Second Quarter

Management Discussion and Analysis

Six months ended March 31, 2017

(expressed in thousands of Canadian dollars)

Dated May 25, 2017

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

MANAGEMENT DISCUSSION AND ANALYSIS
SECOND QUARTER
FOR THE SIX MONTHS ENDED MARCH 31, 2017

Date of this report: May 25, 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 six months ended March 31, 2017 relative to the six months ended March 31, 2016, and the financial position of the Company at March 31, 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 six months ended March 31, 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 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 "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 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)	*Jun 30, 2015*	*Sep 30, 2015*	*Dec 31, 2015*	*Mar 31, 2016*	*Jun 30, 2016*	*Sep 30, 2016*	*Dec 31, 2016*	*Mar 31, 2017*
NutraDried Royalty(1)	30	56	64	87	80	66	66	60

(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 March 31, 2017:

	2015		2016				2017	
($ 000's)	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*
Revenues	1,408	1,910	2,604	4,586	5,224	2,519	3,467	4,183
Direct costs	(1,340)	(1,345)	(1,743)	(2,911)	(3,609)	(2,120)	(2,683)	(3,155)
Expenses	(1,630)	(1,865)	(1,344)	(1,580)	(1,502)	(1,961)	(1,402)	(1,807)
Net (loss) income – continuing operations	(1,562)	(1,300)	(483)	95	113	(1,562)	(618)	(779)
Net loss – discontinued operations	(4,227)	(975)	-	(86)	-	-	-	-
Net (loss) income	(5,789)	(2,275)	(483)	9	113	(1,562)	(618)	(779)
Loss per share – Basic and diluted	(0.07)	(0.03)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)
Total assets	16,158	12,939	18,569	17,159	16,475	14,962	14,731	14,430
Total liabilities	5,208	3,628	5,161	3,853	2,961	2,753	3,056	3,204
Minority interest	1,141	1,242	1,221	1,282	1,411	1,422	1,523	1,567

Management Discussion of the Second Quarter

EnWave Corporation

In the second quarter of fiscal 2017, EnWave had consolidated revenues of $4,183, compared to $4,586 in the same quarter of the prior year, a decrease of 9%. EnWave Canada had revenues of $2,841 and NutraDried had revenues of $1,342, compared to $2,748 and $1,838, 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 second quarter ended March 31, 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 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 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 for a 10kW small-scale machine for Agricola Industrial La Lydia SA ("La Lydia"). This order represents the second purchase of a 10kW small-scale machine by La Lydia for processing in Costa Rica.
- Signed a license agreement for cheese products with Ashgrove Cheese, a diversified dairy processor based in Australia. Ashgrove Cheese submitted a purchase order for a 10kW small-scale 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. Bare must submit a purchase order for a 10kW small-scale REV ™ machine within a defined period of time under the terms of the license agreement.

The commercialization of *powder*REV®, EnWave's technology for the bulk dehydration of temperature-sensitive biomaterials, advanced during the second quarter. We made significant progress in the construction of the first commercial *powder*REV® machine for a U.S. based pharmaceutical partner. The commercial *powder*REV® unit is being designed and constructed in accordance with Good Manufacturing Practices ("GMP") standards for the pharmaceutical industry. Installation of the first commercial *powder*REV® unit and the first scaled-up GMP *freeze*REV® unit is planned for late 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 second quarter of 2017, NutraDried reported revenue of $1,342 compared to $1,838 in the second quarter of 2016. NutraDried reported net income of $92 in the second quarter of 2017, compared to net income of $159 in the second quarter of 2016. The decrease in revenues partially was offset by an increase in the gross margin on Moon Cheese® product sold directly to customers, whereas under the Master Distribution Agreement ("MDA") product was sold through Spire Brands, LLC ("Spire"), a distributor.

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® and to drive brand awareness.

During the second quarter of 2017, NutraDried received initial purchase orders from CVS and Target for Moon Cheese®. We believe that the termination of the MDA with Spire and the appointment of Slant Design and Marketing Inc. will allow for future revenue growth through additional customer acquisitions.

