technology to the rapidly growing global medicinal cannabis markets. Tilray submitted a purchase order for two REV™ dehydration machines: a 10kW REV™ unit for product development and a 60kW REV™ unit for commercial processing. We are currently fabricating the 60kW quantaREV® machine with targeted delivery for the third quarter of fiscal year 2018. The 10kW unit was delivered in the second quarter of 2018. Tilray will pay EnWave royalties based on the units of cannabis dried using EnWave's technology, and we are expecting to generate the first royalties from commercial cannabis production in late 2018.

Tilray has also been granted the exclusive right to sub-license the use of REV™ to additional licensed producers of cannabis in Canada. Our sub-licensing strategy was to partner with an industry leading licensed producer with Canadian and international operations. Tilray and EnWave will work to secure additional licensed producers in Canada for the use of REV™ in cannabis processing, in exchange for the rights to share in the sub-license royalties. All future potential REV™ processing equipment will be sold to sub-licensees of the technology by EnWave directly, with profits from machine sales being solely for EnWave's benefit. The royalties generated from sub-licenses issued by the Licensed Producer will be shared between EnWave and the Licensed Producer on an undisclosed basis.

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

Equity Financing

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

On November 15, 2017, the Company also closed a concurrent non-brokered private placement (the

"Concurrent Private Placement") of 770,000 units of the company (the “Placement Units”) at a price of $1.05 per Placement Unit, for aggregate gross proceeds of $809. The Placement Units were identical to the Units sold pursuant to the Offering, except that they are subject to a statutory four-month hold period which expires on March 16, 2018.

The aggregate gross proceeds from both the Offering and Concurrent Private Placement were $10,006, prior to share issue costs including cash commissions, legal fees and transfer agent fees paid by the Company. As of December 31, 2017 the Company had not used the proceeds from the equity financing. The Warrants were accepted for listing by the TSX Venture Exchange and commenced trading under the symbol ENW.WT at the open of the market on November 22, 2017.

Acquisition of Remaining 49% Interest in NutraDried

On February 21, 2018, EnWave completed the acquisition of the 49% non-controlling interest in NutraDried from Creations, for total cash consideration of US $1,800 (CAD $2,266). Concurrently with the closing of the purchase of the non-controlling interest, the Company, pursuant to the laws of Washington State, converted NutraDried from a Limited Liability Partnership into a Limited Liability Corporation. As part of the transaction, the Company also completed a name change, with the new wholly owned subsidiary being named NutraDried Food Company LLC. After the close of the transaction, the Company owns 100% of the equity interest in NutraDried Food Company LLC (“NutraDried”), its consolidated subsidiary.

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

NutraDried reported net income of $716 for fiscal year 2017, and $416 for the first quarter of 2018. As part of the Company’s strategic decision to acquire the non-controlling interest in NutraDried, management assessed the whole-company purchase price multiple of net income. This metric provides an indication of value and was compared to other similar transactions in the consumer packaged goods industry. On the basis of fiscal year 2017 net income of $716, the whole-company purchase price multiple for NutraDried was 6.5 times net income. On the basis of annualized Q1 2018 net income of $416, the multiple was 2.8x annualized net income. NutraDried continues to drive profitability and growth, and management believes the non-controlling interest was acquired at an attractive purchase multiple of net income. The acquisition of the 49% non-controlling interest of NutraDried should create long-term value to the Company as we continue to scale this innovative business segment.

Summarized Quarterly Results

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

The following is a selected summary of quarterly results for the eight most recently completed quarters to December 31, 2017 reported in Canadian dollars, the Company's presentation currency:

	2016			**2017**				**2018**
($ '000s)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
Revenues	4,586	5,224	2,519	3,467	4,183	4,674	3,630	4,519
Direct costs	(2,911)	(3,609)	(2,120)	(2,683)	(3,155)	(3,052)	(2,764)	(3,093)
Expenses	(1,580)	(1,502)	(1,961)	(1,402)	(1,807)	(2,151)	(1,926)	(1,823)
Net (loss) income – continuing operations	95	113	(1,562)	(618)	(779)	(529)	(1,060)	(397)
Net loss – discontinued operations	(86)	-	-	-	-	-	-	-
Net (loss) income	9	113	(1,562)	(618)	(779)	(529)	(1,060)	(397)
Loss per share – Basic and diluted	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	17,159	16,475	14,962	14,731	14,430	13,863	13,344	21,926
Total liabilities	3,853	2,961	2,753	3,056	3,204	2,896	3,312	2,955
Minority interest	1,282	1,411	1,422	1,523	1,567	1,638	1,763	1,990

