Management Discussion and Analysis

Year ended September 30, 2016

(expressed in thousands of Canadian dollars)

Dated December 15, 2016

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

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Date of this report: December 15, 2016

This Management’s Discussion and Analysis (“MD&A”) provides a review of EnWave Corporation’s (“EnWave”, “the Company”, “we”, “us” or “our”) financial performance, on a consolidated basis, for the year ended September 30, 2016 relative to the year ended September 30, 2015, and the financial position of the Company at September 30, 2016 relative to September 30, 2015. It should be read in conjunction with EnWave’s annual audited consolidated financial statements and accompanying notes for the year ended September 30, 2016 and 2015, as well as the 2015 annual MD&A (available at www.enwave.net). The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which is the required reporting framework for Canadian publicly accountable enterprises.

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

Forward-looking statements

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

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

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

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

Actual results could, however, be substantially different due to the risks and uncertainties associated with and inherent to EnWave's business, as more particularly described in the "Risks and Uncertainties" section of this document. Additional risks and uncertainties applicable to the forward looking statements set out herein include, but are not limited to: fluctuations in EnWave's quarterly operating results; fluctuations in EnWave's operating and capital expenses; fluctuations in foreign exchange rates and interest rates that negatively impact EnWave; new or increased competition from other companies developing microwave vacuum technology; the inaccuracy of industry data and projections relied upon by EnWave; interruptions to EnWave's supply chain for key machine components; material defects and component quality of parts and raw materials sourced from EnWave suppliers; unforeseen changes to food safety and compliance regulations in the U.S. food processing industry; R&D efforts may not result in the creation of new or enhanced products in a timely or cost-effective fashion or at all; EnWave's royalty partners' and licensees' unwillingness to continue doing business with EnWave on favourable terms or at all; EnWave's business development efforts may not result in increased vertical and market penetration in the global dehydration industry; EnWave's technology may not function as intended or be suitable for the end users it is intended for; unknown or unexpected defects with EnWave's technology that are not correctable in a timely or cost-effective fashion or at all; necessary additional financing may not be available on favourable terms or at all; inability to recruit and retain qualified personnel; legal or regime changes, including changes to import and export requirements of foreign jurisdictions; political risk of domestic and foreign nations; war, terrorism, rebellion, revolt, protests, or other civil conflict; unionization, strikes or labour unrest; the global economic climate; general market trends; EnWave's intellectual property may not be sufficiently protected against third party infringement or misappropriation; EnWave's products may materially infringe a third party's intellectual property rights; the ongoing ability and desirability of licensees to continue paying EnWave patent licensing royalties on a timely basis or at all; material litigation may arise; material unexpected costs related to EnWave Technology liability or warranty; loss of the major global coffee chain as a customer of NutraDried LLP; information technology data and security breaches; fire, flood, earthquake, or other natural events; failure to obtain necessary permits, certifications, and authorizations; foreign currency fluctuations; dairy and other food commodity pricing fluctuations; share price volatility; deficiencies in accounting policies or internal controls and procedures over financial reporting; insufficiency of insurance; unavailability of certain tax credits; and unexpected tax liabilities.

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

Management's Responsibility for Financial Information

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

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

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

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. The Company's strategy with respect to existing royalty partners is to work closely with them to develop and commercialize products using REV™ technology and build future royalty streams by building production capacity.

EnWave has prospective royalty partners evaluating the REV™ technology under Technology Evaluation and License Option Agreements ("TELOA"). The strategy under these arrangements is to co-develop product applications using the technology for specific partner opportunities and to ultimately convert them into commercial licenses. EnWave earns revenues under TELOAs from short-term REV™ machine rentals as well as fees for access to EnWave's R&D facilities and product development expertise. EnWave has several active TELOAs with prospective royalty partner companies that are evaluating REV™ technology for potential commercial adoption.

To-date, EnWave has entered into seventeen royalty-bearing commercial licenses with major food processing and pharmaceutical companies. The table below outlines the EnWave's current royalty bearing license agreements signed to-date:

Royalty Partner	**Region**	**Licensed Product Category**	**REV™ Machine Capacity**
Milne Fruit Products	State of Idaho	Fruits & Vegetables	114kW MIVAP 120kW quantaREV® (1)
Hormel Foods	United States	Meats	100kW nutraREV® 10kW nutraREV®
Gay Lea Foods	Canada	Cheese Snacks	100kW nutraREV® 10kW nutraREV®
NutraDried (3)	United States	Cheese Snacks	100kW nutraREV® 2kW nutraREV®
Bonduelle Group	Worldwide	Dehydro-frozen Vegetables	120kW quantaREV® (2)
Cal-San Enterprises	British Columbia	Blueberries, Cranberries	75kW nutraREV®
Merom Farms	British Columbia	Wasabi Products	20kW nutraREV®
La Lydia Agricola Industrial	Central America	Fruits & Vegetables, Cheese Snacks	10kW nutraREV®
Nanuva Ingredients	Chile	Fruits & Vegetables	10kW nutraREV® 10kW nutraREV®
Umland	United States	High Kosher Cheese Snacks	10kW nutraREV®
Ereğli Agrosan	Europe	Fruits & Vegetables, Cheese	10kW nutraREV® 10kW nutraREV® 2kW nutraREV®
Perdue Farms	North America	Pet Food and Pet Treats	10kW nutraREV®
Lake Blue	Chile	Cheese Snacks	10kW nutraREV®
Dominant Slice	Portugal and Spain	Cheese Snacks	10kW nutraREV®
Kesito LLC	Greece	Cheese Snacks	10kW nutraREV®
Merck, Sharp & Dohme	Worldwide	Pharmaceuticals	freezeREV® (1)
Sutro Biopharma	Worldwide	Pharmaceuticals	powderREV® (1)

