Management Discussion and Analysis

Year ended September 30, 2017

(expressed in thousands of Canadian dollars)

Dated December 15, 2017

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

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Date of this report: December 15, 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 year ended September 30, 2017 relative to the year ended September 30, 2016, and the financial position of the Company at September 30, 2017 relative to September 30, 2016. It should be read in conjunction with EnWave's annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2017 and 2016, as well as the 2016 annual MD&A, and 2016 Annual Information Form ("AIF") (available at www.enwave.net or on www.sedar.com). The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

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

Forward-looking Statements

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

- EnWave's ultimate success in selling, licensing or generating a sustainable royalty stream from its *freeze*REV®, *nutra*REV®, *quanta*REV® and *powder*REV® technologies in the 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 Food and Drug Administration ("FDA") in the United States and by comparable authorities in other countries. Technology development within this regulatory framework takes a number of years and may involve substantial expenditures. Any delays in obtaining regulatory approval would have an adverse impact on the Company's ability to earn future revenues.
- Research and development activities for new technologies are costly and may not be successful. There is no assurance that any of EnWave's technologies will be approved for marketing by the FDA or the equivalent regulatory agency of any other country. There is also no assurance that the Company will be able to generate additional technology candidates for its pipeline, either through internal research and development, or through the in-licensing or acquisition of other technologies. Even if a technology is approved for marketing by the applicable regulatory agency, there is no assurance that the Company will be able to ultimately

deliver this technology on a commercial scale or obtain approvals for other technology platforms in the development pipeline.

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

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

Non-IFRS Financial Measures

In addition to results reported in accordance with IFRS, EnWave also uses certain non-IFRS financial measures as supplemental indicators of its financial and operating performance. Non-IFRS financial measures include NutraDried Royalties and "cash from operations before to changes in non-cash working capital". Management believes that these supplementary financial measures reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of business trends.

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

($ '000s)	*Dec 31, 2015*	*Mar 31, 2016*	*Jun 30, 2016*	*Sep 30, 2016*	*Dec 31, 2016*	*Mar 31, 2017*	*Jun 30, 2017*	*Sep 30, 2017*
NutraDried Royalty	64	87	80	66	66	60	91	100
Intercompany Revenue Adjustment(1)	(64)	(87)	(80)	(66)	(66)	(60)	(91)	(100)
Revenues(2)	2,604	4,586	5,224	2,519	3,467	4,183	4,674	3,630
Revenues	2,604	4,586	5,224	2,519	3,467	4,183	4,674	3,630

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

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

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

Management’s Responsibility for Financial Information

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

EnWave Corporation

Company Overview

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

EnWave's proprietary Radiant Energy Vacuum (“REV™”) dehydration platforms apply microwave energy under vacuum to offer flexible, efficient, low temperature processing suitable for food products 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.

Commercial License Agreements

EnWave has entered into twenty-three royalty-bearing commercial license agreements (“CLA”) with major food processing, cannabis and pharmaceutical companies. The table below outlines the

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

Royalty Partner	Licensed Territory	Licensed Product Category	REV™ Machine Capacity
Milne Fruit Products	State of Idaho and the United States	Fruits and Vegetables, Blueberries and Strawberries exclusive in the United States	120kW *quanta*REV® 114kW MIVAP
Gay Lea Foods	Canada	Cheese Snacks	100kW *nutra*REV® 10kW REV™
NutraDried (1)	United States	Cheese Snacks	100kW *nutra*REV® 2kW *nutra*REV®
Bonduelle Group	Worldwide	Dehydro-frozen Vegetables	120kW *quanta*REV® (2)
Cal-San Enterprises	British Columbia	Blueberries, Cranberries	75kW *nutra*REV®
Pitalia	Central America	Fruits and Vegetables, Cheese Snacks	100kW *quanta*REV® (3) 10kW REV™ 10kW REV™
Ereğli Agrosan	Turkey	Fruits and Vegetables, Cheese	100kW *nutra*REV® 10kW REV™ 10kW REV™ 2kW *nutra*REV®
Van Dyk Specialty Products	Worldwide	Wild Blueberries	60kW *nutra*REV®
Licensed Cannabis Producer	Canada	Cannabis Products	60kW REV™ (3) 10kW REV™ (3)
Merom Farms	British Columbia	Wasabi Products	20kW *nutra*REV®
Nanuva Ingredients	Chile	Fruits & Vegetables	10kW REV™ 10kW REV™ 10kW REV™
Umland	United States	High Kosher Cheese Snacks	10kW REV™
Perdue Farms	United States	Pet Food and Pet Treats	10kW REV™
Lake Blue	Chile	Cheese Snacks	10kW REV™
Dominant Slice	Portugal and Spain	Cheese Snacks	10kW REV™
Kesito	Greece	Cheese Snacks	10kW REV™
Ashgrove Cheese	Australia	Cheese Snacks	10kW REV™
Ultima Foods	Canada	Yogurt Products	10kW REV™
Howe Farming	Australia	Banana Products	10kW REV™
AvoChips	Worldwide	Avocado Snacks	10kW REV™ (3)
Bare Snacks (4)	Thailand, Canada and United States	Fruits Snacks	
Merck, Sharp & Dohme	Worldwide	Pharmaceuticals	*freeze*REV® (3)
Sutro Biopharma	Worldwide	Pharmaceuticals	*powder*REV® (3)

Notes:

(1) The Company owns a 51% partnership interest in NutraDried LLP, which is a consolidated subsidiary of the Company.

(2) Bonduelle is leasing the 120kW machine on a monthly lease ending in 2019, with Bonduelle having both termination and defined buy-out options for the lease of the machine.

(3) Machine is currently under fabrication and not yet commissioned for use by the royalty partner.

(4) The royalty partner has not yet purchased EnWave machinery.

Royalty Partner Pipeline

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's food scientists and engineers will work with the prospective license company during the TELOA phase of the sales cycle to formulate and optimize innovative products using REV™, and develop a path towards commercialization.

