



**Third Quarter  
Management Discussion and Analysis**

Nine months ended June 30, 2017

(expressed in thousands of Canadian dollars)

Dated August 24, 2017

**ENWAVE CORPORATION  
("EnWave" or "the Company")****MANAGEMENT DISCUSSION AND ANALYSIS  
THIRD QUARTER  
FOR THE NINE MONTHS ENDED JUNE 30, 2017****Date of this report: August 24, 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 nine months ended June 30, 2017 relative to the nine months ended June 30, 2016, and the financial position of the Company at June 30, 2017 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 nine months ended June 30, 2017 and 2016, as well as the 2016 annual MD&A, 2016 annual audited consolidated financial statements and accompanying notes, and 2016 Annual Information Form (available at [www.enwave.net](http://www.enwave.net) or on [www.sedar.com](http://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 *freezeREV*®, *nutraREV*®, *quantaREV*® and *powderREV*® 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 "Risk Factors" section of EnWave's September 30, 2016 Annual Information Form. Additional risks and uncertainties applicable to the forward looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; 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 twenty-two 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, *nutraREV*®, *powderREV*® and *quantaREV*® and one technology in the pilot-scale stage, *freezeREV*®.

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)	Sep 30, 2015	Dec 31, 2015	Mar 31, 2016	Jun 30, 2016	Sep 30, 2016	Dec 31, 2016	Mar 31, 2017	Jun 30, 2017
NutraDried Royalty <sup>(1)</sup>	56	64	87	80	66	66	60	91

- (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 June 30, 2017:

(\$ 000's)	2015	2016				2017		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenues	1,910	2,604	4,586	5,224	2,519	3,467	4,183	4,674
Direct costs	(1,345)	(1,743)	(2,911)	(3,609)	(2,120)	(2,683)	(3,155)	(3,052)
Expenses	(1,865)	(1,344)	(1,580)	(1,502)	(1,961)	(1,402)	(1,807)	(2,151)
Net (loss) income – continuing operations	(1,300)	(483)	95	113	(1,562)	(618)	(779)	(529)
Net loss – discontinued operations	(975)	-	(86)	-	-	-	-	-
Net (loss) income	(2,275)	(483)	9	113	(1,562)	(618)	(779)	(529)
Loss per share – Basic and diluted	(0.03)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)	(0.01)
Total assets	12,939	18,569	17,159	16,475	14,962	14,731	14,430	13,863
Total liabilities	3,628	5,161	3,853	2,961	2,753	3,056	3,204	2,896
Minority interest	1,242	1,221	1,282	1,411	1,422	1,523	1,567	1,638

## Management Discussion of the Third Quarter

### EnWave Corporation

In the third quarter of 2017, EnWave had consolidated revenues of \$4,674, compared to \$5,224 in the same quarter of the prior year, a decrease of 11% or \$550. EnWave Canada had revenues of \$2,786 and NutraDried had revenues of \$1,888, compared to \$3,492 and \$1,732, 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 third quarter ended June 30, 2017 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 10kW small-scale machine for Pitalia S.A. ("Pitalia"), a Costa Rican company formerly operating under the name Agricola Industrial La Lydia S.A. This order represents the second purchase of a 10kW small-scale machine by Pitalia for processing in Costa Rica.
- Received a purchase order for a large commercial 100kW *quantaREV*® from Pitalia, and expanded its license to include additional fruit products. This was Pitalia's third purchase of REV™ machinery, and represents a significant expansion of Pitalia's royalty-bearing REV™ processing capacity. Delivery of this machine is expected for mid-2018.