Note:

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

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

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

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. NutraDried produces Moon Cheese® in cheddar, gouda, mozzarella and pepper jack flavours at its manufacturing facility located in Ferndale, Washington, USA. Moon Cheese® is sold in over 20,000 retail locations across Canada and the United States.

NutraDried has demonstrated the ability for REV™ technology to operate in a large-scale commercial operation. This operation has served the Company as a showcase of the capability of large-scale commercial REV™ machinery to current and potential royalty partners. Furthermore, NutraDried's business success has established a precedent for analysis by dairy companies considering the commercialization of REV™ technology into their operations. The Company's strategy is to grow the NutraDried business through additional customer acquisitions and by increasing production capacity when necessary, and to continue to demonstrate the commerciality of REV™ to potential royalty partners to advance the adoption of REV™ in the global dehydration industry.

NutraDried holds a commercial license for REV™ technology and pays a quarterly royalty to EnWave Canada based on sales. The royalty payment from NutraDried, a subsidiary of EnWave Canada, is eliminated from revenue in the consolidated financial statements of the Company. The quarterly Royalty payments from NutraDried to EnWave were as follows:

($ 000's)	*Dec 31, 2014*	*Mar 31, 2015*	*Jun 30, 2015*	*Sep 30, 2015*	*Dec 31, 2015*	*Mar 31, 2016*	*Jun 30, 2016*	*Sep 30, 2016*
NutraDried Royalty(1)	19	12	30	56	64	87	80	66

(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.

Selected annual information

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

($ '000s)	**Year ended September 30 (audited)**		
	2016	**2015**	**2014**
Revenues	14,933	5,868	1,198
Net loss from continuing operations	(1,837)	(4,993)	(5,034)
Loss for the year after tax	(1,923)	(9,317)	(6,990)
Per share, basic & diluted	(0.02)	(0.11)	(0.08)
Comprehensive loss for the year	(1,951)	(9,213)	(6,706)
Total assets	14,962	12,939	21,933
Long term liabilities	201	597	1,136
Dividends declared	Nil	Nil	Nil

Summarized Quarterly Results

The following is a selected summary of quarterly results for the eight most recently completed quarters to September 30, 2016:

	2015				2016			
($ 000's)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
Revenues	574	1,976	1,408	1,910	2,604	4,586	5,224	2,519
Direct costs	(511)	(1,493)	(1,340)	(1,345)	(1,743)	(2,911)	(3,609)	(2,120)
Expenses	(1,284)	(1,393)	(1,630)	(1,865)	(1,344)	(1,580)	(1,502)	(1,961)
Net (loss) income – continuing operations	(1,221)	(910)	(1,562)	(1,300)	(483)	95	113	(1,562)
Net (loss) income – discontinued operations	(4)	882	(4,227)	(975)	-	(86)	-	-
Net (loss) income	(1,225)	(28)	(5,789)	(2,275)	(483)	9	113	(1,562)
Loss per share – Basic and diluted	(0.01)	0.00	(0.07)	(0.03)	(0.00)	(0.00)	(0.00)	(0.02)
Total assets	20,791	22,219	16,158	12,939	18,569	17,159	16,475	14,962
Total liabilities	5,429	5,721	5,208	3,628	5,161	3,853	2,961	2,753
Minority interest	534	1,242	1,141	1,242	1,221	1,282	1,411	1,422

Management Discussion of Fiscal Year 2016

EnWave Corporation

Fiscal year 2016 was marked with significant progress in the commercialization of EnWave's REV™ technology in the global dehydration industry. We continued to expand our royalty base through the addition of three new royalty bearing licenses and receipt of multiple new REV™ machine orders. Revenues increased significantly to $14,933 compared to $5,868 in 2015, which represents significant growth in both EnWave's REV™ technology sales and NutraDried's sales of Moon Cheese®. We continue to make progress with prospective royalty partners that are conducting initial testing and product development under TELOAs, and are growing our prospective partner pipeline to position the company for future potential royalties.

During the year ended September 30, 2016 and up to the date of this document, the following advancements were made in the commercialization of EnWave's REV™ technology:

- Received a purchase order for a large 100kW nutraREV® machine for Gay Lea Foods Cooperative ("Gay Lea") for cheese snack production in Canada. The machine has been successfully commissioned at Gay Lea's facility for royalty-bearing production.
- Received a purchase order from Milne Fruit Products ("Milne") for a 120kW quantaREV® machine, representing the second large-scale royalty-bearing machine purchase from Milne. The machine is expected to be installed at Milne's facility in the spring of 2017.
- Signed a royalty-bearing license with Ereğli Agrosan ("Ereğli"), a Turkish company that produces high value natural products for the food, cosmetic and health sectors. Ereğli

purchased two 10kW small-scale royalty-bearing machines and one lab-scale R&D machine that were commissioned at Ereğli's facility.

