Second Quarter
Management Discussion and Analysis

Six months ended March 31, 2016

(expressed in thousands of Canadian dollars)

Dated May 25, 2016

ENWAVE CORPORATION
(“EnWave” or “the Company”)

MANAGEMENT DISCUSSION AND ANALYSIS
SECOND QUARTER
FOR THE SIX MONTHS ENDED MARCH 31, 2016

Date of this report: May 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 six months ended March 31, 2016 relative to the six months ended March 31, 2015, and the financial position of the Company at March 31, 2016 relative to September 30, 2015. It should be read in conjunction with EnWave’s unaudited condensed consolidated interim financial statements and accompanying notes for the six months ended March 31, 2016 and 2015, 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 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.

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 EnWave's 100kW *nutra*REV® machine. 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 31, 2015*	*Jun 30, 2015*	*Sep 30, 2015*	*Dec 31, 2015*	*Mar 31, 2016*
NutraDried Royalty(1)	19	12	30	56	64	87

(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 Second Quarter

EnWave Corporation

The second quarter of 2016 was another strong quarter for EnWave and continued our trend of significant year-over-year revenue growth. Significant advancements were made in the commercialization of REV™ in the global dehydration industry. In February 2016, the Company 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 fourth fiscal quarter of 2016 and Gay Lea Foods Cooperative Ltd. will pay a royalty to EnWave based on sales of cheese snacks that are produced using the 100kW nutraREV® machine.

During the three months ended March 31, 2016, EnWave signed a royalty bearing commercial license agreement with Eregli Agrosan, a Turkish company that produces high-value, natural products and derivative products for the food, cosmetic and health sectors. Eregli Agrosan purchased a lab-scale REV™ machine and a small commercial REV™ machine during the second quarter. In May 2016 Eregli Agrosan placed a definitive purchase order for a second small commercial REV™ machine. Eregli Agrosan will complete product development prior to commercial production, at which point they will pay a royalty to EnWave as a percentage of sales. EnWave also signed a TELOA with a major Australasian Dairy Company that will rent a small commercial-scale REV™ machine to conduct product research.

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 in the first quarter, and EnWave entered the manufacturing phase for scaled-up versions of each platform. The *powder*REV® and *freeze*REV® machines have been designed and are to be constructed in accordance with Good Manufacturing Practices ("GMP") standards, and GMP certification will be pursued.

In July 2014, EnWave issued a letter of credit to a customer of Hans Binder Maschinenbau GmbH ("Binder"), a former subsidiary of the Company, as a performance guarantee on one equipment sale and installation contract. The letter of credit was collateralized by a $1,500 deposit, recorded as restricted cash in the March 31, 2016 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. On May 4, 2016, the Company secured the release of $1,020 of the restricted cash and entered an agreement with the Administrator for the Company to finance the completion of the contract. We are closely monitoring the progress of the installation to secure the release of the remaining restricted cash, but there is no guarantee that the Company will be able to secure the release of the remaining funds.

NutraDried

NutraDried revenue for the second quarter was $1,838, compared to $292 in the second quarter of the prior year, representing significant growth and continued market penetration of Moon Cheese®. NutraDried continued its top-line revenue growth through Moon Cheese® sales in retail and online outlets in North America. The major global coffee chain purchased product for distribution of Moon Cheese® to 7,500 corporate stores in the United States, and into 1,400 of its Canadian corporate stores. Moon Cheese® 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 second quarter. Moon Cheese®

distribution was broadened to include distribution in 5,000 of the 8,000 United States stores of the 7-Eleven, the world's largest convenience retailer, and a regional market trial in 10 stores with the largest drug retailing chain in the United States. 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 March 31, 2016:

