First Quarter

Management Discussion and Analysis

Three months ended December 31, 2016

(expressed in thousands of Canadian dollars)

Dated February 23, 2017

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

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
FIRST QUARTER
FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

Date of this report: February 23, 2017

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, 2016 relative to the three months ended December 31, 2015, and the financial position of the Company at December 31, 2016 relative to September 30, 2016. It should be read in conjunction with EnWave's unaudited condensed consolidated interim financial statements and accompanying notes for the three months ended December 31, 2016 and 2015, as well as the 2016 annual MD&A and the 2016 annual audited consolidated financial statements and accompanying notes (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 biotechnology and food industries will depend, in a large part, on whether these targeted markets view our technologies ("the EnWave technologies") as safe, effective and economically beneficial. Market acceptance will also depend on the Company's ability to demonstrate that the EnWave technologies are attractive alternatives to existing options. If the Company fails to demonstrate feasibility, commercially viable scale that yields acceptable product quality and equipment performance standards, or competes successfully against existing or potential competitors, its operating results may be adversely affected.
- EnWave's technologies targeted for use in the pharmaceutical industry will be subject to regulatory approval by a number of government entities, including the 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 "Risks and Uncertainties" section of EnWave's September 30, 2016 MD&A. 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; 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; 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 Technology liability or warranty; loss of the major global coffee chain as a customer of NutraDried LLP; 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.

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.

Company Overview

EnWave Corporation

EnWave Corporation ("EnWave" or "EnWave Canada") is a Vancouver-based applied technology company that licenses, builds and installs commercial-scale dehydration platforms for applications in the food, pharmaceutical and industrial sectors to manufacturing companies. EnWave has entered into eighteen royalty-bearing commercial licenses with major food processing 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 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 limited geographical 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 has prospective royalty partners evaluating the REV™ technology under Technology Evaluation and License Option Agreements ("TELOA"). 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 revenues 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 has several active TELOAs with prospective royalty partner companies that are evaluating REV™ technology for potential commercial adoption.

NutraDried LLP

The Company holds a 51% partnership interest in NutraDried LLP ("NutraDried"), a limited liability partnership registered in Washington, USA. The 49% partnership interest is held by NutraDried Creations, LLP ("Creations"), a U.S. based food company. 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.

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 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:

($ 000's)	*Mar 31, 2015*	*Jun 30, 2015*	*Sep 30, 2015*	*Dec 31, 2015*	*Mar 31, 2016*	*Jun 30, 2016*	*Sep 30, 2016*	*Dec 31, 2016*
NutraDried Royalty(1)	12	30	56	64	87	80	66	66

(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. This information separately disclosed is a non-IFRS financial measure.

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to December 31, 2016:

	2015			*2016*				*2017*
($ 000's)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
Revenues	1,976	1,408	1,910	2,604	4,586	5,224	2,519	3,467
Direct costs	(1,493)	(1,340)	(1,345)	(1,743)	(2,911)	(3,609)	(2,120)	(2,683)
Expenses	(1,393)	(1,630)	(1,865)	(1,344)	(1,580)	(1,502)	(1,961)	(1,402)
Net (loss) income – continuing operations	(910)	(1,562)	(1,300)	(483)	95	113	(1,562)	(618)
Net (loss) income – discontinued operations	882	(4,227)	(975)	-	(86)	-	-	-
Net (loss) income	(28)	(5,789)	(2,275)	(483)	9	113	(1,562)	(618)
Loss per share – Basic and diluted	0.00	(0.07)	(0.03)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)
Total assets	22,219	16,158	12,939	18,569	17,159	16,475	14,962	14,731
Total liabilities	5,721	5,208	3,628	5,161	3,853	2,961	2,753	3,056
Minority interest	1,242	1,141	1,242	1,221	1,282	1,411	1,422	1,523