- Signed a royalty-bearing license for a variety of fruit, vegetable and cheese products with La Lydia Agricola ("La Lydia"), a major Central American agricultural company. La Lydia purchased a 10kW small-scale royalty-bearing machine that was commissioned at its facility in Costa Rica.
- Signed a royalty-bearing license for cheese products with Kesito LLC ("Kesito"), a company specializing in healthy snack production and global distribution. Kesito purchased a 10kW small-scale royalty-bearing machine that will be commissioned at its facility in Greece.
- Signed a royalty-bearing license for pet food and treat products with Perdue Farms ("Perdue"), one of the largest organic chicken producers in the United States. Perdue purchased a 10kW small-scale royalty-bearing machine that was commissioned at its facility in the United States in late 2016.
- Received a purchase order and commissioned a second 10kW small-scale machine for Natural Nutrition d.b.a. Nanuva Ingredients ("Nanuva") at its facility in Chile.

The commercialization of both *powder*REV® and *freeze*REV® technology platforms continued to progress during the year, with EnWave advancing the design and manufacture of scaled-up versions of each platform for two pharmaceutical partners. The *powder*REV® and *freeze*REV® machines have been designed to be constructed in accordance with Good Manufacturing Practices ("GMP") standards, and GMP certification will be pursued. Installation and start-up of these machines is planned for 2017. If the installation of the *powder*REV® and *freeze*REV® platforms in the pharmaceutical sector yields superior performance to incumbent dehydration technologies, it will solidify EnWave's value proposition with potential new partners in the pharmaceutical industry.

EnWave completed a bought deal private placement on October 21, 2015 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.

NutraDried

NutraDried reported a net income of $306 in 2016 compared to a net loss of $1,244 in 2015. NutraDried continued its trend of significant year-over-year revenue growth for the fiscal year-ended September 30, 2016 and realized operational efficiencies through higher production volumes. NutraDried revenue for the 2016 was $6,108, compared to $2,595 in 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® continues to be sold in several major North American retail outlets, including select 7-Eleven, 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.

In August 2015, NutraDried appointed Spire Brands, LLC ("Spire") as the exclusive distributor of Moon Cheese® in the United States under a Master Distribution Agreement ("MDA"). The MDA prescribed minimum quarterly volume purchase requirements for Spire to meet in order to retain exclusivity. Spire did not meet its minimum volume purchase obligation for the fourth quarter of fiscal year 2016, and the Company terminated its MDA with Spire November 2016. The removal of Spire as the exclusive distributor in the United States will allow the Company to pursue alternative channels of distribution for Moon Cheese®.

Selected Financial Information

The following table sets out selected consolidated financial information for the periods indicated, and has been derived from EnWave's consolidated financial statements and accompanying notes for the years ended September 30, 2016 and 2015, and should be read in conjunction with those financial statements.

($ '000s)	**Three months ended September 30,**			**Years ended September 30,**		
	2016	2015	Change **%**	**2016**	2015	Change **%**
Revenues	**2,519**	1,910	32%	**14,933**	5,868	154%
Direct costs	**2,120**	1,345	58%	**10,383**	4,689	121%
Gross margin	**399**	565	(29%)	**4,550**	1,179	286%
Operating Expenses						
General and administration	**627**	702	(11%)	**1,989**	2,089	(5%)
Research and development	**310**	328	5%	**1,656**	1,386	19%
Sales and marketing	**319**	198	61%	**793**	719	10%
	1,256	1,228	2%	**4,438**	4,194	6%
Net loss – continuing operations	**(1,562)**	(1,300)	(20%)	**(1,837)**	(4,993)	(63%)
Net loss – discontinued operations	**-**	(975)	(100%)	**(86)**	(4,324)	(98%)
Net loss for the period	**(1,562)**	(2,275)	(31%)	**(1,923)**	(9,317)	(79%)
Loss per share – continuing operations:						
Basic and diluted	**(0.02)**	(0.03)		**(0.02)**	(0.06)	

Discussion of Operations

Revenue

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

($ 000's)	**2016**	**2015**
Revenue	14,933	5,868

Revenue for the year ended September 30, 2016 was $14,933, an increase of $9,065 compared to 2015. Revenue for the three months ended September 30, 2016 was $2,519, an increase of $609 compared to the fourth quarter 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. EnWave Canada earned higher revenues from commercial machine construction contracts during the year

September 30, 2016 compared to 2015. A large portion of EnWave Canada and all of NutraDried revenue is denominated in USD and revenue in 2016 also reflects the impact of foreign exchange. If the CAD changed by $0.01 relative to the USD, our revenue for the fiscal year 2016 would have changed by $129.