	2014		2015				2016	
($ 000's)	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*
Revenues	128	672	574	1,976	1,408	1,910	2,604	4,586
Direct costs	(79)	(271)	(511)	(1,493)	(1,340)	(1,345)	(1,743)	(2,911)
Expenses	(570)	(1,826)	(1,284)	(1,393)	(1,630)	(1,865)	(1,344)	(1,580)
Net income (loss) – continuing operations	(521)	(1,425)	(1,221)	(910)	(1,562)	(1,300)	(483)	95
(Loss) income – discontinued operations	(46)	16	(4)	882	(4,227)	(975)	-	(86)
Net income (loss)	(567)	(1,409)	(1,225)	(28)	(5,789)	(2,275)	(483)	9
Basic and diluted income (loss) per share	(0.01)	(0.02)	(0.01)	0.00	(0.07)	(0.03)	(0.00)	0.00
Total assets	21,381	21,933	20,791	22,219	16,158	12,939	18,569	17,159
Total liabilities	3,946	5,496	5,429	5,721	5,208	3,628	5,161	3,853
Minority interest	124	308	534	1,242	1,141	1,242	1,221	1,282

Selected Financial Information

The following table sets out selected consolidated financial information for the periods indicated, and has been derived from EnWave's unaudited condensed consolidated interim financial statements and accompanying notes for the three and six months ended March 31, 2016 and 2015, and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended March 31,**			**Six months ended March 31,**		
	2016	2015	**Change %**	**2016**	2015	**Change %**
Revenues	**4,586**	1,976	132%	**7,190**	2,550	182%
Direct costs	**2,911**	1,493	95%	**4,654**	2,003	132%
Gross margin	**1,675**	483	247%	**2,536**	547	364%
Operating Expenses						
General and administration	**466**	580	(20%)	**839**	869	(3%)
Research and development	**515**	274	88%	**1,049**	764	37%
Sales and marketing	**133**	167	(20%)	**238**	306	(22%)
	1,114	1,021	9%	**2,126**	1,939	10%
Net income (loss) – continuing operations	**95**	(910)	(110%)	**(388)**	(2,130)	(82%)
Basic and diluted (loss) income per share – continuing operations	**$ 0.00**	$ (0.01)		**$ (0.01)**	$ (0.02)	

Discussion of Operations

Revenue

Revenue is earned from two business segments: EnWave 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.

	Three months ended March 31,		**Six months ended March 31,**	
($ 000's)	**2016**	**2015**	**2016**	**2015**
Revenue	4,586	1,976	7,190	2,550

Revenue for the six months ended March 31, 2016 was $7,190, an increase of $4,640 compared to the same period in 2015. Revenue for the three months ended March 31, 2016 was $4,586, an increase of $2,610 compared to the same period in 2015.

Revenue growth continues to be due to an increase in strategic royalty partner acquisition efforts of EnWave Canada and increased sales and distribution of Moon Cheese® by NutraDried. A large portion of EnWave Canada's and all of NutraDried's revenue is denominated in USD and revenue in the first half of 2016 also reflects the impact of foreign exchange. If the CAD changed by $0.01 relative to the USD, our revenue during the six months ended March 31, 2016 would have change by $21.

Quarterly Revenue	**2014**		**2015**				**2016**	
($ 000's)	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*
EnWave Canada	90	574	114	1,684	703	772	1,315	2,748
NutraDried	38	98	460	292	705	1,138	1,289	1,838
Total	128	672	574	1,976	1,408	1,910	2,604	4,586

EnWave Canada had revenue of $4,063 for the six months ended March 31, 2016 compared to $1,798 in the same period in 2015. For the three months ended March 31, 2016, EnWave Canada had revenue of $2,748 compared to $1,684 in the same period in 2015.