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

As of the date of this report, EnWave has 11 active TELOAs and two active R&D projects with prospective licensees evaluating the use of REV™ for applications in the dairy, seafood, spice & herb, fruit products, vegetable products, and meat products verticals. Several of the active agreements are with major international processing companies.

NutraDried LLP

The Company holds a 51% partnership interest in 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:

($ '000s)	*Dec 31, 2015*	*Mar 31, 2016*	*Jun 30, 2016*	*Sep 30, 2016*	*Dec 31, 2016*	*Mar 31, 2017*	*Jun 30, 2017*	*Sep 30, 2017*
NutraDried Royalty(1)	64	87	80	66	66	60	91	100

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

Recent Developments

REV™ Technology in the Cannabis Market

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

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

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

Equity Financing

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

On November 15, 2017, the Company also closed a concurrent non-brokered private placement (the "Concurrent Private Placement") of 770,000 units of the company (the "Placement Units") at a price of $1.05 per Placement Unit, for aggregate gross proceeds of $809. The Placement Units were identical to the Units sold pursuant to the Offering, except that they are subject to a statutory four-month hold period which expires on March 16, 2018.

The aggregate gross proceeds from both the Offering and Concurrent Private Placement were $10,000, prior to share issue costs including cash commissions, legal fees and transfer agent fees paid by the Company. The Warrants were accepted for listing by the TSX Venture Exchange and commenced trading under the symbol ENW.WT at the open of the market on November 22, 2017.

Selected annual information

The following table provides selected consolidated financial information for the periods indicated. The selected financial information below has been derived from the consolidated financial statements. Each investor should read the following in conjunction with the statements thereto.

($ '000s)		**Year Ending September 30**	
	2017	**2016**	**2015**
Revenues	15,954	14,933	5,868
Net loss from continuing operations	(2,986)	(1,837)	(4,993)
Loss for the year	(2,986)	(1,923)	(9,317)
Per share, basic & diluted	(0.04)	(0.02)	(0.11)
Comprehensive loss for the year	(3,115)	(1,951)	(9,213)
Total assets	13,344	14,962	12,939
Long term liabilities	90	201	597
Dividends declared	Nil	Nil	Nil

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to September 30, 2017 reported in Canadian dollars, the Company's presentation currency:

	2016				**2017**			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
Revenues	2,604	4,586	5,224	2,519	3,467	4,183	4,674	3,630
Direct costs	(1,743)	(2,911)	(3,609)	(2,120)	(2,683)	(3,155)	(3,052)	(2,764)
Expenses	(1,344)	(1,580)	(1,502)	(1,961)	(1,402)	(1,807)	(2,151)	(1,926)
Net (loss) income – continuing operations	(483)	95	113	(1,562)	(618)	(779)	(529)	(1,060)
Net loss – discontinued operations	-	(86)	-	-	-	-	-	-
Net (loss) income	(483)	9	113	(1,562)	(618)	(779)	(529)	(1,060)
Loss per share – Basic and diluted	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	18,569	17,159	16,475	14,962	14,731	14,430	13,863	13,344
Total liabilities	5,161	3,853	2,961	2,753	3,056	3,204	2,896	3,312
Minority interest	1,221	1,282	1,411	1,422	1,523	1,567	1,638	1,763

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

Through Q2 and Q3 of 2016, the Company reported revenues of $4,586 and $5,224 and net income from continuing operations of $95 and $113, respectively. The improved results for Q2 and Q3 2016 are characterized by advancement into the manufacturing phase and revenue generated from the *powder*REV® machine under construction for Sutro Biopharma. Also contributing to the improved trend was an increased sales of Moon Cheese® to Spire Brands ("Spire") as a result of a pipeline fill under the former Master Distribution Agreement ("MDA"). Revenues for Q4 2016 decreased compared to previous periods in 2016 primarily as a result of lower equipment purchase contract activity and volume; this trend improved through 2017. The increase in expenses during the last three quarters of 2017 is characterized by an increase to our sales and marketing expenses due to the termination of the MDA with Spire and NutraDried commencing direct sales to wholesalers and retailers through its broker network, and as a result increased expenses for broker commissions, marketing and promotional activities.

Management Discussion of Fiscal Year 2017

EnWave Corporation

In fiscal year 2017, EnWave had consolidated revenues of $15,954, compared to $14,933 in fiscal year 2016, an increase of 7% or $1,021. EnWave Canada had revenues of $9,398 and NutraDried had revenues of $6,556, compared to $8,825 and $6,108, 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 year-ended September 30, 2017 and up to the date of this document, the following significant events were made in the commercialization of EnWave's REV™ technology:

- Signed a royalty-bearing license agreement with a major Canadian medical cannabis Licensed Producer. The license grants the Licensed Producer the exclusive right to use and sub-license the Company's dehydration technology to dry and decontaminate cannabis in Canada. The Licensed Producer has agreed to purchase a large-scale 60kW commercial REV™ machine to initiate commercial production and a small-scale 10kW commercial REV™ unit to enable advanced product development.
- 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 expanded 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.
- Received purchase orders for a large commercial 100kW *quanta*REV® and 10kW small-scale machine from Pitalia, and expanded its license to include additional fruit products. Pitalia has

purchased three REV™ machines and has expanded their total royalty-bearing processing capacity to 120kW.

- 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.
- Signed a royalty-bearing license 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 royalty-bearing license for yogurt products with Ultima Foods, a subsidiary of one of the largest dairy cooperatives in Canada. Ultima Foods purchased a small-scale 10kW REV™ machine to enable a focussed market trial in early 2018.
- Signed a royalty-bearing license with Howe Foods, the second largest producer of bananas in Australia. Howe Foods purchased a small-scale 10kW REV™ machine to initiate commercial production.
- Signed a royalty-bearing license with AvoChips, LLC ("AvoChips"), a U.S. based snack company to produce a new, and innovative avocado snack product. AvoChips purchased a 10kW small-scale machine to initiate commercial production.
- Entered into a contract with the US Army Natick Soldier R&D Center to jointly develop phytonutrient-rich field rations.
- Signed ten new TELOAs with food and other processing companies that will evaluate the use of REV™ technology to develop new product applications.