Through Q2 and Q3 of 2016, the Company reported revenues of $4,586 and $5,224 and net income from continuing operations of $95 and $113, respectively. The improved results for Q2 and Q3 2016 are characterized by advancement into the manufacturing phase and revenue generated from the *powder*REV® machine under construction for Sutro Biopharma. Also contributing to the improved trend was an increased sales of Moon Cheese® to Spire Brands ("Spire") as a result of a pipeline fill under the former Master Distribution Agreement ("MDA"). Revenues for Q4 2016 decreased compared to previous periods in 2016 primarily as a result of lower equipment purchase contract activity and volume; this trend improved through the first three quarters of 2017. Revenues for Q4 2017 were again lower than the first three quarters due to timing of equipment purchase contracts.

The increase in expenses during the last three quarters of 2017 and first quarter of 2018 is characterized by an increase to our sales and marketing expenses due to the termination of the MDA with Spire and NutraDried commencing direct sales to wholesalers and retailers through its broker network, and as a result increased expenses for broker commissions, marketing and promotional activities.

Management Discussion of the First Quarter

EnWave Corporation

In first quarter of 2018, EnWave had consolidated revenues of $4,519, compared to $3,467 in the same period of fiscal 2017, an increase of 30% or $1,052. EnWave Canada had revenues of $2,121 and NutraDried had revenues of $2,398, compared to $2,145 and $1,322, respectively, in the same period of the prior year.

We continued to make progress with our royalty partners by receiving purchase orders for additional REV™ machinery to expand their royalty bearing production capacities. We also made progress with several prospective royalty partners that are conducting initial testing and product development under TELOAs. Our strategy is jointly develop and commercialize new products using REV™ with royalty partner companies, and to generate near-term revenue from machinery sales and long-term royalties under license agreements. During the first quarter ended December 31, 2017 and up to the date of this document, the following significant advancements were made in EnWave's business:

- Signed a royalty-bearing license agreement with Tilray, a major Canadian medical cannabis licensed producer. The license grants Tilray the exclusive right to use and sub-license the Company's dehydration technology to dry and decontaminate cannabis in Canada.
- Received equipment purchase orders from Tilray for a large-scale 60kW commercial REV™ machine to initiate commercial production and a small-scale 10kW commercial REV™ unit to enable advanced product development.
- Signed a royalty-bearing license with Howe Foods, the second largest producer of bananas in Australia. Howe Foods purchased a small-scale 10kW REV™ machine to initiate commercial production.
- Signed a royalty-bearing license with AvoLov LLC (formerly AvoChips LLC; "AvoLov") a U.S. based snack company to produce a new, and innovative avocado snack product. AvoLov purchased a 10kW small-scale machine to initiate commercial production.
- Achieved a series of positive product development results in partnership with the US Army Natick Soldier R&D Center as part of an ongoing project to create superior, phytonutrient-rich field rations for soldiers in the field.
- Received an equipment purchase order from Bare Foods Co. ("Bare Foods") for a 10kW REV™ machine to initiate commercial production of healthy fruit snack products. Bare Foods' products are available in the U.S. market in natural and grocery retailers including Whole Foods Market, Sprouts, Safeway and Publix as well as national retailers such as Target and Amazon.
- Signed a TELOA with Hampton Farms, a major American peanut and tree nut processor and manufacturer.
- Signed a TELOA with Seven Seas Fish Company Limited, a leading Canadian seafood manufacturer and international distributor.
- Signed a TELOA with Calbee Incorporated ("Calbee"), the largest snack food manufacturer in Japan. Calbee will evaluate the use of EnWave's technology at its facilities in Japan using lab-scale REV™ machinery.