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 six months ended March 31, 2017 and 2016, and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended March 31,**			**Six months ended March 31,**		
	2017	2016	Change %	**2017**	2016	Change %
Revenues	**4,183**	4,586	(9%)	**7,650**	7,190	6%
Direct costs	**3,155**	2,911	8%	**5,838**	4,654	25%
Gross margin	**1,028**	1,675	(39%)	**1,812**	2,536	(29%)
Operating Expenses						
General and administration	**523**	466	12%	**1,058**	839	26%
Sales and marketing	**396**	133	198%	**701**	238	195%
Research and development	**300**	515	(42%)	**591**	1,049	(44%)
	1,219	1,114	9%	**2,350**	2,126	11%
Net income (loss) – continuing operations	**(779)**	95	(920%)	**(1,397)**	(388)	(260%)
Basic and diluted (loss) income per share – continuing operations	**$ (0.01)**	$ 0.00		**$ (0.02)**	$ (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.

	Three months ended March 31,		**Six months ended March 31,**	
($ 000's)	**2017**	**2016**	**2017**	**2016**
Revenue	4,183	4,586	7,650	7,190

Revenue for the six months ended March 31, 2017 was $7,650, an increase of $460 compared to the six months ended March 31, 2016. Revenue for the three months ended March 31, 2017 was $4,183, a decrease of $403 compared to the three months ended March 31, 2016. Revenue growth is due to an increase in strategic royalty partner acquisition efforts of EnWave Canada. EnWave Canada earned higher revenues from commercial machine construction contracts during the six months ended March 31, 2017, compared to the six months ended March 31, 2016. Revenue from NutraDried decreased by $463 in the six months ended March 31, 2017 compared to the six months ended March 31, 2016. 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 six months ended March 31, 2017 would have changed by $31.

Quarterly Revenue	**2015**		**2016**				**2017**	
($ 000's)	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*
EnWave Canada	703	772	1,315	2,748	3,492	1,270	2,145	2,841
NutraDried	705	1,138	1,289	1,838	1,732	1,249	1,322	1,342
Total	1,408	1,910	2,604	4,586	5,224	2,519	3,467	4,183

EnWave Canada had revenue of $4,986 for the six months ended March 31, 2017 compared to $4,063 for the six months ended March 31, 2016, an increase of $923. EnWave Canada had revenue of $2,841 for the three months ended March 31, 2017 compared to $2,748 for the three months ended March 31, 2016, an increase of $93. EnWave Canada's revenue growth is due to increased commercial REV™ equipment sale and construction activity. During the second quarter, revenue was generated from commercial equipment sale contracts with Ereğli Agrosan, Sutro Biopharma, Van Dyk Specialty Products, 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 $199 during six months ended March 31, 2017 compared to $111 for the six months ended March 31, 2016. EnWave Canada earned royalties of $77 during three months ended March 31, 2017 compared to $63 for the three months ended March 31, 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 $2,664 for the six months ended March 31, 2017 compared to $3,127 for the six months ended March 31, 2016. Revenues from NutraDried were $1,342 for the three months ended March 31, 2017 compared to $1,838 for the three months ended March 31, 2016. Reduction in revenue at NutraDried is attributable to variability of order frequency and volumes of significant customers. NutraDried is exposed to 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.

	Three months ended March 31,		**Six months ended March 31,**	
($ 000's)	**2017**	**2016**	**2017**	**2016**
Direct costs	3,155	2,911	5,838	4,654
% of revenue	75%	63%	76%	65%

Direct costs for the six months ended March 31, 2017 increased by $1,184, or 25% compared to the six months ended March 31, 2016. Direct costs for the three months ended March 31, 2017 increased by $244 compared to the three months ended March 31, 2016. The increase in direct costs was driven by the increase in commercial machine sales from EnWave Canada. As a percentage of revenue, direct costs for the six months ended March 31, 2017 increased by 11% compared to the six months ended March 31, 2016.

During the six months ended March 31, 2017, 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 50% during the six months ended March 31, 2016. 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 will increase proportionately.

The ratio of direct costs to revenue was 72% for NutraDried for the six months ended March 31, 2017, compared to 84% in the six months ended March 31, 2016. The ratio of direct costs to revenue improved by 12% 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. 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 March 31, 2017 and we monitor the impact of commodity price fluctuations.