Quarterly Revenue	**2015**				**2016**			
($ 000's)	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
EnWave Canada	114	1,684	703	772	1,315	2,748	3,492	1,270
NutraDried	460	292	705	1,138	1,289	1,838	1,732	1,249
Total	574	1,976	1,408	1,910	2,604	4,586	5,224	2,519

EnWave Canada had revenue of $8,825 for the year ended September 30, 2016 compared to $3,273 for the year ended September 30, 2015. For the three months ended September 30, 2016, EnWave Canada had revenue of $1,270 compared to $772 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 year ended September 30, 2016 revenue was generated from commercial equipment sale contracts with Sutro Biopharma and Merck for *powder*REV® and *freeze*REV® machines in the pharmaceutical vertical. We also generated significant revenue from our *nutra*REV® and *quanta*REV® platforms with commercial equipment sales contracts with Gay Lea Foods Co-operative, Milne Fruit Products, Ereğli Agrosan, Natural Nutrition, among others, in the food processing vertical. We continue to pursue revenue growth through commercial machine sales and installations by signing additional royalty-bearing licenses that are accompanied by machine purchase orders. Revenue for EnWave Canada is contract-based and is not considered seasonal, however, fluctuations in revenue will occur based on the magnitude and volume of commercial equipment sales contracts open during a given period.

EnWave Canada earned royalties of $249 for the year ended September 30, 2016 compared to $32 for 2015. Royalties are payable to EnWave as a percentage of the value of products sold or based on the number of units produced by our royalty partners. The increase in royalty revenues of $217 is due to EnWave's royalty partners' advancing the commercialization of REV™ products in the marketplace. We expect our royalties to grow as we sign new license agreements and supply additional REV™ machine dehydration capacity to our royalty partners.

Revenues from NutraDried were $6,108 for the year ended September 30, 2016 compared to $2,595 for the year ended September 30, 2015. Revenues from NutraDried were $1,249 for the three months ended September 30, 2016 compared to $1,138 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 was due to NutraDried sales to a major global coffee chain, through Spire, its distributor in the United States. The major global coffee chain continued to purchase of Moon Cheese® for its 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, components, manufacturing labour, overhead costs, depreciation of manufacturing plant and equipment, warranty costs and product transportation costs. Direct costs comprise all direct costs related to the revenue generating operations of the Company.

($ 000's)	2016	2015
Direct costs	10,383	4,689
% of revenue	70%	80%

Direct costs for the year ended September 30, 2016 increased by $5,694, or 121% compared to the 2015 fiscal year, 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 year ended September 30, 2016 decreased by 10% compared to the previous year.

During the year ended September 30, 2016, EnWave Canada had higher revenue generating activities related to the design and construction of REV™ equipment, and yielded a ratio of direct costs to revenue of 60%, compared to 61% in the prior year. We expect to achieve savings through economies of scale at EnWave Canada as the volume of machine construction contracts increases. 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 83% for NutraDried for the year ended September 30, 2016, compared to 104% in 2015. The production volumes at NutraDried were higher for the year ended September 30, 2016 compared to the 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 year. The direct costs of NutraDried are highly dependent on the commodity pricing of raw cheese as the primary raw material used in production. Cheese prices remained relatively stable in 2016 and we monitor the impact of commodity price fluctuations.

General and administration

General and administration ("G&A") expenses consist of wages, administration, accounting and audit fees, legal fees, investor relations, depreciation of plant and equipment, office rent, insurance, and other corporate expenses. G&A expenses for the year ended September 30, 2016 were $1,989 compared to $2,089 in the prior year, a decrease of $100. As a percentage of revenue, G&A expenses decreased by 23% over fiscal 2015 due to us increasing revenues without significant additional operating costs.

G&A expenses for the three months ended September 30, 2016 were $627 compared to $698 for the same period in 2015. As a percentage of revenue, G&A expenses decreased by 12% over the same period in 2015.

($ 000's)	2016	2015
General and administration	1,989	2,089
% of revenue	13%	36%

The G&A expenses decreased for the year and quarter ended September 30, 2016 by $100 and $75, respectively. We expect G&A expenses to increase in the near term as we invest in infrastructure to support planned growth, but believe these expenses will continue to increase at a slower rate than revenue over time.

Research and development

Research and development ("R&D") expenses include the salaries of engineers, technicians, scientists and management related to research and development activities, patent filing and maintenance costs, costs associated with the Company's laboratory and pilot plant facilities, including insurance, office expenses at the plants, and R&D staff travel expenses. R&D expenses also includes depreciation expense for R&D equipment. R&D expenses are attributable to EnWave Canada only.

($ 000's)	2016	2015
Research and development	1,656	1,386
% of revenue	11%	24%

For the year ended September 30, 2016, R&D expenses increased by $270 compared to prior year. For the three months ended September 30, 2016, R&D expenses were comparable to the same period in prior year. The increase to R&D expenses for the year ended September 30, 2016 was largely due to an increase to patent related fees, salaries and wages, consumable materials as well as a non-recurring reserve of $85 related to one commercial equipment installation.