EnWave advanced the commercialization of *powder*REV® during the quarter under its partnership with Sutro Biopharma. The fabrication of the first GMP commercial *powder*REV® unit is underway, and the Company is currently conducting factory acceptance testing on the unit. Pending the outcome of the factory acceptance testing, including successful dehydration and bioactivity retention of the proprietary formulations, EnWave will deliver the first commercial *powder*REV® unit for production. We also advanced the assembly and construction for the first scaled-up GMP *freeze*REV® for Merck during the quarter. The efficacy and viability at commercial scale for these two pharmaceutical technologies has yet to be been proven. If the installation of the *powder*REV® and *freeze*REV® platforms in the pharmaceutical sector yields superior performance to incumbent dehydration technologies, it will solidify EnWave's value proposition with potential new partners in the pharmaceutical industry.

NutraDried

NutraDried reported a net income of $416 in the first quarter of 2018 compared to $126 in the same period of fiscal 2017. NutraDried reported revenues of $2,398 in the first quarter of 2018 compared to $1,322 in the first quarter of 2017, an increase of $1,076 or 81%. The increase in revenues in the first quarter was due to NutraDried securing an initial product rotation with Costco in its Midwest division. NutraDried delivered the initial product to Costco in December 2017. The order from Costco marked the launch of NutraDried's first "Club Pack" size product with a new multi-serving 10oz package. Currently, the 10oz Club Pack is distributed exclusively through Costco. During the first quarter NutraDried also added several other new retailers for distribution of Moon Cheese® in the United States and Canada. NutraDried's strategy is to grow revenues and profitability by leveraging its network of food brokers in the United States, as well as through investing in advertising and marketing activities.

Selected Financial Information

The following table sets out selected consolidated financial information for the periods indicated, and has been derived from EnWave's consolidated financial statements and accompanying notes for the three months ended December 31, 2017 and 2016, and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended December 31,**		
	2017	2016	Change **%**
Revenues	**4,519**	3,467	30%
Direct costs	**3,093**	2,683	15%
Gross margin	**1,426**	784	82%
Operating Expenses			
General and administration	**593**	535	11%
Sales and marketing	**590**	305	93%
Research and development	**272**	291	(7%)
	1,455	1,131	29%
Net loss for the period	**(397)**	(618)	(36%)
Loss per share – continuing operations:			
Basic and diluted	**(0.01)**	(0.01)	

Discussion of Operations

Revenue

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

($ '000s)	**Three months ended December 31, 2017**	**2016**
Revenue	4,519	3,467

Revenue for the three months ended December 31, 2017 was $4,519, an increase of $1,052 compared to the three months ended December 31, 2016. The increase in revenues for the first quarter 2018 compared to 2017 is primarily due to an increase in revenues from NutraDried's sales of Moon Cheese®. The timing and frequency of each large-scale commercial machine order affects the timing of our revenues from the sale of REV™ machinery. A large portion of EnWave Canada and all of NutraDried revenue is denominated in USD and the results for the period also reflects the impact of loss in foreign exchange. If the CAD changed by $0.01 relative to the USD, our revenue for three months ended December 31, 2017 would have changed by $15.

Quarterly Revenue	**2016**			**2017**				**2018**
($ '000s)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
EnWave Canada	2,748	3,492	1,270	2,145	2,841	2,786	1,626	2,121
NutraDried	1,838	1,732	1,249	1,322	1,342	1,888	2,004	2,398
Total	4,586	5,224	2,519	3,467	4,183	4,674	3,630	4,519

EnWave Canada had revenue of $2,121 for the three months ended December 31, 2017 compared to $2,145 for the three months ended December 31, 2016, a decrease of $24. The decrease in revenue in the first quarter of 2018 compared to the first quarter of 2017 is due to timing and volume of open commercial equipment sales contracts. During the first quarter of 2018, revenue was generated from commercial equipment sale contracts with Tilray with the purchase of a 10kW and 60kW units, Pitalia from the purchase of a 100kW unit, Van Dyk with the purchase of a 60kW unit, and Howe Farming, AvoLov and Bare Foods purchasing 10kW units.

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

EnWave Canada earned royalties of $203 during the quarter ended December 31, 2017 compared to $122 for the quarter ended December 31, 2016, a growth of 66% or $81 in royalty revenues. Royalties are payable to EnWave as a percentage of the value of products sold or based on the number of units produced by our royalty partners. We also proscribe minimum annual royalty thresholds in our commercial license agreements that must be met by the licensee in order for the licensee to retain exclusivity. The minimum annual royalties become due and payable 30 days following the end of the calendar year. The royalty revenue for the first quarter of 2018 increased partly due to certain licenses making annual minimum royalty payments. We expect our royalties to continue growing as new license agreements are signed and additional REV™ machine dehydration capacity is supplied to our royalty partners.