General and administration

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

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2017**	**2016**	**2017**	**2016**
General and administration	523	466	1,058	839
% of revenue	13%	10%	14%	12%

G&A expenses for the six months ended March 31, 2017 were $1,058 compared to $839 for the six months ended March 31, 2016, an increase of $219. G&A expenses for the three months ended March 31, 2017 were $523 compared to $466 for the three months ended March 31, 2016, an increase of $57. The increase to G&A expenses was due to increased employee related costs at both EnWave Canada and NutraDried. As a percentage of revenue, G&A expenses increased by 3% and 2% over the comparative period for the three and six months ended March 31, 2017, respectively. 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.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2017**	**2016**	**2017**	**2016**
Sales and marketing	396	133	701	238
% of revenue	9%	3%	9%	3%

S&M expenses for the six months ended March 31, 2017 were $701 compared to $238 for the six months ended March 31, 2016, an increase of $463. S&M expenses for the three months ended March 31, 2017 were $396 compared to $133 for the three months ended March 31, 2016, an increase of $263. The increase to S&M expenses was due to due to additional personnel being hired to advance business development of EnWave Canada and an increase to sales commissions expense of NutraDried. 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 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 primarily attributable to EnWave Canada as NutraDried does not have significant R&D activity.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2017**	**2016**	**2017**	**2016**
Research and development	300	515	591	1,049
% of revenue	7%	11%	8%	15%

R&D expenses for the six months ended March 31, 2017 were $591 compared to $1,049 for the six months ended March 31, 2016, a decrease of $458. R&D expenses for the three months ended March 31, 2017 were $300 compared to $515 for the three months ended March 31, 2016, a decrease of $215. The decrease to R&D expenses for the three and six months ended March 31, 2017 compared to the three and six months ended March 31, 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.

Amortization of intangible assets

Amortization of intangible assets expense for the six months ended March 31, 2017 was $474 compared to $703 for the six months ended March 31, 2016. Amortization of intangible assets expense for the three months ended March 31, 2017 was $220 compared to $345 for the three months ended March 31, 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.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2017**	**2016**	**2017**	**2016**
Amortization of intangible assets	220	345	474	703

Stock based compensation

Stock based compensation expense was $361 for the six months ended March 31, 2017, compared to $87 for the six months ended March 31, 2016. Stock based compensation expense was $339 for the three months ended March 31, 2017, compared to $50 for the three months ended March 31, 2016.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2017**	**2016**	**2017**	**2016**
Stock based compensation	339	50	361	87

The increase to stock based compensation expense was due to the grant of 1,910,000 stock options and 230,000 RSRs during the six months ended March 31, 2017 compared to 336,000 stock options and 70,000 RSRs for the six months ended March 31, 2016.

Foreign exchange loss

Foreign exchange loss for the six months ended March 31, 2017 was $9 compared to $15 for the six months ended March 31, 2016. Foreign exchange loss for the three months ended March 31, 2017 was $18 compared to $67 for the three months ended March 31, 2016.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2017**	**2016**	**2017**	**2016**
Foreign exchange loss	18	67	9	15

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 March 31, 2017 and September 30, 2016 are:

($ '000s)	**March 31, 2017**	**September 30, 2016**
Current Assets		
Cash and cash equivalents	2,769	4,590
Restricted cash	250	250
Trade receivables	954	770
Receivables from related parties	271	426
Due from customers on contract	2,988	1,542
Prepaids and other receivables	204	190
Inventory	2,396	1,681
	9,832	**9,449**
Current Liabilities		
Trade and other payables	1,937	1,084
Amounts due to related parties	83	182
Customer deposits and deferred revenue	730	700
Current portion of other liability	323	586
	3,073	**2,552**
Working Capital	**6,759**	**6,897**

As at March 31, 2017, the Company had working capital of $6,759, compared to $6,897 as at September 30, 2016. As at March 31, 2017 the cash and cash equivalents balance was $2,769 compared to $4,590 as at September 30, 2016, a decrease of $1,821.

EnWave Canada had trade receivables of $392 as at March 31, 2017, compared to $725 at September 30, 2016, and NutraDried had trade receivables of $562 compared to $45 at September 30, 2016. The increase to NutraDried's trade receivables related to product sales. As at March 31, 2017 and September 30, 2016 there were no significant doubtful accounts.

Receivables from related parties relates entirely to NutraDried. Receivables from related parties at March 31, 2017 comprises $271 due from Spire, compared to $426 due from Spire at September 30, 2016.