Sales and marketing

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

($ 000's)	2016	2015
Sales and marketing	793	719
% of revenue	5%	12%

S&M expenses for the year ended September 30, 2016 were $793 compared to $719 for the prior year. S&M expenses for the three months ended September 30, 2016 were $319 compared to $198 for the same quarter in the prior year. For the year ended September 30, 2016 S&M expenses increased by $74 compared to the prior year. For the three months ended September 30, 2016 S&M expenses increased by $121 compared to the last quarter in prior year.

EnWave Canada's S&M expenses increased for the year ended September 30, 2016 compared to prior year due to additional personnel being hired to advance business development, as well as increased travel costs for trips to meet with prospective royalty partners. These increases were offset slightly by a decrease in NutraDried S&M expenses due to the signing of the MDA with Spire, which resulted in lower internal S&M activity and Spire overtaking these functions.

S&M expenses as a percentage of revenue decreased to 5% in 2016 compared to 12% in 2015. The decrease in the ratio of S&M expenses to revenue is a result of achieving sales growth without significant additional selling related expenditures. We expect S&M expenses to increase in the near term as we invest in activities to drive market penetration and revenue growth.

Amortization of intangible assets

Amortization of intangible assets expense for the year ended September 30, 2016 was $1,222 compared to $1,420 for the prior year. Amortization of intangible assets expense for the three months ended September 30, 2016 was $253 compared to $355 for the three months in the prior year. The decrease in amortization expense is due to certain intangible assets becoming fully amortized during the year. There were no additions to our intangible assets during the year, and current development costs related to our intellectual property are expensed as incurred.

($ 000's)	2016	2015
Amortization of intangible assets	1,222	1,420

Stock-based compensation

Stock-based compensation expense for the year ended September 30, 2016 was $399 compared to $261 for the prior year. Stock based compensation expense for the three months ended September 30, 2016 was $208 compared to $30 for the same quarter in the prior year. The increase in stock-based compensation expense is due additional stock options granted and the vesting during the period.

($ 000's)	**2016**	**2015**
Stock based compensation	399	261

Write-down of inventory

During the year-ended September 30, 2016 the Company wrote-down $178 of inventory related to prototype machine parts. These parts were configured for older design configurations and due to the advances made in the commercial designs of our quantaREV® and nutraREV® platforms we wrote the older parts down to their net realizable value. In the prior year, EnWave Canada wrote-down $265 related to prototype machines and NutraDried wrote-down $187 related to cheese inventory manufactured and custom packaged for one private label customer that was unsalable.

($ 000's)	**2016**	**2015**
Write-down of inventory	178	452

Foreign exchange (loss) gain

Foreign exchange loss for the year ended September 30, 2016 was $134 compared to a gain of $129 for the year ended September 30, 2015. There was a foreign exchange loss for the three months ended September 30, 2016 of $59 compared to a gain of $95 for the three months ended September 30, 2015.

($ 000's)	**2016**	**2015**
Foreign exchange gain (loss)	(134)	129

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

Discontinued operations

During the fourth quarter of 2015, EnWave made the strategic decision to no longer provide financial support to the conventional air drying business of Hans Binder Maschinenbau GmbH ("Binder"), the Company's former German subsidiary. On September 29, 2015 Binder filed for preliminary insolvency proceedings under German Insolvency Code. The financial results of Binder have been classified as discontinued operations, and the Company has no further involvement with Binder.

During the year ended September 30, 2016, EnWave had a loss from discontinued operations of $86 related to Binder, compared to $4,324 in 2015. The loss in 2016 was a result of the Company making a payment to fund the installation and completion of a machine contract for which EnWave had provided a performance guarantee to the customer prior to Binder's insolvency. The machine was successfully commissioned during the year and EnWave recovered the letter of credit and the restricted cash of $1,530 that was pledged as collateral for the performance guarantee.

Liquidity and Capital Resources

Working capital

The components of the Company's working capital on September 30, 2016 and 2015 are:

($ '000s)	**2016**	**2015**
Current Assets		
Cash and cash equivalents	4,590	1,101
Restricted cash	250	1,530
Trade receivables	770	1,025
Receivables from related parties	426	581
Due from customers on contract	1,542	659
Prepaids and other receivables	190	155
Inventory	1,681	1,024
	9,449	**6,075**
Current Liabilities		
Trade and other payables	1,084	1,332
Amounts due to related parties	182	499
Customer deposits and deferred revenue	700	743
Current portion of other liability	586	457
	2,552	**3,031**
Working Capital	**6,897**	**3,044**

As at September 30, 2016, the Company had working capital of $6,897, compared to $3,044 as at September 30, 2015. As at September 30, 2016 the cash and cash equivalents balance was $4,590 compared to $1,101 as at September 30, 2015, an increase of $3,489.

Trade receivables as at September 30, 2016, includes $725 of amounts owed to EnWave Canada related to equipment sales and royalties, compared to $200 on September 30, 2015, and $45 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 Spire taking over credit for the majority of large customer accounts. As of September 30, 2016, there were no significant doubtful accounts.