- Signed a license agreement for cheese products with Ashgrove Cheese, a diversified dairy processor based in Australia. Ashgrove Cheese purchased a small-scale 10kW REV™ machine to be used in early stages of processing under the license agreement.
- Signed a license agreement with Bare Foods Co., a leading American snack food company for the production of healthy snacks using REV™ technology.
- Entered into a contract with the US Army Natick Soldier R&D Center to jointly develop phytonutrient-rich field rations.
- Signed 6 new TELOAs with food and other processing companies that will evaluate the use of REV™ technology to develop new product applications.
- Commissioned the second 120kW *quantaREV*® machine at Milne Fruit Products' processing facility. This second machine will expand Milne's royalty-bearing production capacity for its Microdried® fruit and vegetable product line.
- Commissioned Ereğli's Agrosan's first 100kW *nutraREV*® machine at its facility in Turkey.

The commercialization of *powderREV*®, EnWave's technology for the bulk dehydration of temperature-sensitive biomaterials, advanced during the third quarter. Construction and testing of the first commercial *powderREV*® for our U.S. based pharmaceutical partner continued, with installation targeted for late 2017. We also commenced the assembly and construction phase for the first scaled-up GMP *freezeREV*® during the third quarter. The efficacy and viability at commercial scale for these two pharmaceutical technologies has yet to be proven. If the installation of the *powderREV*® and *freezeREV*® 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 third quarter of 2017, NutraDried reported revenue of \$1,888 compared to \$1,732 in the third quarter of 2016. NutraDried reported net income of \$167 for the third quarter of 2017, compared to net income of \$243 for the third quarter of 2016. NutraDried reported net income of \$385 for the nine months ended June 30, 2017, compared to net income of \$348 for the nine months ended June 30, 2016. The increase to revenues is due to the addition of several new retailers in the United States. NutraDried is expanding its broker network across the United States through the signing of additional broker agreements. We expect to increase market penetration by building out our broker network in the United States, as well as through our advertising and marketing activities.

In August 2015, NutraDried appointed Spire as the exclusive distributor of Moon Cheese® in the United States under the 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 2016, and the Company terminated the MDA effective January 15, 2017. The removal of Spire as the exclusive distributor in the United States has allowed the Company to pursue alternative channels of distribution for Moon Cheese®. NutraDried retained Slant Design and Marketing Inc., a boutique Vancouver-based marketing and branding agency, to procure new distribution opportunities for Moon Cheese®.

### **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 and nine months ended June 30, 2017 and 2016, and should be read in conjunction with those financial statements.

(\$ '000s)	Three months ended June 30,			Nine months ended June 30,		
	2017	2016	Change %	2017	2016	Change %
Revenues	<b>4,674</b>	5,224	(11%)	<b>12,324</b>	12,414	(1%)
Direct costs	<b>3,052</b>	3,609	(15%)	<b>8,890</b>	8,263	8%
Gross margin	<b>1,622</b>	1,615	0%	<b>3,434</b>	4,151	(17%)
Operating Expenses						
General and administration	<b>548</b>	523	5%	<b>1,606</b>	1,362	18%
Sales and marketing	<b>705</b>	236	199%	<b>1,406</b>	474	197%
Research and development	<b>348</b>	297	17%	<b>939</b>	1,346	(30%)
	<b>1,601</b>	1,056	52%	<b>3,951</b>	3,182	24%
Net (loss) income– continuing operations	<b>(529)</b>	113	(568%)	<b>(1,926)</b>	(275)	(600%)
Basic and diluted (loss) income per share – continuing operations	<b>\$ (0.01)</b>	\$ 0.00		<b>\$ (0.02)</b>	\$ (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.

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Revenue	4,674	5,224	12,324	12,414

Revenue for the nine months ended June 30, 2017 was \$12,324, a decrease of \$90 compared to the nine months ended June 30, 2016. Revenue for the three months ended June 30, 2017 was \$4,674, a decrease of \$550 compared to the three months ended June 30, 2016. The decrease in revenues for the third quarter of 2017 relative to the third quarter of 2016 is primarily due to lower purchase order volume for REV™ machinery. 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 revenue in 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 nine months ended June 30, 2017 would have changed by \$43.