The commercialization of *powder*REV®, EnWave's technology for the bulk dehydration of temperature-sensitive biomaterials, advanced during the year. Construction and testing of the first commercial *powder*REV® for our U.S. based pharmaceutical partner is currently underway. We also advanced the assembly and construction for the first scaled-up GMP *freeze*REV® during the year. The efficacy and viability at commercial scale for these two pharmaceutical technologies has yet to be been proven. If the installation of the *powder*REV® and *freeze*REV® platforms in the pharmaceutical sector yields superior performance to incumbent dehydration technologies, it will solidify EnWave's value proposition with potential new partners in the pharmaceutical industry.

NutraDried

NutraDried reported a net income of $716 in 2017 compared to a net income of $306 in 2016. NutraDried reported revenues of $6,556 in 2017 compared to $6,108 in 2016. There were several organizational changes and improvements made to NutraDried during the year. In November 2016, NutraDried consolidated its administration offices into the Ferndale, Washington facility, and ceased sharing personnel with the 49% non-controlling partner, resulting in a better alignment of personnel with company objectives.

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®.

During the year NutraDried added several new retailers in the United States. NutraDried also expanded 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.

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 years ended September 30, 2017 and 2016, and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended September 30,**			**Years ended September 30,**		
	2017	2016	Change %	**2017**	2016	Change %
Revenues	**3,630**	2,519	44%	**15,954**	14,933	7%
Direct costs	**2,764**	2,120	30%	**11,654**	10,383	12%
Gross margin	**866**	399	117%	**4,300**	4,550	(5%)
Operating Expenses						
General and administration	**466**	627	(26%)	**2,072**	1,989	4%
Sales and marketing	**754**	319	136%	**2,160**	793	172%
Research and development	**199**	310	(36%)	**1,138**	1,656	(31%)
	1,419	1,256	13%	**5,370**	4,438	21%
Net loss – continuing operations	**(1,060)**	(1,562)	(32%)	**(2,986)**	(1,837)	62%
Net loss – discontinued operations	**-**	-	-	**-**	(86)	(100%)
Net loss for the period	**(1,060)**	(1,562)	(32%)	**(2,986)**	(1,923)	55%
Loss per share – continuing operations:						
Basic and diluted	**(0.01)**	(0.02)		**(0.04)**	(0.02)	

Discussion of Operations

Revenue

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

($ '000s)	**2017**	**2016**
Revenue	15,954	14,933

Revenue for the year ended September 30, 2017 was $15,954, an increase of $1,021 compared to the year ended September 30, 2016. EnWave Canada had revenue of $9,398 for the year ended September 30, 2017 compared to $8,825 for the year ended September 30, 2016, an increase of $573. The increase in revenues for the year ended September 30, 2017 relative to September 30, 2016 was driven primarily by an increase in equipment rental fees of $378 and an increase in royalty revenue of $121.

Quarterly Revenue	2016				2017			
($ '000s)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
EnWave Canada	1,315	2,748	3,492	1,270	2,145	2,841	2,786	1,626
NutraDried	1,289	1,838	1,732	1,249	1,322	1,342	1,888	2,004
Total	2,604	4,586	5,224	2,519	3,467	4,183	4,674	3,630

EnWave Canada had revenue of $1,626 for the three months ended September 30, 2017 compared to $1,270 for the three months ended September 30, 2016, an increase of $356. The increase in revenue for the three months ended September 30, 2017 relative to September 30, 2016 is due to higher purchase order volume for machinery in the fourth quarter of 2017 relative to 2016. During the fourth quarter of 2017, revenue was generated from commercial equipment sale contracts with Ashgrove Cheese, Howe Foods, Ultima Foods, Van Dyk, Pitalia, and Merck, 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 $370 during the year ended September 30, 2017 compared to $249 for the year ended September 30, 2016. EnWave Canada earned royalties of $77 during three months ended September 30, 2017 compared to $63 for the three months ended September 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. 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 $6,556 for the year ended September 30, 2017 compared to $6,108 for the year ended September 30, 2016. Revenues from NutraDried were $2,004 for the three months ended September 30, 2017 compared to $1,249 for the three months ended September 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. We expect that NutraDried's revenue will continue to grow steadily over time as we pursue new customers and additional points of distribution for Moon Cheese®.

Direct costs

Direct costs are comprised of the cost of materials, components, manufacturing labour, overhead costs, depreciation of manufacturing plant and equipment, warranty costs and product transportation costs. Direct costs comprise all direct costs related to the revenue generating operations of the Company.

($ '000s)	2017	2016
Direct costs	11,654	10,383
% of revenue	73%	70%

Direct costs for the year ended September 30, 2017 increased by $1,271, or 12% compared to the year ended September 30, 2016. Direct costs for the three months ended September 30, 2017 increased by $644 compared to the three months ended September 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 year ended September 30, 2017 increased by 3% compared to the year ended September 30, 2016.

During the year ended September 30, 2017, EnWave Canada yielded a ratio of direct costs to revenue of 79%, compared to 60% during the year ended September 30, 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 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 64% for NutraDried for the year ended September 30, 2017, compared to 83% in the year ended September 30, 2016. The ratio of direct costs to revenue improved by 19% 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 September 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.

($ '000s)	**2017**	**2016**
General and administration	2,072	1,989
% of revenue	13%	13%

G&A expenses for the year ended September 30, 2017 were $2,072 compared to $1,989 for the year ended September 30, 2016, an increase of $83. The increase in G&A expenses for the year relates to higher personnel costs as well as legal costs associated with contracts. G&A expenses for the three months ended September 30, 2017 were $466 compared to $627 for the three months ended September 30, 2016, a decrease of $161. The decrease to G&A expenses was due to a decrease in management fees paid by NutraDried. As a percentage of revenue, G&A expenses remained consistent at 13% for the year ended September 30, 2017 relative to the year ended September 30, 2016.