Management Discussion of the First Quarter

EnWave Corporation

In the first fiscal quarter of 2017, EnWave had consolidated revenues of $3,467, compared to $2,604 in the same of the prior year, a 33% increase. EnWave Canada had revenues of $2,145 and NutraDried had revenues of $1,322, compared to $1,315 and $1,289, 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. During the first quarter ended December 31, 2016 and up to the date of this document, the following advancements were made in the commercialization of EnWave's REV™ technology:

- Received a purchase order for a 100kW large-scale *nutra*REV® machine from Ereğli Agrosan ("Ereğli"), a Turkish company that produces high value natural products for the food, cosmetic and health sectors. This order will expand Ereğli's royalty bearing production capacity by adding to its already purchased two 10kW small-scale royalty-bearing machines and one lab-scale R&D machine.
- Signed a royalty-bearing license for a wild blueberries with Van Dyk Specialty Products ("Van Dyk"), a major Canadian producer of wild blueberry products. Van Dyk submitted a purchase order for a large-scale 60kW royalty-bearing *nutra*REV® machine.

- Received a purchase order for a 10kW small-scale machine for Natural Nutrition d.b.a. Nanuva Ingredients ("Nanuva"). This order represents the third purchase of a 10kW small-scale machine by Nanuva, and will expand its royalty bearing production capacity of high quality fruit products in Chile.
- Received a purchase order from Bonduelle, a leading global processor of frozen vegetable products, for upgrades to the 120kW *quanta*REV® machine on lease at their facility. These upgrades are expected to approximately double the production capacity of the machine.
- Signed TELOAs with three new prospective royalty partners to evaluate the use of EnWave's REV™ dehydration technology for meat products, pulse crop products and seafood products.

The commercialization of both *powder*REV® and *freeze*REV® technology platforms continued to progress during the first quarter, with EnWave advancing the design and manufacture of scaled-up versions of each platform for two pharmaceutical partners. The *powder*REV® and *freeze*REV® machines have been designed to be constructed in accordance with Good Manufacturing Practices ("GMP") standards, and GMP certification will be pursued. Installation and start-up of these machines is planned for 2017. 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

In the first quarter of 2017, NutraDried reported revenue of $1,322 compared to $1,289 in the first quarter of 2016. NutraDried reported a net income of $126 in the first quarter of 2017 compared to a net loss of $54 in the first quarter of 2016. During the first quarter of 2017, the company implemented organization changes at NutraDried to create operational efficiencies and to allow for growth of the Moon Cheese® brand. The Company appointed Dr. Tim Durance, Chief Executive Officer and President of EnWave, as the interim Chief Executive Officer of NutraDried. Dr. Durance will serve as interim Chief Executive Officer of NutraDried until a permanent replacement is appointed. NutraDried also retained Slant Design and Marketing Inc., a boutique Vancouver-based marketing and branding agency, to procure new distribution opportunities for Moon Cheese® and to drive brand awareness.

In August 2015, NutraDried appointed Spire Brands, LLC ("Spire") as the exclusive distributor of Moon Cheese® in the United States under a Master Distribution Agreement ("MDA"). The MDA prescribed minimum quarterly volume purchase requirements for Spire to meet in order to retain exclusivity. Spire did not meet its minimum volume purchase obligation for the fourth quarter of fiscal year 2016, and the Company terminated the MDA effective January 15, 2017. The removal of Spire as the exclusive distributor in the United States will allow the Company to pursue alternative channels of distribution for Moon Cheese®.

During the first quarter, NutraDried launched sales of its new mozzarella flavoured Moon Cheese®. The major global coffee chain purchased product, including the new mozzarella flavour, for distribution of Moon Cheese® to 7,500 corporate stores in the United States, and into 1,400 of its Canadian corporate stores. Moon Cheese® also continues to be sold in a wide variety major North American retail outlets. The Company's strategy is to grow the number of distribution points for Moon Cheese® by seeking additional domestic and international market opportunities.