Revenues from NutraDried were $2,398 for the quarter ended December 31, 2017 compared to $1,322 for the quarter ended December 31, 2016, a growth of $1,076 or 81%. In January 2017, NutraDried terminated its MDA with Spire and began selling direct to retailers and wholesale distributors. The increase in revenue for the first quarter was due to NutraDried filling an initial order for Costco's Midwest division for a rotation, as well as increased sales volumes to other retailers. NutraDried experiences some variability in order frequency and volumes with significant customers. There is customer concentration risk through one significant customer, Starbucks; revenue from sales to Starbucks represented 13% of total revenues for the three months ended December 31, 2017. We expect that NutraDried's revenue will continue to grow steadily over time as we pursue new customers and additional points of distribution for Moon Cheese®.

Direct costs

Direct costs are comprised of 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 ended December 31,	
($ '000s)	**2017**	**2016**
Direct costs	3,093	2,683
% of revenue	68%	77%

Direct costs for the three months ended December 31, 2017 increased by $410, or 15% compared to the three months ended December 31, 2016. Direct costs for EnWave Canada is driven by commercial machine selling and construction activity. As a percentage of revenue, direct costs for the three months ended December 31, 2017 decreased by 9% compared to the three months ended December 31, 2016.

During the three months ended December 31, 2017, EnWave Canada yielded a ratio of direct costs to revenue of 74%, compared to 79% during the three months ended December 31, 2016. The increase in gross margin is due to lower pharmaceutical construction costs and GMP related construction costs in the first quarter of 2018, as well as an increase in higher-margin royalty revenue that is without any direct costs.

The ratio of direct costs to revenue was 63% for NutraDried for the three months ended December 31, 2017, compared to 74% in the three months ended December 31, 2016. The ratio of direct costs to revenue improved by 11% due to higher unit selling prices with sales being made direct to customers, whereas in the first quarter of 2017 sales were to Spire under the former MDA. The unit cost of Moon Cheese® production has remained stable period over period. We expect that as sales and production volumes increase, NutraDried's gross margin will increase due to scale. Direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices remained relatively stable to December 31, 2017 and we monitor the impact of commodity price fluctuations.

General and administration

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

	Three months ended December 31,	
($ '000s)	**2017**	**2016**
General and administration	593	535
% of revenue	13%	15%

G&A expenses for the three months ended December 31, 2017 were $593 compared to $535 for the three months ended December 31, 2016, an increase of $58. The increase in G&A expenses for the period is due to higher personnel costs for annual incentive compensation, as well as certain legal and administrative expenses related to equity financing and license contracts. As a percentage of revenue, G&A expenses decreased by 2% for the quarter ended December 31, 2017 relative to the quarter ended December 31, 2016.

Sales and marketing

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

	Three months ended December 31,	
($ '000s)	**2017**	**2016**
Sales and marketing	590	305
% of revenue	13%	9%

S&M expenses for the three months ended December 31, 2017 were $590 compared to $305 for the three months ended December 31, 2016, an increase of $285.

S&M expenses increased $310 due to NutraDried terminating its MDA with Spire in January 2017. Under the former MDA, Spire was responsible for selling, marketing, commissions and other promotional costs related to Moon Cheese®, whereas subsequent to its termination NutraDried has taken on those functions and expenses. NutraDried now utilizes a variety of brokers that receive a commission for sales generated to their accounts. The additional S&M cost of reassuming these activities related to Moon Cheese® has been partially offset by additional gross margin earned from commencing direct sales. S&M expenses for NutraDried were $340 for the quarter ended December 31, 2017 compared to $30 for the quarter ended December 31, 2016, an increase of $310.

S&M expenses decreased by $25 for EnWave Canada for the three months ended December 31, 2017 compared to 2016 due to lower personnel costs. We expect S&M expenses to increase for EnWave Canada as we invest in activities and personnel resources to drive market penetration and revenue growth. S&M expenses for EnWave Canada were $250 for the three months ended December 31, 2017 compared to $276 for the three months ended December 31, 2016, a decrease of $25.

