First Quarter

Management Discussion and Analysis

Three months ended December 31, 2015

(expressed in thousands of Canadian dollars)

Dated February 25, 2016

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

MANAGEMENT DISCUSSION AND ANALYSIS
FIRST QUARTER
FOR THE THREE MONTHS ENDED DECEMBER 31, 2015

Date of this report: February 25, 2016.

This interim 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 quarter ended December 31, 2015 relative to the quarter ended December 31, 2014, and the financial position of the Company at December 31, 2015. It should be read in conjunction with EnWave's unaudited condensed consolidated interim financial statements and accompanying notes for the quarters ended December 31, 2015 and 2014, as well as the 2015 annual MD&A and the 2015 annual audited consolidated financial statements and accompanying notes (available at www.enwave.net). The financial information in this interim MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which is the required reporting framework for Canadian publicly accountable enterprises.

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

Forward-looking statements

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

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

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

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

Actual results could, however, be substantially different due to the risks and uncertainties associated with and inherent to EnWave's business, as more particularly described in the "Risk Factors" section of EnWave's Annual Information Form dated August 19, 2015, which is available under EnWave's profile on SEDAR at www.sedar.com. Additional risks and uncertainties applicable to the forward looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; material defects and component quality of parts and raw materials sourced from EnWave suppliers; unforeseen changes to food safety and compliance regulations in the U.S. food processing industry; R&D efforts may not result in the creation of new or enhanced products in a timely or cost-effective fashion or at all; EnWave's royalty partners' and licensees unwillingness to continue doing business with EnWave on favourable terms or at all; EnWave's business development efforts may not result in increased vertical and market penetration in the global dehydration industry; EnWave's technology may not function as intended or be suitable for the end users it is intended for; unknown or unexpected defects with EnWave's technology that are not correctable in a timely or cost-effective fashion or at all; unforeseen events or changes to Binder's equipment contract for which EnWave has provided a commercial letter of credit as a performance guarantee that could cause it to no longer be able to recover the Restricted Cash held as collateral for the letter of credit; necessary additional financing may not be available on favourable terms or at all; inability to recruit and retain qualified personnel; legal or regime changes, including changes to import and export requirements of foreign jurisdictions; political risk of domestic and foreign nations; war, terrorism, rebellion, revolt, protests, or other civil conflict; unionization, strikes or labour unrest; the global economic climate; general market trends; EnWave's intellectual property may not be sufficiently protected against third party infringement or misappropriation; EnWave's products may materially infringe a third party's intellectual property rights; the ongoing ability and desirability of licensees to continue paying EnWave patent licensing royalties on a timely basis or at all; material litigation may arise; material unexpected costs related to EnWave Technology liability or warranty; loss of the major global coffee chain as a customer of NutraDried LLP; information technology data and security breaches; fire, flood, earthquake, or other natural events; failure to obtain necessary permits, certifications, and authorizations; foreign currency fluctuations; dairy and other food commodity pricing fluctuations; share price volatility; deficiencies in accounting policies or internal controls and procedures over financial reporting; insufficiency of insurance; unavailability of certain tax credits; and unexpected tax liabilities.

Although EnWave has attempted to identify factors that may cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, predicted, estimated or intended. Also, many of the factors are beyond the control of EnWave. Accordingly, readers should not place undue reliance on forward-looking statements. EnWave undertakes no obligation to reissue or update any forward-looking statements as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

Management's Responsibility for Financial Information

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

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

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

Company Overview

EnWave Corporation

EnWave Corporation ("EnWave" or "EnWave Canada") is a Vancouver-based industrial technology company that licenses, builds and installs commercial-scale dehydration platforms for applications in the food, pharmaceutical and industrial sectors to manufacturing 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 net sales generated or units produced 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.

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. 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.

NutraDried LLP

The Company holds a 51% partnership interest in NutraDried LLP ("NutraDried"), a limited liability partnership registered in Washington, USA. NutraDried manufactures and sells Moon Cheese®, an all-natural dried cheese snack produced using REV™ technology. 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:

	Three months ended				
($ 000's)	*Dec 31, 2014*	*Mar 30, 2015*	*Jun 30, 2015*	*Sep 30, 2015*	*Dec 31, 2015*
NutraDried Royalty(1)	19	12	30	56	64

(1) The royalty payment to EnWave Canada is an intercompany transaction that is eliminated upon consolidation from revenue as reported in the Company's consolidated financial statements. This information separately disclosed is a non-IFRS financial measure.