Quarterly Revenue (\$ 000's)	2015 Q4	2016				2017		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
EnWave Canada	772	1,315	2,748	3,492	1,270	2,145	2,841	2,786
NutraDried	1,138	1,289	1,838	1,732	1,249	1,322	1,342	1,888
Total	1,910	2,604	4,586	5,224	2,519	3,467	4,183	4,674

EnWave Canada had revenue of \$7,772 for the nine months ended June 30, 2017 compared to \$7,555 for the nine months ended June 30, 2016, an increase of \$217. The increase in revenues for the nine



months ended June 30, 2017 relative to June 30, 2016 was driven by an increase in equipment rental fees earned from companies evaluating the use of REV™ technology under TELOAs. As we add prospective royalty partners to our sales pipeline, we enter into short term machine rental agreements under TELOAs that generate rental revenue.

EnWave Canada had revenue of \$2,786 for the three months ended June 30, 2017 compared to \$3,492 for the three months ended June 30, 2016, a decrease of \$706. The decrease in revenue for the three months ended June 30, 2017 relative to June 30, 2016 is due to lower purchase order volume for machinery in the third quarter of 2017. During the third quarter of 2017, revenue was generated from commercial equipment sale contracts with Ereğli Agrosan, Van Dyk Specialty Products, Merck and Pitalia S.A., among others.

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 \$293 during nine months ended June 30, 2017 compared to \$186 for the nine months ended June 30, 2016. EnWave Canada earned royalties of \$94 during three months ended June 30, 2017 compared to \$75 for the three months ended June 30, 2016. 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 is due to EnWave's royalty partners' advancing the commercialization of REV™ products in the marketplace, as well as the payment of minimum royalties under the terms of the license agreements. 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 \$4,552 for the nine months ended June 30, 2017 compared to \$4,859 for the nine months ended June 30, 2016. Revenues from NutraDried were \$1,888 for the three months ended June 30, 2017 compared to \$1,732 for the three months ended June 30, 2016. In January 2017 NutraDried terminated its MDA with Spire and began selling direct to retailers and wholesale distributors. NutraDried experiences some variability in order frequency and volumes with significant customers. There is customer concentration risk through one significant customer, the major global coffee chain.

### 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.

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Direct costs	3,052	3,609	8,890	8,263
% of revenue	65%	69%	72%	67%

Direct costs for the nine months ended June 30, 2017 increased by \$627, or 8% compared to the nine months ended June 30, 2016. Direct costs for the three months ended June 30, 2017 decreased by \$557 compared to the three months ended June 30, 2016. Direct costs for EnWave Canada is driven by commercial machine selling and construction activity. As a percentage of revenue, direct costs for the nine months ended June 30, 2017 increased by 5% compared to the nine months ended June 30, 2016.

During the nine months ended June 30, 2017, EnWave Canada yielded a ratio of direct costs to revenue of 75%, compared to 57% during the nine months ended June 30, 2016. The increase in direct costs as a percentage of revenue is due to an increase in construction costs of the freezeREV™ and

powderREV™ machines being designed to meet GMP standards for our two pharmaceutical partners. We expect that after the two pharmaceutical machines are commissioned that EnWave Canada's gross margin will improve due to lower pharmaceutical industry and GMP related construction costs. We also expect that as revenue from REV™ equipment sales continues to grow that direct costs will increase proportionately.

The ratio of direct costs to revenue was 67% for NutraDried for the nine months ended June 30, 2017, compared to 81% in the nine months ended June 30, 2016. The ratio of direct costs to revenue improved by 14% due to higher unit selling prices with sales being made direct to customers, whereas in the prior year sales were to Spire under the former MDA. The unit cost of Moon Cheese® production year over year has remained stable. 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 June 30, 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.