Sales and marketing

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

($ '000s)	**2017**	**2016**
Sales and marketing	2,160	793
% of revenue	14%	5%

S&M expenses for the year ended September 30, 2017 were $2,160 compared to $793 for the year ended September 30, 2016, an increase of $1,367. S&M expenses for the three months ended September 30, 2017 were $754 compared to $319 for the three months ended September 30, 2016, an increase of $435.

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 these activities related to Moon Cheese® has been partially offset by additional gross margin earned from commencing direct sales. S&M expenses for NutraDried were $1,004 for the year ended September 30, 2017 compared to $94 for the year ended September 30, 2016, an increase of $910.

S&M expenses also increased 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. S&M expenses for EnWave Canada were $1,156 for the year ended September 30, 2017 compared to $699 for the year ended September 30, 2016, an increase of $457.

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 are primarily attributable to EnWave Canada as NutraDried does not have significant R&D activity.

($ '000s)	**2017**	**2016**
Research and development	1,138	1,656
% of revenue	7%	11%

R&D expenses for the year ended September 30, 2017 were $1,138 compared to $1,656 for the year ended September 30, 2016, a decrease of $518. The decrease to R&D expenses for the year ended September 30, 2017 compared to the September 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 September 30, 2017 were $199 compared to $310 for the three months ended September 30, 2016, a decrease of $111.

Amortization of intangible assets

Amortization of intangible assets for the year ended September 30, 2017 was $888 compared to $1,222 for the year ended September 30, 2016. Amortization of intangible assets for the three months ended September 30, 2017 was $208 compared to $253 for the three months ended September 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.

($ '000s)	**2017**	**2016**
Amortization of intangible assets	888	1,222

Stock based compensation

Stock based compensation expense was $891 for the year ended September 30, 2017, compared to $399 for the year ended September 30, 2016. Stock based compensation expense was $230 for the three months ended September 30, 2017, compared to $208 for the three months ended September 30, 2016.

($ '000s)	2017	2016
Stock based compensation	891	399

The increase to stock based compensation expense was due to the current year vesting of stock options and restricted share rights ("RSRs") granted during the current year and prior year.

Foreign exchange loss

Foreign exchange loss for the year ended September 30, 2017 was $102 compared to $134 for the year ended September 30, 2016. Foreign exchange loss for the three months ended September 30, 2017 was $54 compared to $59 for the three months ended September 30, 2016.

($ '000s)	2017	2016
Foreign exchange loss	102	134

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 September 30, 2017 and 2016 are:

($ '000s)	2017	2016
Current Assets		
Cash and cash equivalents	1,319	4,590
Restricted cash	250	250
Trade receivables	2,617	770
Receivables from related parties	-	426
Due from customers on contract	2,378	1,542
Prepaids and other receivables	186	190
Inventory	2,973	1,681
	9,723	**9,449**
Current Liabilities		
Trade and other payables	2,181	1,084
Amounts due to related parties	74	182
Customer deposits and deferred revenue	926	700
Current portion of other liability	41	586
	3,222	**2,552**
Working Capital	**6,501**	**6,897**

As at September 30, 2017, the Company had working capital of $6,501, compared to $6,897 as at September 30, 2016. As at September 30, 2017 the cash and cash equivalents balance was $1,319 compared to $4,590 as at September 30, 2016, a decrease of $3,271.

EnWave Canada had trade receivables of $1,823 as at September 30, 2017, compared to $725 at September 30, 2016, and NutraDried had trade receivables of $794 compared to $45 at September

30, 2016. The increase in EnWave Canada's trade receivables relates to milestone payments due on equipment purchase contracts. The increase to NutraDried's trade receivables relates to product sales. As at September 30, 2017 and September 30, 2016 there were no significant doubtful accounts.

As at September 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 September 30, 2017 was $2,378 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 September 30, 2017 includes completed machines and machine components of EnWave Canada of $2,433, which is an increase of $966 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 $540, which is an increase of $326 compared to September 30, 2016.

Trade and other payables as at September 30, 2017 includes $1,751 of trade payables and accrued liabilities related to EnWave Canada, compared to $932 on September 30, 2016. Trade and other payables of NutraDried were $430, compared to $152 on September 30, 2016.

Financing and liquidity

Cash and cash equivalents were $1,319 at September 30, 2017 compared to $4,590 at September 30, 2016. As at September 30, 2017, we had net working capital of $6,501 compared to $6,897 at September 30, 2016. The change in cash consists of:

($ '000s)	**2017**	2016
Cash used in operating activities	**(2,667)**	(602)
Cash used in investing activities	**(168)**	(954)
Cash (used in) generated from financing activities	**(380)**	5,188

Cash from operations before changes in non-cash working capital, a non-IFRS financial measure, was positive $13 for the year ended September 30, 2017 compared to $1,206 in the year ended September 30, 2016. Cash from operations before changes in non-cash working capital is reconciled to net loss for the year below:

($ '000s)		**2017**	2016
Net loss for the year		**(2,986)**	(1,837)
Add:	Depreciation and amortization	**1,964**	2,316
	Write-down of inventory	**-**	178
	Stock-based compensation	**891**	399
	Loss on disposal of plant and equipment	**7**	-
	Finance expense, net	**35**	16
	Foreign exchange loss	**102**	134
Cash from operations before changes in non-cash working capital		**13**	1,206

Our working capital needs will continue to grow with revenue growth. We believe that our current working capital surplus of $6,501 is sufficient to meet our financing needs and planned growth in the near term, and that we will have access to additional capital as we further expand. We structure our machine purchase and installation contracts with a deposit payable at the time of order, which provides advanced liquidity for the construction of the machine. We believe that NutraDried will generate sufficient cash from its operations to fund its continued expansion of Moon Cheese® distribution.

On November 15, 2017, the Company completed the Offering and Concurrent Private Placement for a total of 9,530,000 Units for total gross proceeds to the Company of $10,000. The proceeds from the Offering and Concurrent Private Placement have provided the Company with appropriate levels of cash and working capital to pursue its commercialization strategy in the short term.