Research and development

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

	Three months ended December 31,	
($ '000s)	**2017**	**2016**
Research and development	272	291
% of revenue	6%	8%

R&D expenses for the three months ended December 31, 2017 were $272 compared to $291 for the three months ended December 31, 2016, a decrease of $19. This decrease to R&D expenses was due to more personnel and facility resources being utilized for commercial manufacturing of REV™ machines for royalty partners, whereas in the comparative period more resources were being utilized more for research and development activities.

Amortization of intangible assets

Amortization of intangible assets for the three months ended December 31, 2017 was $139 compared to $254 for the three months ended December 31, 2016. The decrease in amortization expense is due to certain intangible assets becoming fully amortized during the prior year.

	Three months ended December 31,	
($ '000s)	**2017**	**2016**
Amortization of intangible assets	139	254

Stock based compensation

Stock based compensation expense was $147 for the three months ended December 31, 2017, compared to $22 for the three months ended December 31, 2016.

	Three months ended December 31,	
($ '000s)	**2017**	**2016**
Stock based compensation	147	22

The increase to stock based compensation expense was due to the current year vesting of stock options and restricted share rights ("RSRs") granted during the prior year. There were no stock options or RSRs granted during the three months ended December 31, 2017.

Foreign exchange loss

Foreign exchange loss for three months ended December 31, 2017 was $94 compared to a foreign exchange gain of $9 for the three months ended December 31, 2016.

	Three months ended December 31,	
($ '000s)	**2017**	**2016**
Foreign exchange (loss) gain	(94)	9

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

Liquidity and Capital Resources

Working capital

The components of the Company's working capital on December 31, 2017 and September 30, 2017 are:

($ '000s)	**December 31, 2017**	**September 30, 2017**
Current Assets		
Cash and cash equivalents	10,942	1,319
Restricted cash	250	250
Trade receivables	2,428	2,617
Due from customers on contract	2,187	2,378
Prepaids and other receivables	184	186
Inventory	2,549	2,973
	18,540	**9,723**
Current Liabilities		
Trade and other payables	1,814	2,181
Amounts due to related parties	73	74
Customer deposits and deferred revenue	995	926
Current portion of other liability	-	41
	2,882	**3,222**
Working Capital	**15,658**	**6,501**

As at December 31, 2017, the Company had working capital of $15,658, compared to $6,501 as at September 30, 2017. As at December 31, 2017 the cash and cash equivalents balance was $10,942 compared to $1,319 as at September 30, 2017, an increase of $9,623. The increase in cash is primarily due to cash flows from operating activities of $945, reduced by cash outflow from investing of $161, and cash flows from financing activities of $8,850. The Company received net cash proceeds from the November 15, 2017 equity financing of $8,992 (refer to disclosure under "*Financing and Liquidity*").

EnWave Canada had trade receivables of $797 as at December 31, 2017, compared to $1,823 at September 30, 2017, and NutraDried had trade receivables of $1,631 compared to $794 at September 30, 2017. The decrease in EnWave Canada's trade receivables relates to payments received on equipment purchase contracts. The decrease to NutraDried's trade receivables relates to payments received on product sales. As at December 31, 2017 and September 30, 2017 there were no significant doubtful accounts.

Due from customers on contract to EnWave Canada as at December 31, 2017 was $2,187 compared to $2,378 as at September 30, 2017. There was $1,388 included in amounts due from customers on contract related to the Company's two ongoing pharmaceutical equipment contracts. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

Inventory as at December 31, 2017 includes completed machines and machine components of EnWave Canada of $2,177, which is a decrease of $256 compared to September 30, 2017. EnWave Canada decreased inventory due to the sale of 10kW units in the first quarter. NutraDried's food product and packaging supplies inventory was $372, which is a decrease of $168 compared to September 30, 2017.

Trade and other payables as at December 31, 2017 includes $1,299 of trade payables and accrued liabilities related to EnWave Canada, compared to $1,751 on September 30, 2017. Trade and other payables of NutraDried were $515, compared to $430 on September 30, 2017. Trade and other payables fluctuates depending on the timing of purchases and payments related to equipment construction contracts, as well as personnel costs and related accruals.

