Smallcaps
Investment Research

EnWave Corporation (ENW)

Company Report – March 18, 2015

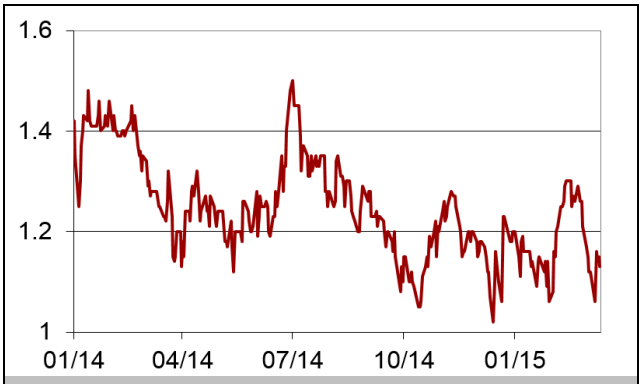
EnWave offers industrial-scale dehydration technology for commercial applications in the food and pharmaceutical spaces. The Company's Radiant Energy Vacuum ("REV") platforms are becoming the new global dehydration standard: faster and cheaper than freeze drying, and with better end product quality than air drying or spray drying.

EnWave's customer list truly validates its technology and potential. It has royalty-bearing licenses in place with companies such as Bonduelle, Hormel Foods and Gay Lea Foods. In addition, it signed research agreements with Nestlé, Kellogg's, R.J. Reynolds, Merck Pharma, and many others.

Based on our estimate of 92 million shares outstanding, the intrinsic value of EnWave's shares derived from our model is $2.79, which suggests significant upside potential over the medium-term for the Company's shares from the current level.

After we recommended EnWave in January 2015, its shares rose to $1.34, but have since pulled back, offering another excellent opportunity. If you don't have shares of the Company yet, we advise you to buy an initial position. For those who already own shares, we advise to carefully watch the news and add to your position as more contracts are announced.

- The number of locations where NutraDried cheese snacks are available is increasing rapidly. And starting in June they will be sold at 3,500 stores of a major coffee chain in the United States.
- The backlog of EnWave's German subsidiary Binder is substantially growing. In the past few months it added C$4.38 million in orders.
- EnWave is led by a strong management team with both technical and commercial experience. Armed with success stories from existing customers, it now actively approaches companies that can benefit from its revolutionary dehydration technology. And actions were taken to shorten the time between initial contact with a potential customer and the signing of a commercial agreement.



Market Data	
Price	$1.09
Sector	Diversified Machinery
52-Week Price Range	C$1.04 - C$1.80
Shares Issued (m)	84.37
Market Cap (m)	$91.96
Listings	ENW (TSXV) & E4U (Fra.)
Website	http://www.enwave.net

THE COMPANY

EnWave Corporation is a Vancouver-based industrial technology company, which develops commercial applications for its proprietary Radiant Energy Vacuum (REV) dehydration technology. The University of British Columbia manufactured the first prototype REV machine in 1996 for dehydrating food and nutraceuticals.

Since then, EnWave has developed three commercial-scale REV platforms: nutraREV for the food industry to dry fruits, vegetables, meats and other products quickly and at low-cost, while maintaining high levels of nutrition, taste, texture and color; powderREV for the dehydration of bulk food cultures, probiotics and fine biochemicals such as enzymes; and quantaREV for continuous, high-volume low-temperature drying of sensitive food products in liquid or solid form.

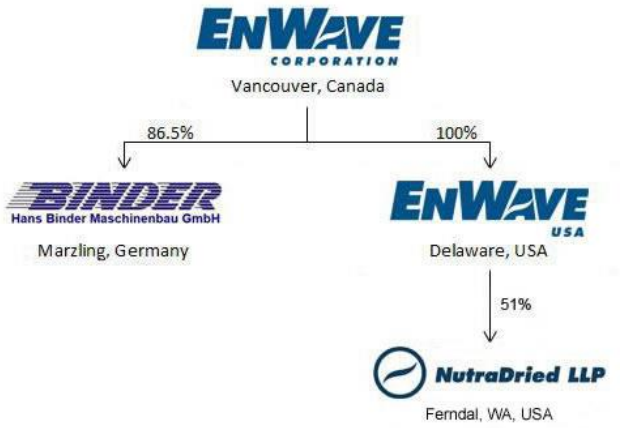
In addition, the Company has two developmental-stage REV platforms: bioREV and freezeREV to stabilize and dehydrate biopharmaceuticals such as vaccines.