Management Discussion of the First Quarter

EnWave Corporation

EnWave completed a bought deal private placement during the first quarter for aggregate gross proceeds of $5,000. The private placement was for 6,250,000 units (the "Units") at a purchase price of $0.80 (eighty cents) per Unit. Each Unit consisted of one common share and one-half of a common share purchase warrant. The warrants issued entitle the holder to acquire one common share at an exercise price of $1.20 and expire on October 22, 2020. In connection with the private placement, cash share issue costs of $550 were incurred, and the net proceeds to the company from the private placement were $4,450. The proceeds of the private placement will be used to pre-order and inventory certain machine parts in order to reduce the lead time from customer order to delivery on REV™ technology machine orders. Proceeds will also be used for general corporate purposes and working capital, to provide the Company with appropriate levels of liquidity.

EnWave expanded its technology evaluation partnership base through the signing of a TELOA with Nature's Touch Frozen Foods, Inc. for the mutual development dehydrofrozen fruit products using REV™ technology. EnWave and Nature's Touch Frozen Foods, Inc. commenced product development trials in the second fiscal quarter of 2016.

During the three months ended December 31, 2015 and up to the date of this document, the Company signed another royalty-bearing commercial license with Agricola Industrial La Lydia SA for a variety of fruit, vegetable and cheese products in Central America, and received a purchase order for a small commercial REV™ machine. This machine will enable product development and small-scale commercial production. Delivery of this machine is expected in the second fiscal quarter of 2016. In February 2016, the Company also received a purchase order from Gay Lea Foods Cooperative Ltd., along with a 40% deposit, for the purchase of a large 100kW nutraREV® machine for cheese snack production in Canada. Delivery of this machine is expected in the third fiscal quarter of 2016.

The commercialization of both *powder*REV® and *freeze*REV® technology platforms continued to advance during the first quarter. EnWave's two pharmaceutical partners approved the REV™ machine designs and EnWave entered the manufacturing phase for scaled-up versions of each platform and these machines are scheduled for delivery in 2016. If results previously achieved from the use of lab-scale machinery can be replicated on these newer, scaled-up REV™ machines, Good Manufacturing Practices ("GMP") certification and FDA approval will be pursued.

In July 2014, EnWave issued a letter of credit to a customer of Hans Binder Maschinenbau GmbH ("Binder") as a performance guarantee on one equipment sale and installation contract. The letter of credit is collateralized by a $1,500 deposit, recorded as restricted cash in the December 31, 2015 condensed consolidated interim financial statements. As of the fourth quarter of fiscal 2015, EnWave no longer controlled the financial and operational activity of Binder, and an insolvency administrator (the "Administrator") managing Binder took control over the completion of the equipment and installation contract. The Administrator intends to advance the project according to the terms original contract and the Company is monitoring the situation closely to secure the release of the restricted funds. However, there is no guarantee that the Company will be able to secure the release of the funds.

NutraDried

The first quarter was successful for NutraDried, with significant growth in Moon Cheese® sales revenue in retail and online outlets in North America. The major global coffee chain commenced expanding distribution of Moon Cheese® to 7,500 corporate stores in the United States, and into 1,400 of their Canadian corporate stores. Moon Cheese® was also sold in several major North American retail outlets, including select Whole Foods, REI, and Winco Foods in the United States, and Safeway, Sobeys, Mountain Equipment Co-op, Save-on-Foods and Thrifty Foods in Canada.

NutraDried, along with its exclusive distributor in the United States, Spire Brands, LLC ("Spire"), continued to pursue new retail distribution opportunities during the quarter. Distribution was broadened to include regional market trial with the largest drug retailing chain in the United States, and initial distribution in several new retail outlets. The Master Distribution Agreement ("MDA"), which appoints Spire as the sole distributor of Moon Cheese® in the United States, prescribes minimum quarterly purchase commitments.