EnWave Canada's strong year-over-year revenue growth is due to increased commercial REV™ equipment sale and construction activity. During the six months ended March 31, 2016 revenue was generated from commercial equipment sale contracts with Sutro Biopharma, Merck and Gay Lea for *powder*REV®, *freeze*REV® and *nutra*REV® machines, respectively. Additionally, EnWave shipped five 10kW *nutra*REV® machines and one 2kW *nutra*REV® machine to international royalty partners during the six months ended March 31, 2016, compared to two 10kW *nutra*REV® machines in the same period of 2015. 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 $3,127 for the six months ended March 31, 2016 compared to $752 in the same period in 2015. Revenues from NutraDried were $1,838 for the three months ended March 31, 2016 compared to $292 in the same period in 2015.

NutraDried's year-over-year revenue growth 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. The major global coffee chain increased its purchases of Moon Cheese® for the expansion to 7,500 U.S. corporate stores and 1,400 Canadian corporate stores. Moon Cheese® distribution was also broadened to include distribution in 7-Eleven®, the world's largest convenience retailer in the United States, at up-to 5,000 participating stores.

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 proportionately.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2016**	**2015**	**2016**	**2015**
Direct costs	2,911	1,493	4,654	2,003
% of revenue	63%	76%	65%	79%

Direct costs for the six months ended March 31, 2016 increased by $2,651, or 132% 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 six months ended March 31, 2016 decreased by 14% compared to the same prior year period.

During the six months ended March 31, 2016, EnWave Canada had significant revenue generating activities related to the design and construction of REV™ equipment, resulting in an increase of direct costs and yielded a ratio of direct costs to revenue of 50%. In the comparative period, the ratio of direct costs to revenues was 53%. 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.

The ratio of direct costs to revenue was 84% for NutraDried for the six months ended March 31, 2016, compared to 141% in the same period of 2015. The production volumes at NutraDried were significantly higher for the six months ended March 31, 2016 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 ("G&A") expenses consist of wages, administration, accounting and audit fees, bad debts, investor relations, depreciation of plant and equipment, office rent, insurance, and other corporate expenses.

G&A expenses for the six months ended March 31, 2016 were $839, which remained consistent with the six months ended March 31, 2015 of $869. G&A expenses for the six months ended March 31, 2016 decreased $30 compared to the same period in 2015. As a percentage of revenue, G&A expenses decreased by 22% over the same period in 2015.

G&A expenses for the three months ended March 31, 2016 were 466, a reduction of $114 over the same period in 2014. As a percentage of revenue, G&A expenses decreased by 19% over the same period in 2015.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2016**	**2015**	**2016**	**2015**
General and administration	466	580	839	869
% of revenue	10%	29%	12%	34%

The year-over-year decrease to G&A expenses was due to a $113 impairment of NutraDried's inventory during the six months ended March 31, 2015, with no impairment being recorded during the six months ended March 31, 2016. There was also decrease in audit and tax fees for EnWave Canada of $45. These decreases to G&A were offset by an $81 increase in G&A expenses at NutraDried due to additional investment in administration required to grow revenue. We expect G&A expenses to increase in the near term as we invest in infrastructure to support planned growth, but believe these expenses will increase at a slower rate than revenue over time.

Research and development

Research and development ("R&D") expenses include the salaries of engineers, technicians, scientists and management related to research and development activities, the materials 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. Research and development expense also includes include non-cash amortization expense of R&D equipment. R&D expenses are attributable to EnWave Canada only.

During the six months of March 31, 2016, more personnel and facility resources 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.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2016**	**2015**	**2016**	**2015**
Research and development	515	274	1,049	764
% of revenue	11%	14%	15%	30%

For the six months ended March 31, 2016, R&D expenses increased by $285 compared to the same period in prior year. For the three months ended March 31, 2016, R&D expenses increased by $241 compared to the same period in prior year. The increase to R&D expenses for both periods was largely due to a non-recurring reserve of $85 related to one commercial equipment installation. The remainder of the increase is due to an increase of personnel costs due to wage increases of non-management personnel, patent related fees, R&D materials, travel costs, and freight charges.