EnWave's technology suite is protected by 18 patents either granted or pending. And it continues to file additional technology and process patents whenever R&D advances are made.

EnWave's international customer list truly validates its technology and potential. The Company's business model is to sign royalty-bearing commercial licenses with leading food and pharmaceutical companies for the use of its revolutionary technology. Each license agreement restricts the partner's use of the technology to specific applications and geographic areas. EnWave has already several commercial clients that generate, or will soon start to generate, revenues from its REV technology.

It's also working with over 40 other companies at varying stages of the sales process. Many are testing the merits of REV technology for a diverse range of applications that include food, pharmaceutical and industrial end products. Of the companies that are evaluating REV technology, several commercial license opportunities are under negotiation and the Company anticipates a number of decision points to occur shortly.

EnWave employs 25 people in Canada, who operate a biotechnology lab, pilot plant and engineering facility.



EnWave corporate structure.

The Company also owns 86.5% of Hans Binder Maschinenbau GmbH, a German subsidiary that engineers and builds dehydration equipment. Binder's backlog is currently around C$10 million.

Finally, it's a 51% stakeholder in NutraDried LLP, a Joint Partnership with NutraDried Creations LLP, to develop, market and produce 100% natural dried cheese products for the snacking industry. The snacks will soon be available in +5,000 locations across North America.

EnWave generates revenues from the following three sources:

- REV machinery sales and maintenance;
- Royalty streams ranging between 2% and 10% from partners that use a REV machine to produce commercial products;
- NutraDried, which sells healthy dried cheese snacks.

Clients

The Company's market strategy targets large, Tier 1 companies in the food and pharma

sector, as well as Tier 2 players in niche markets and regions.

In most cases, EnWave initially signs research collaboration agreements with potential partners, offering them certain product and geographic exclusivity. After those companies have completed a satisfactory due diligence on the technology and market opportunity, full commercial agreements are signed and machine orders placed.

Thus far, the Company has signed twelve royalty-bearing licenses, opening up eight distinct market sectors for commercialization, with companies that include:

- Bonduelle, a global leader in the production of vegetables;
- Hormel Foods Corporation, a multinational manufacturer and marketer of consumer-branded food and meat products, for the production of healthy dried meat products;
- Gay Lea Foods, a dairy co-operative comprised of over 1,200 Canadian farmers, to process cheese snack products for human and pet consumption;
- CAL-SAN Enterprises, a blueberry producer in British Columbia;
- Natural Nutrition, for the production of berry products in Chile;
- Milne Fruit Products, for the production of several dehydrated fruit and vegetable products in the whole, fragmented and powdered form;
- A leading North American enzyme company, to dehydrate a series of food-related enzymes for their Tier 1 clients;
- Napa Mountain Spice Company, to dry high-quality California bay leaves;
- NutraDried LLP to develop, manufacture, market and sell all-natural cheese snack products in the United States under the Moon Cheese brand;
- NutraDried Creations to market dried cheese and other REV snack products through private label distribution channels in the United States and Latin America; and
- Sutro Biopharma, for the dehydration of a cell-free medium used in their patented protein synthesis process.

EnWave has signed research agreements with an expanding list of companies such as Nestlé, Kellogg's, Ocean Spray Cranberries, Sun-Maid Growers, R.J. Reynolds, Merck Pharma, and many others.

Hans Binder Maschinenbau

Established in 1950, Hans Binder Maschinenbau GmbH designs and develops custom driers and complete dehydration turn-key plants from their engineering and machine building operation in Marzling, Germany. Binder has extensive vacuum microwave drying experience in both the food and chemical industries.