Financing and liquidity

Cash and cash equivalents were $10,942 at December 31, 2017 compared to $1,319 at September 30, 2017. As at December 31, 2017, we had net working capital of $15,658 compared to $6,501 at September 30, 2017. The change in cash consists of:

	Three months ended December 31,	
($ '000s)	**2017**	2016
Cash generated from (used in) operating activities	**945**	(1,038)
Cash used in investing activities	**(161)**	(38)
Cash generated from (used in) financing activities	**8,850**	(118)

Cash from operations before changes in non-cash working capital, a non-IFRS financial measure, was positive $315 for the quarter ended December 31, 2017 compared to negative $112 in the quarter ended December 31, 2016. Cash from operations before changes in non-cash working capital is reconciled to net loss for the quarter below:

		Three months ended December 31,	
($ '000s)		**2017**	2016
Net loss for the period		**(397)**	(618)
Add:	Depreciation and amortization	**483**	489
	Stock-based compensation	**147**	22
	Finance (income) expense, net	**(12)**	4
	Foreign exchange loss (gain)	**94**	(9)
Cash from operations before changes in non-cash working capital		**315**	(112)

Our working capital needs will continue to grow with revenue growth. We believe that our current working capital surplus of $15,658 is sufficient to meet our financing needs and planned growth in the near term, and that we will have access to additional capital as we further expand. We structure our machine purchase and installation contracts with a deposit payable at the time of order, which provides advanced liquidity for the construction of the machine. We believe that NutraDried will generate sufficient cash from its operations to fund its continued expansion of Moon Cheese® distribution.

On November 15, 2017, the Company completed the Offering and Concurrent Private Placement for a total of 9,530,000 Units for total gross proceeds to the Company of $10,006. The net proceeds from the financing was $8,992. The proceeds from the Offering and Concurrent Private Placement have provided the Company with appropriate levels of cash and working capital to pursue its commercialization strategy in the short term. The proceeds from the financing will be used for manufacturing REV™ equipment for sale and rental, working capital purposes, patent protection, optimizing our manufacturing process and adding technical sales personnel.

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

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

Capital expenditures

During the three months ended December 31, 2017, we incurred capital expenditures of $177 (2016 - $49), related to plant and equipment. NutraDried accounted for $148 of the capital expenditures for the period with certain facility upgrades and the addition of a new packaging line. Although we plan to continue to invest in capital equipment as necessary to support our growth, our business is not overly capital intensive. As of the date of this MD&A, we have no formal commitments for material capital expenditures, but we do anticipate our needs for investments in capital assets will grow with our business.

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 December 31, 2017:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	1,814	-	-	1,814
Amounts due to related parties	73	73	-	146
	1,887	**73**	**-**	**1,960**
Commitments				
Contractual obligations including operating leases	767	576	-	1,343
Total	**2,654**	**649**	**-**	**3,303**

Transactions with Related Parties

During the three months ended December 31, 2017, the Company paid quarterly directors' fees to its three independent directors through a combination of cash and stock-based compensation for their services as directors of the company.

During the three months ended December 31, 2016, the Company paid consulting and management fees to Creations for administration services provided by Creations personnel to NutraDried, as well as for NutraDried's portion of shared office and administration functions provided by Creations. The Company ceased paying consulting and management fees to Creations in May of 2017 and began managing its administration functions independently. The Company also paid facilities rent to Heron Point Properties LLC ("Heron"), a company under common control of Creations, and ceased rental payments rent to Heron in the first quarter of 2017 as it no longer shared any facilities with Creations.

The table below summarizes the transactions with related parties for the three months ended December 31, 2017 and 2016:

($ '000s)	**Three months ended December 31,**	
	2017	2016
	$	$
Consulting, management and directors' fees	**23**	199
Stock-based compensation	**29**	29
Facilities rent and other	**5**	26
	57	254

During the three months ended December 31, 2017 the Company did not have any revenue from sales to related parties. During the three months ended December 31, 2016 the Company, through its subsidiary NutraDried, recorded sales of $1,088 to Spire, a related party of NutraDried. Spire was related to NutraDried by way of Creations', the non-controlling partner in NutraDried, equity ownership interest in Spire. The Company terminated its MDA with Spire effective on January 15, 2017 and no longer sells product to Spire.