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

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

Capital expenditures

During the year ended September 30, 2017, we incurred capital expenditures of $211 (2016 - $1,026), 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 September 30, 2017:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	2,181	-	-	2,181
Amounts due to related parties	74	90	-	164
Other liability	41	-	-	41
	2,296	**90**	**-**	**2,386**
Commitments				
Contractual obligations including operating leases	392	620	435	1,447
Total	**2,688**	**710**	**435**	**3,833**

Transactions with Related Parties

During the year, the Company paid consulting and management fees to Creations for administration services provided by Creations personnel to NutraDried, as well as for NutraDried's portion of shared office and administration functions provided by Creations. The Company ceased paying consulting and management fees to Creations in May of 2017 and began managing its administration functions independently. The Company paid facilities rent to Heron Point Properties LLC ("Heron"), a company under common control of Creations, and ceased rental payments rent to Heron in the first quarter of 2017 as it no longer shared any facilities with Creations. The Company also pays quarterly directors' fees through a combination of cash and stock-based compensation to its three independent directors for their services as directors of the Company. The table below summarizes the transactions with related parties for the three months and years ended September 30, 2017 and 2016:

($ '000s)	**Three months ended September 30,**		**Years ended September 30,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Consulting, management and directors' fees	**18**	295	**350**	737
Stock-based compensation	**38**	34	**141**	68
Facilities rent and other	**11**	28	**43**	115
	67	357	**534**	920

The Company, through its subsidiary NutraDried, recorded sales of $1,527 (2016 - $5,279) to Spire, a related party of NutraDried. Spire is related to NutraDried by way of Creations', the non-controlling partner in NutraDried, equity ownership interest in Spire. The Company terminated its MDA with Spire effective on January 15, 2017. 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)

	2017	2016
	$	$
Salaries, bonuses and short-term employee benefits	**713**	656
Stock-based compensation	**378**	180
	1,091	836

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 $680 (2016 - $418).

Impairment of inventory

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

Impairment of non-financial assets

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

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

New Accounting Standards Not Yet Adopted

IFRS 15 - Revenue from Contracts with Customers

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

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

IFRS 9 - Financial Instruments

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

IFRS 16 - Leases

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

Financial Instruments

Financial instruments and risk management

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; or
Level 3 – Inputs that are not based on observable market data.

Fair values

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

Cash and cash equivalents	Loans and receivables
Restricted cash	Loans and receivables
Trade receivables	Loans and receivables
Due from customers on contract	Loans and receivables
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 September 30, 2017 of $41 (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 years ended September 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 September 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 September 30, 2017:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	2,505	100	12	-
Due from customers on contract	2,378	-	-	-
Indirect tax receivable	14	-	-	-
Total	4,897	100	12	-

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	1,319	-	250	-
Trade receivables	2,617	-	-	-
Due from customers on contract	594	718	1,066	-
Indirect tax receivable	14	-	-	-
Total	4,544	718	1,316	-

Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	2,181	-	-	-
Amounts due to related parties	16	10	48	90
Other liability	-	41	-	-
Total	2,197	51	48	90

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

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

The Company attempts to ensure that sufficient funds are raised from equity financings to meet its operating requirements, after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At September 30, 2017, the Company had cash and cash equivalents of $1,319 to settle current liabilities of $3,222. 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.

On November 15, 2017, the Company completed the Offering and Concurrent Private Placement for a total of 9,530,000 Units combined total gross proceeds to the Company of $10,000. The proceeds from the Offering and Concurrent Private Placement will provide the Company with appropriate levels of working capital and liquidity to meet its financial obligations.

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 year ended September 30, 2017 ranged from 0.60% to 1.40% (2016 - 0.60% to 1.40%). A 1% change in interest rates would affect the results of operations for the year ended September 30, 2017 by approximately $19 (2016 - $27).

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, Euros and Swedish Kronor;

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

(iii) The Company is exposed to currency risk through customers with sales 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 and Swedish Kronor;

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar, Euro and Swedish Krona, currencies could have an effect on the Company's results of operations. As at September 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 year ended September 30, 2017, the Company incurred a loss on foreign exchange derivatives, included within foreign exchange loss, of $3 (2016 – gain of $3). At September 30, 2017, the Company held no foreign exchange contracts. At 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 years ended September 30, 2017 and 2016 as follows:

($ '000s)

Currency	**2017**	**2016**
US dollar	685	412
Swedish Krona	37	15
Euro	11	81

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk.

In the management of capital, the Company includes the components of equity attributable to common shareholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There were no changes in the Company's approach to capital management in the period. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Risk Factors

The Company is subject to a number of risk factors and uncertainties related to its business. These risk factors could materially affect the Company's future operating results and financial position and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The Board of Directors has the overall responsibility and oversight of the Company's risk management practices. The Company's management is responsible for developing and monitoring the Company's risk strategy, and reports to the Board of Directors on its activities. Risk management is incorporated in all levels of strategic and operational planning, and is reviewed regularly to reflect changes in market conditions and the Company's activities. The risks described below are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also materially and adversely affect its business. The reader is urged to review these risk factors.

Dependence on Core Technology, Key Customers and Partners

The Company may face delays, difficulties or unanticipated costs in establishing licensing fees, royalties, sales, distribution and manufacturing capabilities or partnerships for its technologies which could adversely affect the Company's business, financial condition and results of operations. The Company's ultimate success in selling, licensing or generating a sustainable royalty stream from its *quanta*REV®, *nutra*REV®, *freeze*REV® and *powder*REV® technologies in the food, pharmaceutical and cannabis industries will depend, in a large part, on whether these targeted markets view these technologies as safe, effective and economically beneficial. Market acceptance will also depend on the Company's ability to demonstrate that its technologies are attractive alternatives to existing options. If the Company fails to demonstrate feasibility, commercially viable scale within acceptable product quality and equipment performance standards, or compete successfully against existing or potential competitors, its operating results may be adversely affected.