Sales and marketing

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

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2016**	**2015**	**2016**	**2015**
Sales and marketing	133	167	238	306
% of revenue	3%	8%	3%	12%

For the six months ended March 31, 2016 S&M expenses decreased by $68 compared to the same period in prior year. For the three months ended March 31, 2016 R&D expenses decreased by $34 compared to the same period in prior year.

The reduction in selling and marketing expenses was mostly due to NutraDried incurring lower selling costs due to the signing of the MDA with Spire, which resulted in lower internal sales and marketing activity and Spire overtaking these functions. The decrease in the ratio of sales and marketing expenses to revenues is a result of sales growth without significant additional expenditures. We expect the selling and marketing expenses to increase in the near term as we invest in activities to drive market penetration and revenue growth.

Stock-based compensation

Stock-based compensation expense for the six months ended March 31, 2016 was $87 compared to $171 for the same period in the prior year. Stock based compensation expense for the three months ended March 31, 2016 was $50 compared to $74 for the same period in the prior year. The decrease in stock-based compensation expense is due to the timing of stock options vesting during the period and lower fair market value of options granted in the period.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2016**	**2015**	**2016**	**2015**
Stock based compensation	50	74	87	171
% of revenue	1%	4%	1%	7%

Foreign exchange (loss) gain

Foreign exchange loss for the six months ended March 31, 2016 was $15 compared to a gain of $95 for the six months ended March 31, 2015. Foreign exchange loss for the three months ended March 31, 2016 was $67 compared to a gain of $25 for the three months ended March 31, 2015.

	Three months ended March 31,		Six months ended March 31,	
($ 000's)	**2016**	**2015**	**2016**	**2015**
Foreign exchange gain (loss)	(67)	25	(15)	95

The majority of the Company's foreign exchange gain or loss amounts consists of unrealized foreign exchange differences driven by our holdings in USD. The fluctuation of foreign exchange is consistent with the Canadian dollar's appreciation or depreciation as measured against the USD for each period.

Liquidity and Capital Resources

Working capital

The components of the Company's working capital are:

($ '000s)	**March 31, 2016**	**September 30, 2015**
Current Assets		
Cash and cash equivalents	5,849	1,101
Restricted cash	1,530	1,530
Trade receivables	740	1,025
Receivables from related parties	10	581
Due from customers on contract	578	659
Prepaids, other receivables and deposits	138	155
Inventory	2,167	1,024
	11,012	**6,075**
Current Liabilities		
Trade and other payables	1,494	1,332
Amounts due to related parties	641	499
Customer deposits and deferred revenue	697	743
Current portion of other liability	507	457
	3,339	**3,031**
Working Capital	**7,673**	**3,044**

As at March 31, 2016, the Company had working capital of $7,673, 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 March 31, 2016 the cash and cash equivalents balance was $5,849 compared to $1,101 as at September 30, 2015, an increase of $4,748. On May 4, 2016 the Company secured the release of $1,010 of the $1,530 restricted balance.

Trade receivables as at March 31, 2016, includes $481 of amounts owed to EnWave Canada related to equipment sales and royalties, compared to $200 on September 30, 2015, and $259 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 commercial equipment contracts. The decrease in NutraDried trade receivables is due to the timing of payments from major customers and Spire taking over credit for a select number of large customer accounts. As of March 31, 2016, there were no significant doubtful accounts.

Receivables from related parties is $10 at March 31, 2016 compared to $581 at September 30, 2015. The decrease of $571 is due to the repayment by a related party of an interest bearing loan to EnWave Canada during the second quarter of fiscal 2016.

Inventory as at March 31, 2016 includes machine parts of EnWave Canada of approximately $1,360, which is an increase of $739 compared to September 30, 2015. EnWave Canada has increased inventories to accommodate the increased sales activity related to commercial machine orders. NutraDried's food product and packaging supplies inventory was $807, which is an increase of $404 compared to September 30, 2015. NutraDried's inventory has increased in response to the increased sales of Moon Cheese® and additional safety stock in order to meet order deadlines.