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
General and administration	548	523	1,606	1,362
% of revenue	12%	10%	13%	11%

G&A expenses for the nine months ended June 30, 2017 were \$1,606 compared to \$1,362 for the nine months ended June 30, 2016, an increase of \$244. G&A expenses for the three months ended June 30, 2017 were \$548 compared to \$523 for the three months ended June 30, 2016, an increase of \$25. The increase to G&A expenses was due to increased employee related costs at both EnWave Canada and NutraDried. We also experienced an increase in legal fees incurred in the structuring of licensing and other contracts. As a percentage of revenue, G&A expenses increased by 2% for the three and nine months ended June 30, 2017 relative to the three and nine months ended June 30, 2016. 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.

### 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.

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Sales and marketing	705	236	1,406	474
% of revenue	15%	5%	11%	4%

S&M expenses for the nine months ended June, 2017 were \$1,406 compared to \$474 for the nine months ended June 30, 2016, an increase of \$932. S&M expenses for the three months ended June 30, 2017 were \$705 compared to \$236 for the three months ended June 30, 2016, an increase of \$469. The increase in S&M expenses is 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 utilizes a variety of brokers that receive a commission for sales generated to their accounts. The additional S&M cost of reassuming S&M activity and expenses related to Moon Cheese® has been offset by the additional gross margin earned from commencing direct sales.

The increase to S&M expenses was also due to additional personnel being hired to advance business development of EnWave Canada. We expect S&M expenses to increase as we invest in activities to drive market penetration and revenue growth.

### **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 facility, including insurance, office expenses at the plant, and R&D staff travel expenses. R&D expenses also includes depreciation expense for R&D equipment. R&D expenses primarily attributable to EnWave Canada as NutraDried does not have significant R&D activity.

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Research and development	348	297	939	1,346
% of revenue	7%	6%	8%	11%

R&D expenses for the nine months ended June 30, 2017 were \$939 compared to \$1,346 for the nine months ended June 30, 2016, a decrease of \$407. The decrease to R&D expenses for the nine months ended June 30, 2017 compared to the nine months ended June 30, 2016 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. R&D expenses for the three months ended June 30, 2017 were \$348 compared to \$297 for the three months ended June 30, 2016, an increase of \$51. The increase to R&D expenses for the three months ended June 30, 2017 compared to the three months ended June 30, 2016 was due to an increase in patent filing and patent maintenance costs incurred to protect our intellectual property portfolio.

### **Amortization of intangible assets**

Amortization of intangible assets for the nine months ended June 30, 2017 was \$680 compared to \$969 for the nine months ended June 30, 2016. Amortization of intangible assets for the three months ended June 30, 2017 was \$206 compared to \$266 for the three months ended June 30, 2016. 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.

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Amortization of intangible assets	206	266	680	969

### **Stock based compensation**

Stock based compensation expense was \$661 for the nine months ended June 30, 2017, compared to \$191 for the nine months ended June 30, 2016. Stock based compensation expense was \$300 for the three months ended June 30, 2017, compared to \$104 for the three months ended June 30, 2016.

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Stock based compensation	300	104	661	191

The increase to stock based compensation expense was due to the grant of 1,930,000 stock options and 230,000 restricted share rights (“RSRs”) during the nine months ended June 30, 2017, as well as the expense due to current year vesting of stock options and RSRs granted during the prior year.

### **Foreign exchange loss**

Foreign exchange loss for the nine months ended June 30, 2017 was \$48 compared to \$75 for the nine months ended June 30, 2016. Foreign exchange loss for the three months ended June 30, 2017 was \$39 compared to \$60 for the three months ended June 30, 2016.