The Company has entered into certain commercial licenses and equipment supply agreements with Merck, Sharpe & Dohme and Sutro Biopharma pursuant to which it has contracted to provide *freeze*REV® and *powder*REV® machines in accordance with its customers' specifications. There may be significant costs required to develop the *freeze*REV® and *powder*REV® equipment designs to the point where they are technically viable for commercial processing, and with such costs being unknown, the projects related to *freeze*REV® and *powder*REV® could be economically impractical to complete. There is no guarantee that the *freeze*REV® and *powder*REV® machines will be delivered in a timely fashion or that they will meet the output and product standards expectations of the recipients. The Company has not proven the business case for adoption of the Company's *freeze*REV® or *powder*REV® technologies over incumbent pharmaceutical dehydration processes and there is no guarantee that there will be any commercial acceptance of *freeze*REV® or *powder*REV® in the pharmaceutical industry.

The Company has entered into commercial licenses and equipment supply agreements with several royalty partners in the food processing industry. There is no guarantee that these Royalty partners will successfully launch products that are sustainable in the marketplace or ultimately pay royalties to the Company. There is no guarantee these royalty partners will place future commercial machine orders with the Company.

NutraDried is developing a market for natural dried cheese snacks for the United States. There is no guarantee that a sustainable market for natural dried cheese snacks can be established or if the market is viable. Natural cheese snack products sold in the United States, Canada and other countries could expose the Company to risks of litigation in the event its products cause personal damages to consumers or fail to meet regulatory standards, such as FDA standards, or other applicable laws or regulations. The NutraDried partnership may require the Company to invest capital to establish the market and commercial processing capabilities. There is no guarantee that the Company will have sufficient capital to finance the establishment of the market. The consumer packaged goods market is highly competitive and the rate of substitution among competing products is high. There is no guarantee that NutraDried will be able to secure new points of distribution, or retain existing points of distribution for Moon Cheese® on favourable terms or at all. A significant portion of NutraDried's revenue is from sales to the major global coffee chain, which creates customer concentration risk. There is no guarantee that the major global coffee chain will continue to purchase product from the Company in the future.

Negative Operating Cash Flow

The Company has made significant up-front investments in research and development, sales and marketing, and general and administrative expenses in order to develop and expand its business. The Company is currently incurring expenditures related to the Company's operations and investment activities that have generated a negative operating cash flow. Operating cash flow may decline in certain circumstances, many of which are beyond the Company's control. There is no assurance that sufficient revenues will be generated in the near future. Because the Company continues to incur such significant future expenditures for research and development, sales and marketing, and general and administrative expenses, the Company may continue to experience negative cash flow until it reaches a sufficient level of sales with positive gross margins to cover operating expenses. An inability to generate positive cash flow until the Company reaches a sufficient level of sales with positive gross margins to cover operating expenses or raise additional capital on reasonable terms will adversely affect the Company's viability as an operating business.

Risks Related to the Cannabis Industry

Achievement of the Company's business objectives as well the relative size of the opportunity relating to the cannabis industry is dependent on the development of regulatory requirements by applicable governmental authorities which is difficult to predict at this time. The Company, for example, cannot predict the impact of the compliance regime Health Canada is implementing for the Canadian medical marijuana industry. Similarly, the Company cannot predict the time required for its royalty partners to secure all appropriate regulatory approvals for their products, or the extent of testing and documentation that may be required by governmental authorities.

The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age for purchase and consumption. The Federal Government has said the *Cannabis Act* is to come into effect no later than July 2018. The *Access to Cannabis for Medical Purposes Regulations* will continue to operate in tandem with this new recreational regime, and will be re-evaluated within five years of the *Cannabis Act* coming into force. The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact on our royalty partners who operate or may in the future operate in this industry, whether in terms of opportunity or competition or otherwise, will impact the magnitude of EnWave's opportunity to earn royalty revenues in this particular industry and there is no assurance that EnWave will be successful in transforming its commercialization and patent development in the cannabis industry into material earnings.

Global Financial Conditions can Reduce Share Prices and Limit Access to Financing

The economic viability of the Company's business plan is impacted by the Company's ability to obtain financing. Global economic conditions impact the general availability of financing through public and private debt and equity markets, as well as through other avenues. Significant political, market and economic events may have wide-reaching effects and, to the extent they are not accurately anticipated or priced into markets, may result in sudden periods of market volatility and correction. Periods of market volatility and correction may have an adverse impact on economic growth and outlook, as well as lending and capital markets activity, all of which may impact the Company's ability to secure adequate financing on favourable terms, or at all.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the industry in which the Company operates, global supply and demand for the Company's production inputs and products, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Uncertainty or adverse changes relating to government regulation, economic and foreign policy matters, and other world events have the potential to adversely affect the performance of and outlook for the Canadian and global economies, which in turn may affect the ability of the Company to access financing on favourable terms or at all. For example, recent uncertainty regarding Canada's ability access to North American markets via the North American Free Trade Agreement and increased levels of turmoil in certain geopolitical hotspots have the potential to increase uncertainty and volatility in Canadian and global markets, respectively. The occurrence of negative sentiment or events in the Canadian and broader global economy could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Dependence on Third Party Suppliers

The Company is dependent upon the supply of microwave parts from key manufacturers for the successful operation of its business. A supplier's failure to supply materials or components in a timely manner, or the Company's inability to obtain substitute sources for these materials and components in a timely manner or on terms acceptable to the Company, could harm the Company's ability to integrate and deliver its products to its customers. Additionally, the loss of the services of any of these suppliers and a failure to obtain an acceptable alternative solution at a similar cost could have a material adverse effect on the business, operations and financial condition of the Company.

Credit and Liquidity Risk

The Company is exposed to counterparty risks and liquidity risks including but not limited to: (i) through the companies with which the Company has financial instruments and customer contracts; (ii) through financial institutions that hold the Company's cash and cash equivalents and with which the Company enters foreign exchange derivative contracts; (iii) through companies that have payables owing to the Company; (iv) through the Company's insurance providers; and (iv) through the Company's lenders. The Company is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, such facilities may not be on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted and the trading price of the Common Shares could be adversely affected.

Lengthy Sales Cycle and Variable results

The Company's revenue model is dependent on joint product development projects with prospective royalty partners operating under TELOAs. The Company is unable to predict when and if the time and economic investment made during the sales cycle will convert into a CLA and revenue from the sale of equipment and royalty payments. This sales cycle can be long and does not necessarily translate into revenues, and there is no guarantee that companies evaluating the adoption of REV™ under TELOAs or R&D agreements will convert into CLAs. As a result, the Company cannot accurately predict the length of its sales cycle which results in fluctuations in revenues, profitability and cash flow.