Trade and other payables as at March 31, 2016 includes $1,069 of trade payables and accrued liabilities related to EnWave Canada, compared to $785 on September 30, 2015. Trade and other payables of NutraDried were $425, compared to $547 on September 30, 2015.

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. 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 March 31, 2016 there was $325 advanced under the facility with Spire, 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®, *powder*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 March 31, 2016:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	1,494	-	-	1,494
Amounts due to related parties	641	191	-	832
Other liability	507	323	-	830
	2,642	**514**	**-**	**3,156**
Commitments				
Contractual obligations including operating leases	319	156	-	475
Total	**2,961**	**670**	**-**	**3,631**

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 six months ended March 31, 2016 and March 31, 2015 in the normal course of business as shown in the table below:

($ '000s)	Six months ended March 31, 2016	2015
Consulting, management and directors' fees	**349**	263
Royalties paid or accrued to INAP APA(1)	**-**	166
Stock-based compensation recognized for related parties not included as key management	**16**	46
Office and manufacturing facility rent paid to related parties	**59**	144
	424	619

($ '000s)	Three months ended March 31, 2016	2015
Consulting, management and directors' fees	**188**	240
Royalties paid or accrued to INAP APA(1)	**-**	82
Stock-based compensation recognized for related parties not included as key management	**8**	17
Office and manufacturing facility rent paid to related parties	**30**	46
	226	385

(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 $2,747 (2015 - $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 MDA 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 (2015 - $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)	**Six months ended March 31,**	
	2016	2015
Salaries, bonuses, short-term and long-term employee benefits	386	516
Stock based compensation	39	132
	425	648

($ '000s)	**Three months ended March 31,**	
	2016	2015
Salaries, bonuses, short-term and long-term employee benefits	135	122
Stock based compensation	23	89
	158	211

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 March 31, 2016 of $830 (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 six months ended March 31, 2016. 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, trade receivables and due from customers on contract. The Company mitigates its exposure to credit loss by maintaining cash balances with major Canadian financial institutions.

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables. Prior to issuing credit, management reviews the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables by maintaining ongoing close contact with customers, by requiring commercial letters of credit, and by reviewing individual account balances, and proactively following up on overdue amounts. The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at March 31, 2016, the Company has not recorded any allowance for doubtful accounts (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 March 31, 2016:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	653	87	-	-
Due from customers on contract	578	-	-	-
Other receivables including related parties	38	-	-	-
Total	1,269	87	-	-

Liquidity risk

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

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

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

The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash. The Company manages liquidity risk through the management of its capital structure and financial leverage. At March 31, 2016, the Company had cash and cash equivalents of $5,849 to settle current liabilities of $3,339.

(a) Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash, cash equivalents and restricted cash	5,849	1,050	480	-
Trade receivables	740	-	-	-
Due from customers on contract	-	224	354	-
Other receivables including related parties	38	-	-	-
Total	6,627	1,274	834	-

(b) Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	1,411	83	-	-
Amounts due to related parties	584	17	40	191
Other liability	-	122	385	323
Total	1,995	222	425	514

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 six months ended March 31, 2016 ranged from 0.65% to 1.35%. A 1% change in interest rates would affect the results of operations by approximately $30 (2015 - $28).

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

Foreign exchange risk

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

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

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

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

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

A significant change in the currency exchange rate of the Canadian dollar relative to the US dollar and Euro currencies could have an effect on the Company's results of operations. As at March 31, 2016, 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)	**Six months ended March 31,**	
Currency	**2016**	**2015**
US dollar	125	37
Euro	97	80

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: 3,741,000 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: 150,000 (65,000 vesting on March 23, 2018, 15,000 vesting on September 11, 2018, and 70,000 vesting on March 24, 2019).
- Fully diluted capital of the Company, including common shares, stock options, warrants and Restricted Share Rights stands at 98,126,259 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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