(\$ '000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Foreign exchange loss	39	60	48	75

The majority of the Company's foreign exchange gain or loss amounts consists of foreign exchange differences 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. 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 June 30, 2017 and September 30, 2016 are:

(\$ '000s)	June 30, 2017	September 30, 2016
<b>Current Assets</b>		
Cash and cash equivalents	2,208	4,590
Restricted cash	250	250
Trade receivables	1,674	770
Receivables from related parties	-	426
Due from customers on contract	2,778	1,542
Prepays and other receivables	228	190
Inventory	2,605	1,681
	<b>9,743</b>	<b>9,449</b>
<b>Current Liabilities</b>		
Trade and other payables	2,297	1,084
Amounts due to related parties	97	182
Customer deposits and deferred revenue	205	700
Current portion of other liability	186	586
	<b>2,785</b>	<b>2,552</b>
<b>Working Capital</b>	<b>6,958</b>	<b>6,897</b>

As at June 30, 2017, the Company had working capital of \$6,958, compared to \$6,897 as at September 30, 2016. As at June 30, 2017 the cash and cash equivalents balance was \$2,208 compared to \$4,590 as at September 30, 2016, a decrease of \$2,382.

EnWave Canada had trade receivables of \$832 as at June 30, 2017, compared to \$725 at September 30, 2016, and NutraDried had trade receivables of \$842 compared to \$45 at September 30, 2016. The increase to NutraDried's trade receivables related to product sales. As at June 30, 2017 and September 30, 2016 there were no significant doubtful accounts.

As at June 30, 2017 receivables from related parties is nil. Receivables from related parties of \$426 at September 30, 2016 relates entirely to amounts owed by Spire to NutraDried.

Due from customers on contract to EnWave Canada as at June 30, 2017 was \$2,778 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 June 30, 2017 includes completed machines and machine components of EnWave Canada of approximately \$2,229, which is an increase of \$762 compared to September 30, 2016. EnWave Canada has increased inventory to accommodate the increased sales activity related to commercial machine orders and TELOA rentals. NutraDried's food product and packaging supplies inventory was \$376, which is an increase of \$162 compared to September 30, 2016.

Trade and other payables as at June 30, 2017 includes \$1,818 of trade payables and accrued liabilities related to EnWave Canada, compared to \$932 on September 30, 2016. Trade and other payables of NutraDried were \$479, 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 \$2,208 at June 30, 2017 compared to \$4,590 at September 30, 2016. As at June 30, 2017, we had net working capital of \$6,958, compared to \$6,897 at September 30, 2016. The change in cash consists of:

(\$ 000's)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
Cash (used in) from operating activities	(385)	(1,047)	(1,896)	107
Cash used in investing activities	(13)	(365)	(107)	(861)
Cash (used in) from financing activities	(137)	1,411	(383)	5,557

Cash from operations before changes in non-cash working capital, a non-IFRS financial measure, was positive \$284 for the nine months ended June 30, 2017 compared to \$1,720 in the nine months ended June 30, 2016.

Our working capital needs will continue to grow with revenue growth. We believe that our current working capital surplus of \$6,958 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 *nutraREV*®, *quantaREV*®, *powderREV*® and *freezeREV*® 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 or financing will occur 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 and we may need to seek additional sources of financing. 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 nine months ended June 30, 2017, we incurred capital expenditures of \$132 (2016 - \$921), 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 June 30, 2017:

(\$ '000s)	Due within 1 year	Due between 1 - 3 years	Due after 3 years	Total
<b>Financial liabilities</b>				
Trade and other payables	2,297	-	-	2,297
Amounts due to related parties	97	107	4	208
Other liability	186	-	-	186
	<b>2,580</b>	<b>107</b>	<b>4</b>	<b>2,691</b>
<b>Commitments</b>				
Contractual obligations including operating leases	425	676	483	1,584
<b>Total</b>	<b>3,005</b>	<b>783</b>	<b>487</b>	<b>4,275</b>

### Transactions with Related Parties

#### Purchases from related parties

The Company had purchases from related parties for the three and nine months ended June 30, 2017 and June 30, 2016 in the normal course of business as shown in the table below:

(\$ '000s)	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Consulting, management and directors' fees	77	93	332	442
Stock-based compensation	45	18	103	34
Facilities rent and other	-	28	32	87
	<b>122</b>	139	<b>467</b>	563

#### Sales to related parties

The Company, through its subsidiary NutraDried, recorded sales of \$1,551 (2016 - \$4,279) 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 Company terminated its MDA with Spire effective on January 15, 2017. The sales terms with Spire were governed by the MDA between the Company and Spire signed August 11, 2015 and were on terms equivalent to those that prevail in arm's length transactions.