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to December 31, 2015:

		2014			**2015**			**2016**
($ 000's)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
Revenues	170	128	672	574	1,976	1,408	1,910	2,604
Direct costs	(51)	(79)	(271)	(511)	(1,493)	(1,340)	(1,345)	(1,743)
Expenses	(1,720)	(570)	(1,826)	(1,284)	(1,394)	(1,630)	(1,865)	(1,344)
Net loss – continuing operations	(1,601)	(521)	(1,425)	(1,221)	(911)	(1,562)	(1,300)	(483)
Loss – discontinued operations	(690)	(46)	16	(4)	882	(4,227)	(975)	-
Net loss	(2,291)	(567)	(1,409)	(1,225)	(29)	(5,789)	(2,275)	(483)
Basic and diluted loss per share	(0.03)	(0.01)	(0.02)	(0.01)	0.00	(0.07)	(0.03)	(0.00)
Total assets	21,419	21,381	21,933	20,791	22,219	16,158	12,939	18,569
Total liabilities	4,211	3,946	5,496	5,429	5,721	5,208	3,628	5,161
Minority interest	(140)	124	308	534	1,242	1,141	1,242	1,221

Results of operations

The breakdown of the consolidated operating revenues and expenses for the three months ended December 31, 2015 and 2014 is presented in the following table:

($ '000s)	**Three months ended December 31**			
	2015	***% of expenses***	**2014**	***% of expenses***
Revenues	2,604		574	
Direct costs	(1,743)		(511)	
	861		63	
Expenses				
General and administration	373	*28%*	288	*22%*
Amortization of intangible assets	358	*26%*	358	*28%*
Research and development	534	*40%*	490	*38%*
Sales and marketing	105	*8%*	139	*11%*
Stock-based compensation	37	*3%*	97	*8%*
Finance expense	15	*1%*	-	-
Finance income	(26)	*-2%*	(18)	*-1%*
Foreign exchange gain	(52)	*-4%*	(70)	*-6%*
	1,344	*100%*	1,284	*100%*
Net loss for the period from continuing operations	(483)		(1,221)	
Net loss for the period from discontinued operations	-		(4)	
Net loss for the period	(483)		(1,225)	

Revenue

Revenue is earned from two business segments: EnWave's Canada's rental or sale of REV™ machinery to royalty partners, combined with the receipt of royalties from these partners and NutraDried's sale of Moon Cheese® into retail and wholesale distribution channels.

Revenue for the three months ended December 31, 2015 was $2,604, an increase of $2,030 compared to the same period in 2014. Revenue growth continues to be due to an increase in strategic royalty partner acquisition efforts of EnWave Canada and increased sales and distribution of Moon Cheese® by NutraDried. A large portion of both EnWave Canada and NutraDried's revenue is denominated in USD and revenue growth in the first quarter also reflects the impact of foreign exchange. If the CAD changed by $0.01 relative to the USD, our revenue during the first quarter would have change by $9.

EnWave Canada had revenue of $1,315 for the three months ended December 31, 2015 compared to $114 in the same period in 2014. The increase to revenue of $1,201 in EnWave Canada is due to revenue generated from commercial equipment design and manufacturing contracts with Sutro Biopharma and Merck for *powder*REV® and *freeze*REV®, respectively. Additionally, EnWave shipped three smaller 10kW *nutra*REV® machines to international royalty partners during the three months ended December 31, 2015, compared to none in the same period of 2014. 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.

Revenues from NutraDried were $1,289 for the three months ended December 31, 2015 compared to $460 in the same period in 2014. The growth in revenues is attributable to increased sales and distribution activity with distributors and retail customers of Moon Cheese®. A significant portion of sales growth is due to NutraDried sales to a major global coffee chain, through Spire, its exclusive distributor in the United States, which increased its purchases of Moon Cheese® for the expansion to 7,500 U.S. corporate stores in the first quarter of 2016.

Quarterly Revenue	**2014**			**2015**				**2016**
($ 000's)	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*
EnWave Canada	133	90	574	114	1,684	703	772	1,315
NutraDried	37	38	98	460	292	705	1,138	1,289
Total	170	128	672	574	1,976	1,408	1,910	2,604

Direct costs

Direct costs are comprised of the cost of materials and components, manufacturing labour and 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 and to the extent that revenue increases, we expect direct costs to increase.

Direct costs for the three months ended December 31, 2015 increased by $1,232, or 241% compared to the same period in 2015, driven by the increase in commercial sales from EnWave Canada and an increase in sales volume at NutraDried. As a percentage of revenue, direct costs for the three months ended December 31, 2015 decreased by 21% compared to the same prior year period.

During the three months ended December 31, 2015, EnWave Canada had significant revenue generating activities related to the design and construction of REV™ equipment, resulting in an increase of direct costs yielding a ratio of direct costs to revenue of 44%. In the comparative period, the ratio of direct costs to revenues was 7% due to the fact that EnWave Canada did not manufacture commercial REV™ equipment during the first three months ended December 31, 2014. As equipment manufacturing increases at EnWave Canada we expect to achieve savings in direct costs through economies of scale. We also expect that as revenue from REV™ equipment sales continues to grow that direct costs as a percentage of EnWave Canada's revenue will decrease due to the related royalties earned from the commercial licenses. As we grow the number of commercial licenses royalty revenues are expected to grow at a faster rate than our operating costs.