Receivables from related parties is $426 at September 30, 2016 compared to $581 at September 30, 2015. The balance receivable at September 30, 2016 was due from Spire and is a trade receivable of NutraDried. The balance at September 30, 2015 was an interest bearing loan due to EnWave Canada from a related party, which was repaid during the second quarter of fiscal 2016.

Due from customers on contract as at September 30, 2016 was $1,542 compared to $659 as at September 30, 2015. The amounts due from customers on contract are billed and collected when project specific milestones are reached on each project.

Inventory as at September 30, 2016 includes completed machines and parts of EnWave Canada of approximately $1,467, which is an increase of $846 compared to September 30, 2015. EnWave Canada has increased inventory to accommodate the increased sales activity related to commercial machine orders. NutraDried's food product and packaging supplies inventory was $214, which is an increase of $189 compared to September 30, 2015.

Trade and other payables as at September 30, 2016 includes $932 of trade payables and accrued liabilities related to EnWave Canada, compared to $785 on September 30, 2015. Trade and other payables of NutraDried were $152, 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 our current working capital surplus of $7,328 is sufficient to meet our financing needs and planned growth in the near term, and that we will have access to additional capital as we further expand. We structure our machine purchase and installation contracts with a deposit payable at the time of order, which provides advanced liquidity for the construction of the machine. We believe that NutraDried will generate sufficient cash from its operations to fund its continued expansion of Moon Cheese® distribution.

The Company is working toward increasingly funding operations through cash flows generated from machine sales and royalties from the commercialization of *nutra*REV®, *quanta*REV®, *powder*REV® and *freeze*REV® technologies. The Company is not exposed to any externally imposed capital requirements.

Capital expenditures

During the year ended September 30, 2016, we incurred capital expenditures of $1,026 (2015 - $1,345), related to plant and equipment and intangible assets. Although we plan to continue to invest in capital equipment as necessary to support our growth, our business is not overly capital-intensive. As of the date of this MD&A, we have no formal commitments for material capital expenditures, but we do anticipate our needs for investments in capital assets will grow with our business.

Contractual obligations

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table provides information about certain of the Company's significant contractual obligations as at September 30, 2016:

($ '000s)	**Due within 1 year**	**Due between 1 - 3 years**	**Due after 3 years**	**Total**
Financial liabilities				
Trade and other payables	1,084	-	-	1,084
Amounts due to related parties	182	164	-	346
Other liability	586	37	-	623
	1,852	**201**	**-**	**2,053**
Commitments				
Contractual obligations including operating leases	276	127	-	403
Total	**2,130**	**328**	**-**	**2,458**

Off-balance sheet arrangements

There are no off-balance sheet arrangements.

Transactions with related parties

Purchases from related parties

The Company had purchases from related parties for the quarters and years ended September 30, 2016 and September 30, 2015 in the normal course of business as shown in the table below:

($ '000s)	Three months ended September 30,		Years ended September 30,	
	2016 **$**	**2015** **$**	**2016** **$**	**2015** **$**
Consulting, management and directors' fees	**295**	237	**737**	639
Royalties paid or accrued to INAP [(1)]	**-**	83	**-**	337
Stock-based compensation	**34**	8	**68**	73
Equipment purchases	**-**	286	**-**	674
Facilities rent	**28**	135	**115**	366
	357	749	**920**	2,089

[(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.

Sales to related parties

The Company, through its subsidiary NutraDried, recorded sales of $5,279 (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 were governed by the MDA between the Company and Spire signed August 11, 2015 and were on terms equivalent to those that prevail in arm's length transactions.

The Company recorded sales of $nil (2015 - $290) to Creations, the non-controlling partner of NutraDried LLP.

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)	**2016** **$**	**2015** **$**
Salaries, bonuses, short-term and long-term employee benefits	656	551
Stock-based compensation	180	138
	836	689

Critical accounting estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The Company regularly reviews its estimates and assumptions; however, it is possible that circumstances may arise which may cause actual results to differ from management estimates, and these differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recorded prospectively.

Revenue recognition

The recognition of revenue as of the consolidated statement of financial position date requires management to make significant estimates primarily relating to the percentage-of-completion method to determine the amount of revenue to recognize. The stage of completion is measured by reference to the actual contract costs incurred as a percentage of total estimated costs for each contract. If the total actual contract costs were to differ by 10% from management's estimated contract costs, the amount of revenue recognized in the year would be increased or decreased by $418 (2015 - $42).

Impairment of inventory

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

Impairment of non-financial assets

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

Other liability

The Company entered into a license agreement for the sub-licensing rights to the MIVAP® technology. The fair value of the liability on initial recognition was added to the cost of the intangible asset at the date of purchase. The liability is measured at the end of each reporting period, and changes are recorded in the consolidated statement of loss.

The Company estimates the liability based on the present value of minimum royalties payable to INAP GmbH (Industrie-Anlagen-Planung - "INAP"), a private German company, over the life of the agreement discounted at prevailing market rates. The potential variability of this estimate is significant given that it will be highly sensitive to the number of additional sub-licensees and their ultimate use of the technology. The measurement of the liability could change depending on the Company's ultimate use of the technology which gives rise to the royalty.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of loss on a straight-line basis over the period of the lease. The Company leases certain plant and equipment and assesses whether substantially all the risks and rewards of ownership rest with the Company or the lessee.