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, 2016 and 2015, and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended December 31**		
	2016	2015	Change **%**
Revenues	**3,467**	2,604	33%
Direct costs	**2,683**	1,743	54%
Gross margin	**784**	861	(9%)
Operating Expenses			
General and administration	**535**	373	43%
Sales and marketing	**305**	105	190%
Research and development	**254**	534	(52%)
	1,094	1,012	8%
Net loss for the period	**(618)**	(483)	(28%)
Loss per share – continuing operations:			
Basic and diluted	**(0.01)**	(0.00)	

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's generates revenue from the sale of Moon Cheese® into retail and wholesale distribution channels.

	Three months ended December 31,	
($ 000's)	**2016**	2015
Revenue	3,467	2,604

Revenue for the three months ended December 31, 2016 was $3,467, an increase of $863 compared to the three months ended December 31, 2015. Revenue growth continues to be due to an increase in strategic royalty partner acquisition efforts of EnWave Canada and increased sales and distribution of Moon Cheese® by NutraDried. EnWave Canada earned higher revenues from commercial machine construction contracts during the three months ended December 31, 2016 compared to the three months ended December 31, 2015. A large portion of EnWave Canada and all of NutraDried revenue is denominated in USD and revenue in the period also reflects the impact of foreign exchange. If the CAD changed by $0.01 relative to the USD, our revenue for three months ended December 31, 2016 would have changed by $22.

Quarterly Revenue	**2015**			**2016**				**2017**
($ 000's)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
EnWave Canada	1,684	703	772	1,315	2,748	3,492	1,270	2,145
NutraDried	292	705	1,138	1,289	1,838	1,732	1,249	1,322
Total	1,976	1,408	1,910	2,604	4,586	5,224	2,519	3,467

EnWave Canada had revenue of $2,145 for the three months ended December 31, 2016 compared to $1,315 for the three months ended December 31, 2015. EnWave Canada's revenue growth is due to increased commercial REV™ equipment sale and construction activity. During the first quarter, revenue was generated from commercial equipment sale contracts with Milne Fruit Products, Ereğli Agrosan, Kesito and Natural Nutrition from our *quanta*REV® and *nutra*REV® machines.

We continue to pursue revenue growth 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 $122 during three months ended December 31, 2016 compared to $48 for the three months ended December 31, 2015. 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. The increase in royalty revenues of $74 is due to EnWave's royalty partners' advancing the commercialization of REV™ products in the marketplace. We expect our royalties to grow as we sign new license agreements and supply additional REV™ machine dehydration capacity to our royalty partners.

Revenues from NutraDried were $1,322 for the three months ended December 31, 2016 compared to $1,289 for the three months ended December 31, 2015. Modest revenue growth at NutraDried is attributable to increased sales and distribution activity with distributors and retail customers of Moon Cheese®. A significant portion of sales growth was due to NutraDried sales to a major global coffee chain, through Spire, its former exclusive distributor in the United States.

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,	
($ 000's)	**2016**	2015
Direct costs	2,683	1,743
% of revenue	77%	67%

Direct costs for the three months ended December 31, 2016 increased by $940, or 54% compared to the three months ended December 31, 2015, driven by the increase in commercial sales from EnWave Canada and an increase in sales volume at NutraDried. As a percentage of revenue, direct costs for the three months ended December 31, 2016 decreased by 10% compared to the three months ended December 31, 2015.

During the three months ended December 31, 2016, EnWave Canada had higher revenue generating activities related to the design and construction of REV™ equipment, and yielded a ratio of direct costs to revenue of 79%, compared to 44% during the three months ended December 31, 2015. The increase in direct costs as a percentage of revenue is due to an increase in construction costs of the *freeze*REV™ and *powder*REV™ machines being designed to meet GMP standards for our two pharmaceutical partners. We expect that as revenue from REV™ equipment sales continues to grow that direct costs as a percentage of EnWave Canada's revenue will decrease due to the related royalties earned from the commercial licenses.