Changes in consumer preferences and demand

The Company may be unable to anticipate changes in consumer preferences and trends, which may result in decreased demand for our technology. Our success depends in part on our partners' ability to anticipate the tastes, eating habits and purchasing behaviors of consumers and to offer products that appeal to their preferences in channels where they shop. Consumer preferences and category-level consumption may change from time to time and can be affected by a number of different trends and other factors. If our partners fail to anticipate, identify or react to these changes and trends, such as adapting to emerging e-commerce channels, or to introduce new and improved products on a timely basis, they may experience reduced demand for their products, which would in turn cause the Company's revenues and profitability to suffer.

Future Sales or Issuances of Securities

The Company may issue additional equity or debt securities to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Sales or issuances of substantial numbers of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the Common Shares. With any additional sale of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings, if any, per Common Share.

The Common Shares are Subject to Market Price Volatility

The market price of the Common Shares may be adversely affected by a variety of factors relating to EnWave's business, including fluctuations in the Company's operating and financial results, the results of any public announcements made by the Company and the Company's failure to meet analysts' expectations. In addition, from time to time, the stock market experiences significant price and volume volatility that may affect the market price of the Common Shares for reasons unrelated to the Company's performance. Additionally, the value of the Common Shares is subject to market value fluctuations based upon factors that influence the Company's operations, such as legislative or regulatory developments, competition, global capital market activity and changes in interest and currency rates. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance. The value of the Common Shares will be affected by the general creditworthiness of the Company. The market value of the Common Shares may also be affected by the Company's financial results and political, economic, financial and other factors that can affect the capital markets generally, the stock exchanges on which the Common Shares are traded and the market segment of which the Company is a part.

Dependence Upon Key Management Personnel

The Company is dependent upon the services of a small number of key management and technical personnel who are highly skilled and experienced. The Company’s ability to manage its activities will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel, and there can be no assurance that the Company will be able to attract and retain such personnel. The loss of the services of one or more of such key management and technical personnel could have a material adverse effect on the Company. In addition, as the Company’s business grows, it will require additional qualified key administrative, scientific and technical personnel. There can be no assurance that the Company will be successful in attracting and retaining such qualified personnel.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other public and private companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. Conflicts, if any, will be subject to the procedures and remedies available under the Canada Corporations Business Act (“CBCA”). The CBCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his/her interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the CBCA.

Competition

New dehydration systems are being developed around the world by many companies and new advances may significantly reduce the value of the Company's technologies. The Company's technologies and products compete against those of other more established companies, some of which have greater financial, marketing and other resources than that of the Company. Some of the products of the Company's competitors are already established in the food and pharmaceutical processing industries and this provides those companies with advantages over the Company. Also, these competitors may be able to institute and sustain price wars, or imitate the features of the Company's products, resulting in a reduction of the Company's market share and reduced price levels and profit margins. The introduction of competing dehydration systems to the marketplace could negatively impact the ability for the Company to earn royalties. There can be no assurance that the Company will be successful in the face of increasing competition from new products and enhancements in existing products introduced by existing competitors or new companies.

New snack products are developed consistently by food companies throughout the world. There is no guarantee that NutraDried will successfully develop a market for the Moon Cheese® product. Competing food companies may develop similar products that are preferred by consumers or NutraDried customers.

Intellectual Property

The Company's future success and competitive position depends, in part, on its ability to obtain and maintain the proprietary nature of its technologies, products and manufacturing processes. 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. Additionally, certain jurisdictions may not offer intellectual property protection that is as effective or enforceable as other jurisdictions. To protect its intellectual property, the Company may become involved in litigation (the outcome of which is uncertain), which could result in substantial expenses, divert the attention of the Company's technical and management personnel and materially disrupt the conduct of its businesses by adversely affecting the development of the Company's technology and products or sales. Some of the Company's competitors may be able to sustain the costs of complex patent litigation more effectively than the Company because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of any litigation could adversely affect the Company's revenue, financial position and results of operations.

The Company's intellectual property includes trade secrets and know-how which may not be protected by its patents. There can be no assurance that the Company will be able to protect its trade secrets. To help protect the Company's rights, the Company requires its employees, consultants, advisors and collaborators to enter into confidentiality agreements. There can be no assurance that these agreements will not be breached or that the Company would have adequate remedies for any breach. Accordingly, these agreements may not adequately protect the Company's trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure.

Regulatory Risk

The Company'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 by the Company or our royalty partners obtaining regulatory approval would have an adverse impact on the Company's ability to earn future revenues from these technologies.

Research and Development

Research and development activities for new technologies are costly and may not be successful. There is no assurance that any or all of the Company's technologies for pharmaceutical products 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 candidates in the pipeline. Furthermore, technological developments by the Company's competitors may render the Company's technologies obsolete.

Taxes and Accounting Rules

The Company operates in Canada and has subsidiaries in the US. The Company earns royalties from companies domiciled in various other international jurisdictions. The introduction of new tax laws or regulations, or changes to, or differing interpretation of, or application of, existing tax laws or regulations in Canada, United States, or the countries of our royalty partners could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. The Company's international transactions have not yet been reviewed by the Canada Revenue Agency or the Internal Revenue Service and, should such transactions be reviewed, no assurances can be given that the tax matters will be resolved favourably. No assurance can be given that new tax laws or regulations will not be enacted or that existing tax laws or regulations will not be changed, interpreted or applied in a manner which could have a material adverse effect on the Company.

No Key Man Insurance

The Company does not have key man insurance in place in respect of any of its senior officers or personnel. Therefore, there is a risk that the unexpected loss of the services of any of its senior officers or key personnel (through serious injury, death or resignation) could have a material adverse effect on the Company's operations.