When the Company determines that substantially all the risks and rewards of ownership rest with the Company, the Company records the lease payments earned; however, when assessed as a finance lease, the amounts are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Warranty provision

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

Financial instruments

Financial instruments and risk management

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

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

Fair values

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

Cash and cash equivalents	Loans and receivables
Restricted cash	Loans and receivables
Trade receivables	Loans and receivables
Due from customers on contract	Loans and receivables
Receivable from related parties	Loans and receivables
Trade and other payables	Other financial liabilities
Amounts due to related parties	Other financial liabilities
Customer deposits and deferred revenues	Other financial liabilities
Other liability	Other financial liabilities

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

The carrying value of other liability as at September 30, 2016 of $623 (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 hold any held-to-maturity or available-for-sale financial instruments during the years ended September 30, 2016 and 2015.

Financial risk factors

The use of financial instruments exposes the Company to a number of risks. These risks include credit risk, liquidity risk, and market risk. The Company has established policies and procedures to manage these risks, with the objective of minimizing the adverse effects that changes in the variable factors underlying these risks could have on the Company's consolidated financial statements.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss being incurred by the Company. Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, restricted cash, trade receivables, and due from customers on contract. The Company mitigates its exposure to credit loss by maintaining cash balances with major Canadian financial institutions.

The Company provides credit to its customers in the normal course of business and, as such, has exposure to credit risk in relation to the collection of trade receivables. Prior to issuing credit, management reviews the customer, taking into account its financial position, historical experience, and other factors. The Company minimizes its credit risk associated with trade receivables by maintaining ongoing close contact with customers, by requiring commercial letters of credit, and by reviewing individual account balances, and proactively following up on overdue amounts. The Company maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposures. As at September 30, 2016, the Company has recorded $nil allowance for doubtful accounts (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 Company transacts with a number of Canadian chartered banks and other brokerages. Due to the creditworthiness of its counterparties, the Company regards all changes in fair value of foreign exchange derivatives as arising only from changes in market factors, including foreign exchange rates. The Company monitors the exposure to any single counterparty along with its financial position. If it is determined that a counterparty has become materially weaker, the Company will work to reduce its credit exposure to that counterparty.

The following table provides information regarding the aging of receivables as at September 30, 2016:

($ '000s)	**Neither past due nor impaired**	**Past due but not impaired**		
	0 – 30	**31 – 90**	**91 – 365**	**365 +**
Trade receivables	641	129	-	-
Due from customers on contract	1,542	-	-	-
Other receivables including related parties	443	-	-	-
Total	2,626	129	-	-

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 September 30, 2016, the Company had cash and cash equivalents of $4,590 to settle current liabilities of $2,552.

Financial assets maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Cash and cash equivalents and restricted cash	4,590	-	250	-
Trade receivables	703	20	47	-
Due from customers on contract	42	336	1,164	-
Other receivables including related parties	443	-	-	-
Total	5,778	356	1,461	-

Financial liabilities maturity table:

($ '000s)	**0 - 30**	**31 - 90**	**91 - 365**	**365 +**
Trade and other payables	1,084	-	-	-
Amounts due to related parties	19	12	151	164
Other liability	-	121	465	37
Total	1,103	133	616	201

Market risk

Market risk is the risk that the fair value of future cash flows of the Company will fluctuate due to changes in interest rates and foreign currency exchange rates.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest risk from the interest rate impact on cash and cash equivalents. The Company earns interest on deposits based on current market interest rates, which during the year ended September 30, 2016 ranged from 0.60% to 1.4% (2015 - from 1.4% to 1.6%). A 1% change in interest rates would affect the results of operations by approximately $27 (2015 - $38).

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 September 30, 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.

The Company enters into foreign exchange derivative contracts to minimize exposure to foreign currencies. During the year ended September 30, 2016, the Company incurred an unrealized gain on foreign exchange derivatives, included within foreign exchange gain, of $3 (2015 - nil). At September 30, 2016, the fair value of the foreign exchange contracts was a net asset of $3 (2015 - nil). The fair values of the foreign exchange derivatives are recurring measurements and are determined whenever possible based on observable market data. If observable market data on the financial derivatives is not available, the Company uses observable spot and forward foreign exchange rates to estimate their fair values.

A change in the value of the Canadian dollar by 10% relative to foreign currencies the Company is exposed to would have affected the Company's loss for the year as follows:

($ '000s)

Currency	**2016**	**2015**
US dollar	412	24
Euro	81	106

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.