In October 2012, EnWave acquired a 86.5% controlling interest in Binder for an aggregate price of $2,546,168 (€2,000,000), an amount which was invested into the working capital of Binder.

Part of a processing line for leafy vegetables manufactured by Hans Binder.

The acquisition was a very smart move by EnWave, as it brought together the resources of the two leading vacuum microwave companies in the world. It combined EnWave's innovation, global marketing expertise, Tier 1 collaboration pipeline and growing patent position (see Expanding Patent Portfolio below) with Binder's economies of scale, experience and ability to design and deliver industrial scale turn-key drying plants.

In November 2014, Binder received a C$3.15 million order for a large scale convective air dehydrator from a South Korean repeat customer. This increased the subsidiary's order book to over C$7 million, a material improvement from an order book of less than C$200,000 at the time of EnWave's acquisition. In the meantime, Binder has secured an additional C$4.38 million in orders.

Thanks to these orders, Binder is now well positioned to become cash flow positive in 2015, which is important as it will no longer be a cash drain for Enwave.

NutraDried LLP

NutraDried LLP develops, manufactures, markets and sells 100% all-natural cheese snacks under the Moon Cheese and Muncheese private label brands. EnWave USA Corporation, a 100% daughter of EnWave Corp, holds a 51% stake in NutraDried, while NutraDried Creations, a private company majority owned by a former director of the Company, controls 49%.

The intention is to leverage the innovative capabilities of EnWave's REV technology and NutraDried Creations' extensive distribution relationships and marketing expertise to bring a healthy new snack option to North American consumers. EnWave benefits from selling REV machines to the joint venture, while it also receives a revenue-based royalty of 5%.

In July 2013, the LLP began producing cheese snack products under the Moon Cheese brand in three flavors - Gouda, American Cheddar and Pepper Jack - for initial market introductions and early-stage sales. Shortly thereafter, Moon Cheese was launched in 192 Quality Food Centers and Fred Meyer stores, chains owned by Kroger Company. Launching Moon Cheese in two of the most well-known grocery banners in the Pacific Northwest was the perfect opportunity to build brand awareness and test several in-store promotional plans.

After starting production on a smaller unit, the LLP installed a 100kW nutraREV machine in Ferndale, Washington in June 2014, which has been producing commercial products since.

Thanks to its growing number of distributors, NutraDried has secured additional distribution in several Canadian and U.S. grocery chains. The snacks can now be purchased in Canada at select Urban Fare, Save-on-Foods, Sobeys, Thrifty stores in British Columbia, and Overwaitea Foods stores. And in the United States, select REI stores, Sunset Foods stores, Roche Brothers, Raley's Supermarkets, Rosauers in Eastern Washington, Best Markets in the New York area, select Whole Foods locations, and Tony's Fine Food sell Moon Cheese as well.

Muncheese private label cheese snacks

As a result, NutraDried's sales reached $450,000 in the final quarter of 2014, while it only generated $220,000 in sales in the four preceding quarters combined.

The private label brand Muncheese had its first success with a deal totaling 25,000 pounds of cheese snacks, which were sold in 28 Costco stores in the Pacific Northwest. After an initial test period, the packaging and package design is now being refined. The dried cheese snack is expected to return to the Costco's shelves in the spring of 2015.

And it doesn't stop there. A few weeks ago, the Company announced that Cheddar and Gouda Moon Cheese snacks will be part of a sixteen week long trial program at 3,500 locations of a major coffee chain in the United States.

Commencing in June 2015, the standard 2oz cheese packs will be promoted in-store during the first nine weeks of the program, while the following seven weeks will be used to collect sales data and to determine whether the product can sell without extra promotion. Based on this trial period, the coffee chain will decide if it's justified to continue distributing the product. And if sales go well, it may even expand distribution to more stores.

Clearly, this is an excellent deal for NutraDried, and as such also for EnWave. If, for example, only 2 packs of Moon Cheese are sold per day in each store, the 16-week trial period would generate $1.56 million in sales at a realistic $2 wholesale price per pack.