Compensation of key management personnel

Remuneration of key management personnel of the Company, for the three months ended December 31, 2017 and 2016 is comprised of the following expenses:

($ '000s)	**Three months ended December 31,**	
	2017	2016
	$	$
Salaries, bonuses and short-term employee benefits	**406**	294
Stock-based compensation	**62**	61
	468	355

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

Critical Accounting Estimates

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

Revenue recognition

The recognition of revenue as of the consolidated statement of financial position date requires management to make significant estimates primarily relating to the percentage-of-completion method to determine the amount of revenue to recognize. The stage of completion is measured by reference to the actual contract costs incurred as a percentage of total estimated costs for each contract. If the total actual contract costs were to differ by 10% from management's estimated contract costs, the amount of revenue recognized in the period would be increased or decreased by $146 (2016 - $550).

Impairment of inventory

The Company measures inventory at the lower of cost and net realizable value, and in the event the net realizable value exceeds cost, an impairment charge is recorded. This determination requires judgement, which includes, among other factors, the selling price, less the estimated costs of completion and selling expenses.

Impairment of non-financial assets

At each reporting date, the Company assesses its non-financial assets to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. Non-financial assets that do not generate independent cash flows are grouped together into a cash generating unit ("CGU"), which represents the lowest level at which largely independent cash flows are generated. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is calculated as the present value of the estimated future cash flows discounted at appropriate discount rates. These calculations require the use of estimates and assumptions.

Leases

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

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

Warranty provision

The Company recognizes revenue from the sale of machines to customers. Machines are sold with a manufacturer's warranty valid for a fixed period not exceeding one year. The Company estimates, based on past experience with similar sales, that the warranty costs will not exceed 1% of revenues. The Company therefore recognizes a provision for warranty equal to 1% of revenue recognized.

New Accounting Standards Not Yet Adopted

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). In April 2016, the IASB issued amendments to clarify the standard and provide additional transition relief for modified contracts and completed contracts. IFRS 15 applies to all revenue contracts with customers and provides a model for the recognition and measurement of the sale of some non-financial assets such as property, plant, and equipment, and intangible assets. It sets out a five-step model for revenue recognition and applies to all industries. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. IFRS 15 requires numerous disclosures, such as the disaggregation of total revenue, disclosures about performance obligations, changes in contract asset and liability account balances, and key judgements and estimates. In addition, the accounting for loss-making contracts will fall under the onerous contracts guidance in IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Company has started reviewing the implementation of IFRS 15 and provides regular updates to the Audit Committee, including a work plan. Major provisions of IFRS 15 include determining which goods and services are distinct and require separate accounting (performance obligations), determining the total transaction price, estimating and recognizing variable consideration, identifying and accounting for contract modifications, and determining whether revenue should be recognized at a point in time or over time (including guidance on measuring the stage of completion). IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the potential effect of these requirements on its consolidated financial statements, including the timing of revenue recognition. The impact of the transition to IFRS 15 on the consolidated financial statements is not yet known, and the Company expects to report more detailed information, including estimated quantitative financial impacts, if material, prior to October 1, 2018.

The mandatory effective date of IFRS 15 is for years starting on or after January 1, 2018, with earlier application permitted. This standard may be adopted using a full retrospective or modified retrospective approach. The Company has not yet selected the transition method it will apply or quantified the financial reporting impact of adopting this standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the year commencing October 1, 2018.

IFRS 9 - Financial Instruments

In July 2014, the IASB issued IFRS 9 *Financial Instruments* (IFRS 9) to introduce new requirements for the classification and measurement of financial assets and financial liabilities, including derecognition. IFRS 9 requires that all financial assets be subsequently measured at amortized cost or fair value. The new standard also requires that changes in fair value attributable to a financial liability's credit risk be presented in other comprehensive income, not in profit or loss. In addition, it includes a single expected-loss impairment model and a reformed approach to hedge accounting. This standard is effective on or after January 1, 2018, on a retrospective basis subject to certain exceptions. The impact of the transition to IFRS 9 on the consolidated financial statements is not yet known, and the Company expects to report more detailed information, including estimated quantitative financial impacts, if material, prior to its adoption on October 1, 2018.