Risks and uncertainties

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

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

Dependence on Core Technology, Key Customers and Partners

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

The Company has entered into certain commercial licenses and equipment supply agreements with Merck, Sharpe & Dohme and Sutro Biopharma pursuant to which it has contracted to provide *freezeREV*® and *powder*REV® machines in accordance with its customers' specifications. There is no guarantee that the machines will be delivered in a timely fashion or that they will meet the output and product standards expectations of the recipients. The Company has entered into commercial licenses and equipment supply agreements with several royalty partners in the food processing industry. There is no guarantee that these royalty partners will successfully launch products that are sustainable in the marketplace or ultimately pay royalties to the Company. There is no guarantee these royalty partners will place future commercial machine orders with the Company. The Company has not proven the business case for adoption of the Company's *freezeREV*® or *powder*REV® technologies over incumbent pharmaceutical dehydration processes and there is no guarantee that there will be any commercial acceptance of *freezeREV*® or *powder*REV® in the pharmaceutical industry.

NutraDried is developing a market for natural dried cheese snacks for the United States. There is no guarantee that a sustainable market for natural dried cheese snacks can be established or if the market is viable. Natural cheese snack products sold in the United States, Canada and other countries could expose the Company to risks of litigation in the event the products cause personal damages to consumers or fail to meet regulatory standards, such as FDA standards, or other applicable laws or regulations. The NutraDried partnership may require the Company to invest capital to establish the market and commercial processing capabilities. There is no guarantee that the Company will have sufficient capital to finance the establishment of the market.

Dependence on Third Party Suppliers

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

Credit and Liquidity Risk

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

Future Sales or Issuances of Securities

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

Dependence Upon Key Management Personnel

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

Conflicts of Interest

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

Dividend Policy

No dividends on the Common Shares have been paid by the Company to date. The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's Board of Directors after taking into account many factors including the Company's operating results, financial condition and current and anticipated cash needs.

Competition

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

New snack products are developed consistently by food companies throughout the world. There is no guarantee that NutraDried will successfully develop a market for the Moon Cheese® product. Competing food companies may develop similar products that are preferred by consumers or NutraDried customers. A significant portion of NutraDried's revenue is from sales to the Major Global Coffee Chain, which creates customer concentration risk. There is no guarantee that the Major Global Coffee Chain will continue to purchase product from the Company in the future.

Intellectual Property

The Company's future success and competitive position depends, in part, on its ability to obtain and maintain the proprietary nature of its technologies, products and manufacturing processes. The Company may be subject to intellectual property infringement claims by others or may not ultimately receive issued patents in all jurisdictions where patents are pending or for new applications. Additionally, certain jurisdictions may not offer intellectual property protection that is as effective or enforceable as other jurisdictions. To protect its intellectual property, the Company may become involved in litigation (the outcome of which is uncertain), which could result in substantial expenses, divert the attention of the Company's technical and management personnel and materially disrupt the conduct of its businesses by adversely affecting the development of the Company's technology and products or sales. Some of the Company's competitors may be able to sustain the costs of complex patent litigation more effectively than the Company because they have substantially greater resources.

Uncertainties resulting from the initiation and continuation of any litigation could adversely affect the Company's revenue, financial position and results of operations.

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

Regulatory Risk

The Company's technologies targeted for use in the pharmaceutical industry will be subject to regulatory approval by a number of government entities, including the FDA in the United States and by comparable authorities in other countries. Technology development within this regulatory framework takes a number of years and may involve substantial expenditures. Any delays in obtaining regulatory approval would have an adverse impact on the Company's ability to earn future revenues for these technologies.

Research and Development

Research and development activities for new technologies are costly and may not be successful. There is no assurance that any or all of the Company's per-commercial technologies for pharmaceutical products will be approved for marketing by the FDA or the equivalent regulatory agency of any other country. There is also no assurance that the Company will be able to generate additional technology candidates for its pipeline, either through internal research and development, or through the in-licensing or acquisition of other technologies. Even if a technology is approved for marketing by the applicable regulatory agency, there is no assurance that the Company will be able to ultimately deliver this technology on a commercial scale or obtain approvals for other technology candidates in the pipeline. Furthermore, technological developments by the Company's competitors may render the Company's technologies obsolete.

Taxes and Accounting Rules

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

Environmental and Safety Regulations

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

Capital structure and outstanding share data

As of the date of this MD&A, the Company has 90,776,092 common shares issued and outstanding. We maintain a Stock Option Plan (the "Option Plan") that enables us to grant options to directors, officers, employees and consultants. We maintain a Restricted Share Rights Plan (the "RSR Plan") that enables us to grant Restricted Share Rights ("RSRs") to directors, officers, employees and consultants. The Option Plan and RSR Plan permits the granting of compensation securities up to an aggregate maximum of 10% of our issued and outstanding common shares from time to time on a non-diluted basis, and the maximum number of RSRs granted thereunder is further limited to 1,000,000.

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

	September 30, 2016		**December 15, 2016**	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Common shares outstanding	90,772,759		90,776,092	
Options				
Outstanding	5,616,000	1.23	5,132,667	1.17
Exercisable	3,362,013	1.43	3,514,014	1.27
RSRs				
Outstanding	150,000	n/a	150,000	n/a
Warrants				
Investor warrants	3,125,000	1.20	3,125,000	1.20
Agent's warrants	225,000	0.80	225,000	0.80

Proposed Transactions

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

Other MD&A Requirements

Information pursuant to National Instrument 51-102

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

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

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

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

Contact information:

Corporate and strategic	Investor Inquiries	Administration and Finance
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