Due from customers on contract to EnWave Canada as at March 31, 2017 was $2,988 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 March 31, 2017 includes completed machines and machine components of EnWave Canada of approximately $1,898, which is an increase of $431 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 $498, which is an increase of $284 compared to September 30, 2016.

Trade and other payables as at March 31, 2017 includes $1,643 of trade payables and accrued liabilities related to EnWave Canada, compared to $932 on September 30, 2016. Trade and other payables of NutraDried were $294, 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 $2,769 at March 31, 2017 compared to $4,590 at September 30, 2016. As at March 31, 2017, we had net working capital of $6,759, compared to $6,897 at September 30, 2016. The change in cash consists of:

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2017**	2016	**2017**	2016
Cash from (used in) operating activities	**(473)**	613	**(1,511)**	1,154
Cash used in investing activities	**(56)**	(307)	**(94)**	(496)
Cash from (used in) financing activities	**(128)**	(119)	**(246)**	4,146

Cash from operations before changes in non-cash working capital, a non-IFRS financial measure, was negative $46 for the six months ended March 31, 2017 compared to positive $874 in the six months ended March 31, 2016.

Our working capital needs will continue to grow with revenue growth. We believe that our current working capital surplus of $6,759 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 six months ended March 31, 2017, we incurred capital expenditures of $109 (2016 - $546), 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 March 31, 2017:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	1,937	-	-	1,937
Amounts due to related parties	83	114	17	214
Other liability	323	-	-	323
	2,343	**114**	**-**	**2,474**
Commitments				
Contractual obligations including operating leases	346	377	-	723
Total	**2,689**	**491**	**17**	**3,197**

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 three and six months ended March 31, 2017 and March 31, 2016 in the normal course of business as shown in the table below:

($ '000s)	**Three months ended March 31,**		**Six months ended March 31,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Consulting, management and directors' fees	**56**	188	**255**	349
Stock-based compensation	**29**	8	**58**	16
Facilities rent and other	**6**	30	**32**	59
	91	226	**345**	424

Sales to related parties

The Company, through its subsidiary NutraDried, recorded sales of $1,392 (2016 - $2,747) 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 MDA between the Company and Spire signed August 11, 2015 and were on terms equivalent to those that prevail in arm's length transactions. The Company terminated its MDA with Spire effective on January 15, 2017.

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 March 31,**		**Six months ended March 31,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Salaries, bonuses and short-term employee benefits	**139**	135	**433**	386
Stock-based compensation	**93**	23	**154**	39
	232	158	**587**	425

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 $536 (2016 - $194).

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 March 31, 2017 of $323 (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 six months ended March 31, 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 March 31, 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 March 31, 2017:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	827	127	-	-
Due from customers on contract	2,988	-	-	-
Other receivables including related parties	51	271	-	-
Total	3,866	398	-	-

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 March 31, 2017, the Company had cash and cash equivalents of $2,769 to settle current liabilities of $3,073.

Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash and cash equivalents and restricted cash	2,769	-	250	-
Trade receivables	954	-	-	-
Due from customers on contract	1,232	521	1,235	-
Other receivables including related parties	51	-	271	-
Total	5,066	521	1,756	-

Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	1,937	-	-	-
Amounts due to related parties	20	15	48	131
Other liability	-	117	206	-
Total	1,957	132	254	131

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 six months ended March 31, 2017 ranged from 0.60% to 1.40% (2016 - from 0.65% to 1.35%). A 1% change in interest rates would affect the results of operations for the six months ended March 31, 2017 by approximately $29 (2016 - $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 March 31, 2017, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. During the six months ended March 31, 2017, the Company incurred an unrealized gain on foreign exchange derivatives, included within foreign exchange loss, of $5 (2016 - nil). At March 31, 2017, the fair value of the foreign exchange contracts was a net liability of $2 (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 six months ended March 31, 2017 and 2016 as follows:

($ '000s)	**Six months ended March 31,**	
Currency	**2017**	**2016**
US dollar	412	125
Euro	36	97

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 90,799,426 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.

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

	March 31, 2017		May 25, 2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	90,796,092		90,799,426	
Options				
Outstanding	6,909,334	1.15	6,916,000	1.15
Exercisable	3,540,680	1.27	3,636,005	1.26
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

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:

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