Environmental and Safety Regulations

The Company's operations sometimes involve hazardous materials. The Company believes that it takes the necessary precautions to appropriately contain such materials in its operations. The Company is required to comply with applicable environmental and safety regulations. Changes to environmental and safety regulations may limit the Company's activities or increase its costs. An environmental accident may have adverse consequences for the Company's operations and financial condition.

Warranty Claims, Product Liability, and Product Recalls

EnWave typically provides warranties on its products and the failure of its products to operate as described may cause loss of customers, damage to the Corporation's reputation for delivering low-quality products, delay in or loss of market acceptance, additional warranty expenses or costs associated with product recalls. From time to time, the Corporation may become subject to warranty or product liability claims that may require it to make significant expenditures to defend these claims or pay damage awards. The Corporation also may incur costs and expenses relating to a recall of one or more of its products. The process of identifying recalled products that have been widely distributed may be lengthy and require significant resources and the Corporation may incur significant replacement costs, contract damage claims, and harm to its reputation.

Cyber Security

EnWave is dependent on IT networks and systems, including the internet, to process, transmit and store electronic information, to manage business operations and for the functioning of the Corporation's products and services. Although EnWave has implemented security systems and monitoring systems to prevent, detect and address potential security breaches, there are no assurances that such security and monitoring systems will be effective and computer hackers may be able to penetrate the Corporation's network security. Computer hackers may be able to create system disruptions or develop and deploy viruses, worms, and other malicious software programs that attack the Corporation's networks or otherwise exploit security vulnerabilities of the Corporation's products, services or software. It is also possible that computer hackers could penetrate the network security of customers using EnWave's products. Any of the foregoing could affect the Corporation's operations, products or services, harm EnWave's reputation, result in a claim for damages against the Corporation, and require the Corporation to incur significant costs to eliminate or alleviate the problem. Additionally, the Corporation's ability to transact business may be affected. There are no assurances that advances in criminal capabilities, new discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the Corporation's IT networks, systems, products, and software.

Litigation

From time to time in the ordinary course of conducting its business, the Corporation may be threatened with, or may be named as a defendant in various legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract, lost profits or other consequential damage claims which could exceed the Corporation's existing insurance coverage. A significant judgment against the Corporation, or the imposition of a significant fine or penalty, as a result of a finding that the Corporation failed to comply with laws or regulations, or being named as a defendant on multiple claims, could have a material adverse effect on the Corporation's business, financial condition, liquidity and results of operations.

The Corporation, like other manufacturers and sellers of commercial processing equipment, is subject to potential liabilities connected with its business operations including potential liabilities and expenses associated with product defects, performance, reliability or delivery delays. A major product liability claim could have a material adverse effect on the Corporation's business, financial condition, liquidity and results of operations because of the size of any judgment awarded, the costs of defending against such claims, diversion of key employees' time and attention from the business and potential damage to its reputation.

Facilities

As EnWave continues to grow its business and personnel, it will need to maintain, develop, and acquire adequate and modern real property facilities in various locations. Even if EnWave believes that its facilities are adequate for the Corporation's current needs and that suitable additional or substitute space may be available as needed, there are no assurances that EnWave will be able to renew these facilities' leases, as applicable, or find alternative facilities that meet its needs on favourable terms, or at all.

Information Technology Systems

EnWave's operations depend in part upon IT systems. EnWave's IT systems are subject to disruption, damage, or failure from a number of sources, including computer viruses, security breaches, natural disasters, power loss, and defects in design. To date EnWave has not experienced any material losses relating to IT system disruptions, damage or failure, but there are no assurances that EnWave will not incur such losses in the future. Any of these and other events could result in IT systems failures, operational delays, production downtimes, destruction or corruption of data, security breaches, or other manipulation or improper use of the Corporation's systems and networks.

Economic and Political Conditions and International Trade

Customer demand for EnWave's systems and products may be affected by economic and political conditions on an international, regional, country, and local level. Because a significant portion of the Corporation's purchases and sales are made in foreign jurisdictions, the Corporation is subject to numerous risks including shipping delays, political instability, conflict, labour strikes, and import duties and trade restrictions.

EnWave's operations may require importing and exporting goods and technology across international borders on a regular basis. The Corporation may be subject to various duties applicable to materials manufactured in foreign countries and may be affected by various other import and export restrictions, as well as other considerations or developments impacting upon international trade, including economic or political instability, shipping delays, and product quotas. Although the Corporation mandates strict compliance with Canadian, US, and other applicable international trade laws, there are no assurances that the Corporation's policies and procedures will prevent violations of such laws. Failure to comply with applicable trade laws may subject the Corporation to civil or criminal penalties, including material monetary fines, or other adverse actions including denial of import or export privileges, and could damage the Corporation's reputation and business prospects.

Corruption and Bribery

EnWave's operations are governed by and involve interactions with many levels of government in various jurisdictions. EnWave is required to comply with anti-corruption and anti-bribery laws, including the Canadian *Corruption of Foreign Public Officials Act* and the US *Foreign Corrupt Practices Act*, as well as similar laws in the countries in which EnWave conducts business. In recent years, there has been a general increase in both the severity of penalties and frequency of enforcement under such laws, resulting in greater punishment and scrutiny to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also any of its third-party agents. Although EnWave has adopted policies and a risk-based approach to mitigate such risks, such measures are not always effective in ensuring that the Corporation and its employees or third party agents will strictly comply with such laws. If the Corporation is subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines or sanctions (including debarment) being imposed on EnWave.

Capital Structure and Outstanding Share Data

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

	September 30, 2017		December 15, 2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	90,832,759		100,587,759	
Options				
Outstanding	6,611,000	1.14	6,511,000	1.13
Exercisable	4,621,006	1.18	5,237,668	1.14
RSRs				
Outstanding	380,000	n/a	380,000	n/a
Warrants				
Investor warrants	3,125,000	1.20	8,002,500	1.38
Agent's warrants	225,000	0.80	525,539	1.05

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

Off-balance Sheet Arrangements

There are no off-balance sheet arrangements.

Other MD&A Requirements

Information pursuant to National Instrument 51-102.

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

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

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

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

Contact information:

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

******