IFRS 16 - Leases

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

Financial Instruments

Financial instruments and risk management

The Company's cash and cash equivalents, restricted cash, trade receivables, receivables from related parties, trade and other payables and amounts due from related parties are measured at amortized cost subsequent to initial measurement. Fair Value Measurement requires classification of financial instruments within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; or

Level 3 – Inputs that are not based on observable market data.

Fair values

The Company's financial assets and liabilities are classified into the following categories:

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

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

The Company did not hold any held-to-maturity or available-for-sale financial instruments during the three months ended December 31, 2017 and 2016.

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

Financial risk factors

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

Credit risk

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

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables. Prior to issuing credit, management reviews the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables by maintaining ongoing close contact with customers, by requiring commercial letters of credit, and by reviewing individual account balances, and proactively following up on overdue amounts. The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at December 31, 2017, and September 30, 2017, the Company has recorded $nil allowance for doubtful accounts.

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

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

The following table provides information regarding the aging of receivables as at December 31, 2017:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	2,172	154	102	-
Due from customers on contract	2,187	-	-	-
Total	4,359	154	102	-

Liquidity risk

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

Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash and cash equivalents and restricted cash	10,942	-	250	-
Trade receivables	2,428	-	-	-
Due from customers on contract	92	807	1,288	-
Total	13,462	807	1,538	-

Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	1,814	-	-	-
Amounts due to related parties	-	14	59	73
Total	1,814	14	59	73

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

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

The Company attempts to ensure that sufficient funds are raised from equity financings to meet its operating requirements, after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At December 31, 2017, the Company had cash and cash equivalents of $10,942 to settle current liabilities of $2,882.

Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the three months ended December 31, 2017 ranged from 1.10% to 1.87% (2016 - 0.60% to 1.40%). A 1% change in interest rates would affect the results of operations for the three months ended December 31, 2017 by approximately $38 (2016 - $31).

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

Foreign exchange risk

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

(i) The Company operates in the United States and a portion of its expenses are incurred in US dollars and Euros;

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

(iii) The Company purchases machine parts from European suppliers and is exposed to currency risk as a portion of its expenses are incurred in Euros;

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar, and Euro currencies could have an effect on the Company's results of operations. As at December 31, 2017, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies when appropriate. During the three months ended December 31, 2017, the Company incurred a loss on foreign exchange derivatives, included within foreign exchange loss, of $nil (2016 - $5). At December 31, 2017, and September 30, 2017 the Company held no foreign exchange contracts. The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's loss for the three months ended December 31, 2017 and 2016 as follows:

($ '000s)

Currency	**2017**	**2016**
US dollar	197	196
Euro	(3)	(47)

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.

Risk Factors

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

Off-balance Sheet Arrangements

There are no off-balance sheet arrangements.

Capital Structure and Outstanding Share Data

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

	December 31, 2017		February 22, 2018	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	100,587,759		100,587,759	
Options				
Outstanding	5,936,000	1.11	6,036,000	1.11
Exercisable	4,662,668	1.11	4,672,667	1.11
RSRs				
Outstanding	380,000	n/a	380,000	n/a
Warrants				
Investor warrants	8,002,500	1.38	8,002,500	1.38
Broker warrants	525,539	1.05	525,539	1.05

As of the date of this MD&A, the Company has 100,587,759 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 Restricted Share Rights ("RSRs") to directors, officers, employees and consultants. The Option Plan and RSR Plan permits the granting of compensation securities up to an aggregate maximum of 10% of our issued and outstanding common shares from time to time on a non-diluted basis, and the maximum number of RSRs granted thereunder is further limited to 1,000,000.

Other MD&A Requirements

Information pursuant to National Instrument 51-102.

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

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

Directors
John P.A. Budreski
Dr. Tim Durance
Dr. Gary Sandberg
Hugh McKinnon
Dr. Stewart Ritchie
Mary C. Ritchie

Senior Officers	Position
John P.A. Budreski	Executive Chairman
Dr. Tim Durance	President and Chief Executive Officer
Dan Henriques	Chief Financial Officer
Brent Charleton	Senior Vice-President, Sales and Business Development

Contact information:

Corporate and strategic	Investor Inquiries	Administration and Finance
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