The ratio of direct costs to revenue was 74% for NutraDried for the three months ended December 31, 2016, compared to 90% in the three months ended December 31, 2015. Higher production volume at NutraDried resulted in direct costs as a percentage of revenue to decrease. 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, 2016 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 of plant and equipment, office rent, insurance, and other corporate expenses. G&A expenses for the three months ended December 31, 2016 were $535 compared to $373 for the three months ended December 31, 2015, an increase of $162. As a percentage of revenue, G&A expenses increased by 1% over the comparative period.

	Three months ended December 31,	
($ 000's)	**2016**	2015
General and administration	535	373
% of revenue	15%	14%

The G&A expenses for the three months ended December 31, 2016 increased by $373 compared to the three months ended December 31, 2015 due to increased employee related costs at both EnWave Canada and NutraDried. We expect G&A expenses to increase in the near term as we invest in infrastructure to support planned growth, but believe these expenses will continue to increase at a slower rate than revenue over time.

Research and development

Research and development ("R&D") expenses include the salaries of engineers, technicians, scientists and management related to research and development activities, patent filing and maintenance costs, costs associated with the Company's laboratory and pilot plant facilities, including insurance, office expenses at the plants, and R&D staff travel expenses. R&D expenses also includes depreciation expense for R&D equipment. R&D expenses for the three months ended December 31, 2016 were $291 compared to $534 for the three months ended December 31, 2015, a decrease of $243.

	Three months ended December 31,	
($ 000's)	**2016**	2015
Research and development	291	534
% of revenue	8%	21%

The decrease to R&D expenses for the three months ended December 31, 2016 compared to the three months ended December 31, 2015 was due to more personnel and facility resources being utilized for commercial manufacturing of REV™ machines for royalty partners, whereas in the prior year more resources were being utilized more for research and development activities.

Sales and marketing

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

	Three months ended December 31,	
($ 000's)	**2016**	2015
Sales and marketing	305	105
% of revenue	9%	4%

S&M expenses for the three months ended December 31, 2016 were $305 compared to $105 for the three months ended December 31, 2015. S&M expenses increased for the three months ended December 31, 2016 compared to the same period in prior year due to additional personnel being hired to advance business development. S&M expenses as a percentage of revenue increased to 9% in the three months ended December 31, 2016 compared to 4% in the same period in prior year. We expect S&M expenses to increase as we invest in activities to drive market penetration and revenue growth.

Amortization of intangible assets

Amortization of intangible assets expense for the three months ended December 31, 2016 was $254 compared to $358 for the three months ended December 31, 2015. The decrease in amortization expense is due to certain intangible assets becoming fully amortized. There were no additions to our intangible assets during the period, and current development costs related to our intellectual property are expensed as incurred.

	Three months ended December 31,	
($ 000's)	**2016**	2015
Amortization of intangible assets	254	358

Foreign exchange (loss) gain

Foreign exchange gain for the three months ended December 31, 2016 was $9 compared to $52 for the three months ended December 31, 2015.

	Three months ended December 31,	
($ 000's)	**2016**	2015
Foreign exchange gain (loss)	9	52

The majority of the Company's foreign exchange gain or loss amounts consists of unrealized foreign exchange driven by our monetary assets in USD and the Euro denominated other liability. 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.

Liquidity and Capital Resources

Working capital

The components of the Company's working capital on December 31, 2016 and September 30, 2016 are:

($ '000s)	**December 31, 2016**	**September 30, 2016**
Current Assets		
Cash and cash equivalents	3,435	4,590
Restricted cash	250	250
Trade receivables	959	770
Receivables from related parties	513	426
Due from customers on contract	2,080	1,542
Prepaids and other receivables	168	190
Inventory	2,261	1,681
	9,666	**9,449**
Current Liabilities		
Trade and other payables	1,510	1,084
Amounts due to related parties	67	182
Customer deposits and deferred revenue	863	700
Current portion of other liability	465	586
	2,905	**2,552**
Working Capital	**6,761**	**6,897**

As at December 31, 2016, the Company had working capital of $6,761, compared to $6,897 as at September 30, 2016. As at December 31, 2016 the cash and cash equivalents balance was $3,435 compared to $4,590 as at September 30, 2016, a decrease of $1,155.