The ratio of direct costs to revenue was 90% for NutraDried for the three months ended December 31, 2015, compared to 110% in the same period of 2014. The production volumes at NutraDried were significantly higher for the three months ended December 31, 2015 compared to the same period in prior year. The reduction in direct costs as a percentage of revenue was offset by a lower net selling price on sales to Spire during the quarter. We believe there is opportunity for medium-term increases in the gross margin of NutraDried through continued development of the Moon Cheese® brand, increased buying power with suppliers and economies of scale achieved with increased production volumes.

General and administration

General and administration expenses consist of costs related to wages, administration, accounting and audit fees, bad debts, investor relations, non-cash amortization of certain capital assets, office rent, insurance, and other corporate expenses.

Administrative expenses for the three months ended December 31, 2015 were $373, up from $288 for the three months ended December 31, 2014.

($ 000's)	**2015**	**2014**
General and administration	373	288
% of revenue	14%	50%

General and administration expenses for the current period decreased by 36% as a percentage of revenue, but increased by $85 compared to the same period in 2015. The increase to general and administration expenses was due to an increase in consulting fees, management fees and an increase in personnel and facility administration expenses at NutraDried. The increase to administration expenses at NutraDried was a result of the increase in administration activity required to scale commercial operations. General and administration expenses for EnWave Canada were $228 for three months ended December 31, 2015, compared to $227 for the three months ended December 31, 2014.

Amortization of intangible assets

Non-cash amortization of intangible assets relates to the patents acquired from UBC and INAP and computer software amortization. There were no additions or disposals to the major intangible assets being amortized and the amortization expense remained consistent with that of the prior quarter.

Research and development

These expenses include the salaries of engineers, technicians and management related to research and development activities, the materials and other labour used in the construction of prototypes, testing of equipment, patent search and maintenance costs, costs associated with the Company's laboratory and pilot plant facilities, including insurance, office expenses at the plants, and R&D staff travel expenses. Other research and development expenses include non-cash amortization expense of R&D equipment.

($ 000's)	**2015**	**2014**
Research and development	534	490
% of revenue	21%	85%

Research and development expenses are attributable to EnWave Canada only. During the quarter more personnel and facility activities were utilised for commercial manufacturing of machines for royalty partners compared to the same period last year when those resources were being utilized more for research and development activities. The increase in research and development costs of $44 is due to an increase in patent maintenance fees, freight and shipping expenses and R&D materials consumed.

Sales and marketing

Sales and marketing includes salaries for staff, travel expenses, consulting fees, sales freight expenses, sales commissions, office expenses, and legal fees related to selling activities.

($ 000's)	**2015**	**2014**
Sales and marketing	105	139
% of revenue	4%	24%

The reduction in selling and marketing expenses of $34 was due to NutraDried incurring lower selling costs during the three months ended December 31, 2015 compared to the same period in 2015. The reduction to selling costs is due to the signing of the MDA with Spire, which resulted in lower internal sales and marketing activity and Spire taking on these functions. The decrease in the ratio of sales and marketing expenses to revenues is a result of sales growth without significant additional expenditures.

Stock-based compensation

Stock-based compensation expense for the three months ended December 31, 2015 was $37 compared to $97 for the three months ended December 31, 2014. The decrease in stock-based compensation expense is due to the timing of stock option grants vesting during the period.

Foreign exchange gain

Foreign exchange gain for the three months ended December 31, 2015 was $52 compared to $70 for the three months ended December 31, 2014. The majority of the Company's foreign exchange gain or loss amounts consists of unrealized foreign exchange and is drive by the Company's holdings in USD. The fluctuation of foreign exchange gain is consistent with the Canadian dollar's appreciation or depreciation as measured against the USD for each quarter.