### 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		Nine months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	\$	\$	\$	\$
Salaries, bonuses and short-term employee benefits	140	135	573	521
Stock-based compensation	129	50	283	89
	<b>269</b>	185	<b>856</b>	610

### 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 \$642 (2016 - \$438).

#### *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.

**Off-balance Sheet Arrangements**

There are no off-balance sheet arrangements.

**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 June 30, 2017 of \$186 (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 nine months ended June 30, 2017 and 2016.

**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 June 30, 2017, 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 June 30, 2017:

(\$ '000s)	Neither past due nor impaired	Past due but not impaired		
	0 – 30	31 – 90	91 – 365	365 +
Trade receivables	1,257	415	2	-
Due from customers on contract	2,778	-	-	-
Indirect tax receivable	46	-	-	-
<b>Total</b>	<b>4,081</b>	<b>415</b>	<b>2</b>	<b>-</b>

### 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	2,208	-	250	-
Trade receivables	1,674	-	-	-
Due from customers on contract	359	1,064	1,355	-
Indirect tax receivable	46	-	-	-
<b>Total</b>	<b>4,287</b>	<b>1,064</b>	<b>1,605</b>	<b>-</b>

Financial liabilities maturity table:

(\$ '000s)	0 - 30	31 - 90	91 - 365	365 +
Trade and other payables	2,297	-	-	-
Amounts due to related parties	38	10	49	111
Other liability	-	147	39	-
<b>Total</b>	<b>2,335</b>	<b>157</b>	<b>88</b>	<b>111</b>

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 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 June 30, 2017, the Company had cash and cash equivalents of \$2,208 to settle current liabilities of \$2,785. The Company plans to fund the deficit of cash and cash equivalents to current liabilities through collection of accounts receivables and meeting milestones on equipment contracts that trigger additional customer payments. In the event that cash collections from customers is insufficient to meet ongoing liquidity needs, the Company will need to secure additional equity funding through private placements. 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.

**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 nine months ended June 30, 2017 ranged from 0.60% to 1.25% (2016 - 0.65% to 1.40%). A 1% change in interest rates would affect the results of operations for the nine months ended June 30, 2017 by approximately \$25 (2016 - \$28).

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 June 30, 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. During the nine months ended June 30, 2017, the Company incurred an unrealized loss on foreign exchange derivatives, included within foreign exchange loss, of \$3 (2016 - \$nil). At June 30, 2017, the Company held no foreign exchange contracts (September 30, 2016 – the fair value of the foreign exchange contracts was a 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 nine months ended June 30, 2017 and 2016 as follows:

(\$ '000s) Currency	Nine months ended June 30,	
	2017	2016
US dollar	575	323
Euro	23	95

### 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

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

	June 30, 2017		August 24, 2017	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Common shares outstanding	90,829,426		90,829,426	
Options				
Outstanding	6,864,333	1.15	6,614,333	1.13
Exercisable	4,254,336	1.21	4,024,336	1.19
RSRs				
Outstanding	380,000	n/a	380,000	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

As of the date of this MD&A, the Company has 90,829,426 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](http://www.enwave.net), or on the SEDAR website at [www.sedar.com](http://www.sedar.com).

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

Directors	Senior Officers	Position
John P.A. Budreski	John P.A. Budreski	Executive Chairman
Dr. Tim Durance	Dr. Tim Durance	President and Chief Executive Officer
Dr. Gary Sandberg	Daniel Henriques	Chief Financial Officer
Hugh McKinnon	Beenu Anand	Senior Vice-President, Sales
Dr. Stewart Ritchie		
Mary C. Ritchie		

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