EnWave Canada had trade receivables of $959 as at December 31, 2016, compared to $725 at September 30, 2016, and NutraDried had no trade receivables compared to $45 at September 30, 2016. The increase to EnWave Canada's trade receivables related to equipment sales and royalties. As at December 31, 2016 and September 30, 2016 there were no significant doubtful accounts.

Receivables from related parties relates entirely to NutraDried. Receivables from related parties at December 31, 2016 comprises $479 due from Spire and $34 due from Creations, compared to $426 due from Spire at September 30, 2016.

Due from customers on contract to EnWave Canada as at December 31, 2016 was $2,080 compared to $1,542 as at September 30, 2016. 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, 2016 includes completed machines and machine components of EnWave Canada of approximately $1,782, which is an increase of $315 compared to September 30, 2016. EnWave Canada has increased inventory to accommodate the increased sales activity related to commercial machine orders. NutraDried's food product and packaging supplies inventory was $479, which is an increase of $265 compared to September 30, 2016.

Trade and other payables as at December 31, 2016 includes $1,257 of trade payables and accrued liabilities related to EnWave Canada, compared to $932 on September 30, 2016. Trade and other payables of NutraDried were $253, compared to $152 on September 30, 2016.

Financing and liquidity

On October 22, 2015, the Company completed a bought deal private placement offering of 6,250,000 Units of the Company at a purchase price of $0.80 per Unit, for aggregate gross proceeds of $5,000. Cash and cash equivalents were $3,435 at December 31, 2016 compared to $4,590 at September 31, 2016. As at December 31, 2016, we had net working capital of $6,761, compared to $6,897 at September 30, 2016. The change in cash consists of:

($ 000's)	Three months ended December 31, 2016	2015
Cash from (used in) operating activities	(1,038)	89
Cash used in investing activities	(38)	(189)
Cash from (used in) financing activities	(118)	4,265

Cash from operations before changes in non-cash working capital, a non-IFRS financial measure, was negative $112 for the three months ended December 31, 2016 compared to positive $89 in the three months ended December 31, 2015.

Our working capital needs will continue to grow with revenue growth. We believe that our current working capital surplus of $6,761 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.

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.

Capital expenditures

During the three months ended December 31, 2016, we incurred capital expenditures of $49 (2015 - $215), related to plant and equipment. 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, 2016:

($ '000s)	Due within 1 year	Due between 1 - 3 years	Due after 3 years	Total
Financial liabilities				
Trade and other payables	1,510	-	-	1,510
Amounts due to related parties	67	151	-	218
Other liability	465	-	-	465
	2,042	**151**	**-**	**2,193**
Commitments				
Contractual obligations including operating leases	214	147	-	361
Total	**2,256**	**298**	**-**	**2,554**

Off-balance sheet arrangements

There are no off-balance sheet arrangements.

Transactions with related parties

Purchases from related parties

The Company had purchases from related parties for the quarters ended December 31, 2016 and December 31, 2015 in the normal course of business as shown in the table below:

($ '000s)	**Three months ended December 31,**	
	2016 $	2015 $
Consulting, management and directors' fees	**199**	160
Stock-based compensation	**29**	8
Facilities rent and other	**26**	29
	254	197

Sales to related parties

The Company, through its subsidiary NutraDried, recorded sales of $1,088 (2015 - $1,190) to Spire, a related party of NutraDried. Spire is related to NutraDried by way of Creations', the non-controlling partner of NutraDried, equity ownership interest in Spire. The sales terms with Spire were governed by the Master Distribution Agreement ("MDA") between the Company and Spire signed August 11, 2015 and were on terms equivalent to those that prevail in arm's length transactions. In November 2016, the Company terminated its MDA with Spire.

Compensation of key management personnel

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

Remuneration of key management personnel of the Company is comprised of the following expenses:

($ '000s)	**Three months ended December 31,**	
	2016 $	2015 $
Salaries, bonuses and short-term employee benefits	**294**	251
Stock-based compensation	**61**	16
	355	267

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 $550 (2015 - $104).