Liquidity and Capital Resources

Working capital

The components of the Company's working capital are:

($ '000s)	**December 31, 2015**	**September 30, 2015**
Current Assets		
Cash and cash equivalents	5,727	1,101
Restricted cash	1,530	1,530
Trade receivables	1,709	1,025
Receivables from related parties	610	581
Due from customers on contract	234	659
Prepaids, other receivables and deposits	185	155
Inventory	2,023	1,024
	12,018	**6,075**
Current Liabilities		
Trade and other payables	1,583	1,332
Amounts due to related parties	524	499
Customer deposits and deferred revenue	1,946	743
Current portion of other liability	491	457
	4,544	**3,031**
Working Capital	**7,474**	**3,044**

As at December 31, 2015, the Company had working capital of $7,474, compared to $3,044 as at September 30, 2015. The increase in working capital is mainly due to an increase in cash and cash equivalents of $4,450 from the October 2015 private placement. As at December 31, 2015 the cash and cash equivalents balance was $5,727 compared to $1,101 as at September 30, 2015, an increase of $4,626.

Trade receivables as at December 31, 2015, includes $884 of amounts owed to EnWave Canada related to equipment sales and royalties, compared to $200 on September 30, 2015, and $825 of NutraDried trade receivables, compared to $825 on September 30, 2015. The increase in EnWave Canada trade receivables is due to the increase in machine sales revenue and billings on contracts, and there were no significant doubtful accounts.

Inventory as at December 31, 2015 includes machine parts of EnWave Canada of approximately $1,240, which is an increase of $619 compared to September 30, 2015. EnWave Canada has increase inventories to accommodate the increased sales activity related to commercial machine orders.

NutraDried’s food product and packaging supplies inventory was $783, which is an increase of $380 compared to September 30, 2015. NutraDried’s inventory has increased in response to the increased sales of Moon Cheese® in order to meet sales order deadlines.

Trade and other payables as at December 31, 2015 includes $801 of trade payables and accrued liabilities related to EnWave Canada, compared to $785 on September 30, 2015. Trade and other payables of NutraDried were $782, compared to $547 on September 30, 2015. The increase in NutraDried trade and other payables is due to the increase in purchasing to accommodate higher production volumes during the period.

Financing and liquidity

On October 22, 2015, the Company completed a bought deal private placement offering of 6,250,000 Units of the Company at a purchase price of $0.80 per Unit, for aggregate gross proceeds of $5,000.

Our working capital needs will continue to grow with revenue growth. We believe that the proceeds raised from the October 2015 private placement, along with ongoing operations and associated cash flow, will provide sufficient liquidity to continue financing our planned growth in the near term, and that we will have access to additional capital as we further expand.

NutraDried entered into the MDA with Spire in August 2015 that is discussed under *Management Discussion of First Quarter*. As part of the MDA, Spire will advance NutraDried 50% of the open orders at the beginning of each month by way of advanced deposit on orders. This facility provides NutraDried with short-term liquidity and working capital on orders as sales of that business grows. As at December 31, 2015 there was $147 advanced under the facility that was recorded as deferred revenue in the annual consolidated financial statements, compared to $225 as at September 30, 2015.

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®, p*owder*REV® and *freeze*REV® technologies and commercialization of other REV™ technologies currently in the prototype stage.

The Company is not exposed to any externally imposed capital requirements.

Contractual obligations

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table provides information about certain of the Company’s significant contractual obligations as at December 31, 2015:

($ ‘000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	1,583	-	-	1,573
Amounts due to related parties	524	161	-	685
Other liability	491	456	-	947
	2,598	**617**	**-**	**3,205**
Commitments				
Contractual obligations including operating leases	349	204	-	553
Total	**2,947**	**821**	**-**	**3,758**

Off-balance sheet arrangements

There are no off-balance sheet arrangements.

Transactions with related parties

a) Purchases from related parties

The Company had purchases from related parties for the three months ended December 31, 2015 and December 31, 2014 in the normal course of business as shown in the table below:

($ '000s)	**Three months ended December 31, 2015**	2014
Consulting, management and directors' fees	160	23
Royalties paid or accrued to INAP APA(1)	-	84
Stock-based compensation recognized for related parties not included as key management	8	29
Office and manufacturing facility rent paid to related parties	29	98
	197	234

(1) INAP is an entity controlled by management of Binder, a former subsidiary of the Company, and was a related party up to the loss of control of Binder on September 29, 2015.

b) Sales to related parties

The Company, through its subsidiary NutraDried, recorded sales of $1,190 (2014 - $nil) to Spire, a related party of NutraDried. Spire is related to NutraDried by way of Creations', the non-controlling partner of NutraDried, equity ownership interest in Spire. The sales terms with Spire are governed by the Master Distribution Agreement between the Company and Spire signed August 11, 2015 and are on terms equivalent to those that prevail in arm's length transactions.