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 determined based on value-in-use calculations. These calculations require the use of estimates and assumptions.

Other liability

The Company entered into a license agreement for the sub-licensing rights to the MIVAP® technology. The fair value of the liability on initial recognition was added to the cost of the intangible asset at the date of purchase. The liability is measured at the end of each reporting period, and changes are recorded in the consolidated statement of loss.

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

Leases

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

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

Warranty provision

The Company recognizes revenue from the sale of machines to customers. The machine is 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, the warranty costs will not exceed 1% of revenues. The Company therefore recognizes a provision for warranty equal to 1% of revenue recognized.

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
Receivable from related parties	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 carrying value of other liability as at December 31, 2016 of $465 (September 30, 2016 – $623) approximates its fair value and is recorded at amortized cost. The carrying value of the other liability was determined based on the discounted future cash flows using rates for similar financial instruments subject to similar risks and maturities.

The Company did not hold any held-to-maturity or available-for-sale financial instruments during the three months ended December 31, 2016 and 2015.

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, 2016, and September 30, 2016, 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, 2016:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	494	408	57	-
Due from customers on contract	2,080	-	-	-
Other receivables including related parties	519	7	-	-
Total	3,093	415	57	-

Liquidity risk

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

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

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

The Company ensures that sufficient funds are raised from private placements 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, 2016, the Company had cash and cash equivalents of $3,435 to settle current liabilities of $2,905.

Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash and cash equivalents and restricted cash	3,435	-	250	-
Trade receivables	954	5	-	-
Due from customers on contract	614	117	1,349	-
Other receivables including related parties	526	-	-	-
Total	5,529	122	1,599	-

Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	1,510	-	-	-
Amounts due to related parties	4	15	48	151
Other liability	-	152	313	-
Total	1,514	167	361	151

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 quarter ended December 31, 2016 ranged from 0.60% to 1.4% (2015 - from 0.65% to 1.35%). A 1% change in interest rates would affect the results of operations by approximately $31 (2015 - $30).

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

Foreign exchange risk

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

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

(ii) The Company is exposed to currency risk through its other liability comprising minimum royalties denominated in Euros;

(iii) The Company is exposed to currency risk through an increasing number of customers with contracts denominated in US dollars;

(iv) 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, 2016, 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. During the three months ended December 31, 2016, the Company incurred an unrealized gain on foreign exchange derivatives, included within foreign exchange loss, of $5 (2015 - nil). At December 31, 2016, the fair value of the foreign exchange contracts was a net liability of $5 (September 30, 2016 – net asset of $3). 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, 2016 and 2015 as follows:

($ '000s)	**Three months ended December 31,**	
Currency	**2016**	**2015**
US dollar	196	210
Euro	(47)	(29)

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.

Capital structure and outstanding share data

As of the date of this MD&A, the Company has 90,796,092 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.

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

	December 31, 2016		**February 23, 2017**	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	90,776,092		90,796,092	
Options				
Outstanding	5,132,667	1.17	5,112,667	1.17
Exercisable	3,514,014	1.27	3,537,347	1.27
RSRs				
Outstanding	150,000	n/a	150,000	n/a
Warrants				
Investor warrants	3,125,000	1.20	3,125,000	1.20
Agent's warrants	225,000	0.80	225,000	0.80

Proposed Transactions

There are no specific proposed transactions as at the date of this MD&A.

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
Daniel Henriques	Chief Financial Officer
Beenu Anand	Senior Vice-President, Sales

Contact information:

Corporate and strategic	Investor Inquiries	Administration and Finance
John P.A. Budreski Executive Chairman & Director Telephone (+1) 416 930 0914 jbudreski@enwave.net	Brent Charleton Senior Vice-President of Business Development Telephone (+1) 778 378 9616 bcharleton@enwave.net	Dan Henriques Chief Financial Officer Telephone (+1) 604 835 5212 dhenriques@enwave.net

* * * * *