The Company recorded sales of $nil (2014 - $268) to Creations, the non-controlling partner of NutraDried LLP.

c) Compensation of key management personnel

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

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

($ '000s)	**Three months ended December 31, 2015**	2014
Salaries, bonuses, short-term and long-term employee benefits	251	394
Stock based compensation	16	43
	267	437

Critical accounting estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that effect 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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.

Impairment of inventory

The Company utilises guidance under IAS 2 Inventories to determine whether inventory is carried at the lower of cost and net realisable value. This determination requires judgement, which includes among other factors, the selling price, less the estimated costs of completion and selling expenses.

Impairment of goodwill and intangible assets

The Company tests annually whether goodwill and intangible assets are impaired. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions.

Other liability

The Company entered into a license agreement for the sub-licensing rights to the MIVAP® ("Microwave Vacuum Processor") 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 comprehensive 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. Given the lack of control over the licensee's actual and ultimate use of the technology which gives rise to the royalty, the Company cannot practicably determine how current estimates may change.

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 income statement 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 customer.

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

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 from related parties	Other financial liabilities
Other liability	Other financial liabilities

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

The carrying value of other liability as at December 31, 2015 of $947 (September 30, 2015 – $1,054) 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 have any held-to-maturity or available-for-sale financial instruments, nor did it acquire or hold any derivative products during the three months ended December 31, 2015. The Company has no financial instruments measured at fair value.

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 and trade receivables. The Company mitigates its exposure to credit loss by maintaining cash balances with major Canadian financial institutions.

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables. Prior to issuing credit, management reviews the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables by maintaining ongoing close contact with customers, by requiring commercial letters of credit, and by reviewing individual account balances, and proactively following up on overdue amounts. The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at December 31, 2015, the Company has recorded an allowance for doubtful accounts of $nil (September 30, 2015 – $289).

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 following table provides information regarding the aging of trade receivables as at December 31, 2015:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	1,497	186	26	-
Due from customers on contract	234	-	-	-
Other receivables including related parties	670	-	1	-
Total	2,401	186	27	-

Liquidity risk

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

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

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

The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At December 31, 2015, the Company had cash and cash equivalents of $5,727 to settle current financial liabilities of $4,544.

(a) Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash, cash equivalents and restricted cash	5,727	30	1,500	-
Trade receivables	1,709	-	-	-
Due from customers on contract	-	79	155	-
Other receivables including related parties	68	602	1	-
Total	7,504	711	1,656	-

(b) Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	1,583	-	-	-
Amounts due to related parties	490	9	25	161
Other liability	-	123	368	456
Total	2,073	132	393	617

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 and restricted cash. The Company earns interest on deposits based on current market interest rates, which during the three months ended December 31, 2015 ranged from 0.65% to 1.35%. A 1% change in interest rates would affect the results of operations by approximately $30 (2014 - $68).

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

Foreign exchange risk

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

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

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

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

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

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar and Euro currencies could have an effect on the Company's results of operations. As at December 31, 2015, all of the Company's liquid assets and liabilities were held in Canadian dollars and US dollars. The Company has not hedged its exposure to currency fluctuations.

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 period as follows:

($ '000s)	**Three months ended December 31,**	
Currency	**2015**	2014
US dollar	210	18
Euro	(29)	34

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 year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Proposed Transactions

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

Other MD&A Requirements

Information pursuant to National Instrument 51-102

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

As at the date of this MD&A, the Company has:

- Common shares issued and outstanding: 90,772,759.
- Stock options: 4,613,500 outstanding with a weighted average exercise price of $1.40. Each stock option entitles its holder to purchase one common share of the Company.
- Warrants: 3,125,000 outstanding with exercise price of $1.20. Each warrant entitles the holder to purchase one common share of the Company until October 22, 2020.
- Agent's warrants: 225,000 Agent's Warrants outstanding with exercise price of $0.80. Each Agent's Warrants entitles the holder to purchase one common share and one-half a share purchase warrant that entitles the holder to purchase one common share of the Company expiring October 22, 2020, until October 22, 2017.
- Restricted Share Rights: 65,000 vesting on March 23, 2018 and 15,000 vesting on September 11, 2018.
- Fully diluted capital of the Company, including common shares, stock options, warrants and Restricted Share Rights stands at 98,928,759 common shares.

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

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

Senior Officers	Position
John P.A. Budreski	Executive Chairman
Dr. Tim Durance	President and Chief Executive Officer
Daniel Henriques	Chief Financial Officer
Beenu Anand	Senior Vice-President, Sales

Contact information:

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