Although selling state-of-the-art dehydration equipment remains EnWave's core business, it's clear that the decision to start producing snacks was very smart. While EnWave continues to expand the number of commercial license agreements for its REV machines, NutraDried provides an immediate and growing source of revenues.

Moreover, having a fully operating REV machine that manufactures cheese snacks, is very useful to show prospective buyers what REV technology is capable of.

TECHNOLOGY

Until recently, food processing companies had the choice between either 'freeze drying', which provides superior product quality, but is cost prohibitive and is only used to process higher-value products; or 'spray and air-drying', which is cost effective but degrades the quality of the products (Also see table below).

Now thanks to EnWave's Radiant Energy Vacuum technology, those companies, for the first time, can combine the effectiveness of freeze drying with the economics of spray and air drying.

	EnWave's REV Technology	Freeze Drying	Air Drying
Better Product	Superior Color Superior Flavor High Nutritional Retention	High Nutritional Retention	Heat & Oxygen Damages Color, Flavor, Nutrients and Texture
Faster Process	Minutes or Hours (1,5 hours for Blueberries)	Hours or Days (24 - 36 hours for Blueberries)	Hours (6 hours for Blueberries)
Cheaper Cost	Up to 80% lower processing costs than freeze-drying (combination of lower capital, labor and energy costs)	High Capital Costs High Energy Costs	Low Capital Costs Competitive Energy Costs

Comparison between EnWave's REV Technology, Freeze Drying, and Air Drying. Source: Company Presentation

EnWave's REV technology utilizes radiant energy (microwaves) in a vacuum environment to homogeneously dehydrate a wide variety of foodstuffs and biomaterials at temperatures ranging from approximately 37.5°C to below freezing. The key to the technology is the vacuum environment in which the energy is applied, because it reduces the atmospheric pressure, therefore lowering the temperature at which the moisture can efficiently be removed. This reduction of heat and oxidization minimizes the damage inflicted on the REV-dried products, preserving richer flavors, brighter colors and higher nutritional content.

Five REV platforms have been developed to address specific market opportunities. Three platforms are at a commercial stage, while the others are under development. Each one is described below.

Commercial Stage

nutraREV is designed for the dehydration of fruits, vegetables, herbs, dairy products, meats and seafood. It provides higher nutritional content, and improved appearance, flavor and texture over freeze drying, which is the industry standard for dehydrating many food applications. The nutraREV platform has been built up to 100kW in power, and is capable of producing as much as 300 kg (660 lbs) of dried product per hour.

The very first commercial deal that EnWave closed, involved the sale of a nutraREV machine to CAL-SAN Enterprises, a blueberry farming and processing operation in British Columbia. A 75kW REV machine was delivered in March 2009.

Since then, interest in EnWave's nutraREV technology has continued to grow among food companies. In June 2013, for example, Hormel Foods Corporation, a Fortune 500 company, signed a royalty-bearing commercial license to use nutraREV machinery. And early January 2015, after conducting successful technology, product and market studies, Hormel entered into a purchase agreement for a 100kW commercial nutraREV unit. The machine will be installed in the following months and should start to generate first royalties for EnWave shortly thereafter.

We expect the sale of the machine to generate approximately $1.2 million in revenues and royalties should vary between $300,000 and $500,000 per year at full utilization. Hormel will use the machine to launch new, innovative dried meat snack products. When successful, Hormel could buy additional machines.

In addition to the order, Hormel agreed to purchase a 2kW REV machine for product development and a 10kW REV machine for market studies that it already had in use. This indicates that they want to continue developing new products with EnWave's technology.

Hormel's decision to pursue full commercialization of REV-dried meat snack products confirms the value of EnWave's proprietary dehydration technology and builds its momentum in this global market.

Also Napa Mountain Spice Company, a specialty spice company focused on the production of organic bay leaves in Northern California, signed a royalty-bearing commercial license to use REV technology for their dried spice offerings. In addition, EnWave plans to leverage the potential success of Napa Mountain into additional relationships with larger companies operating in the spice & herb market sector.

In November 2014, EnWave signed a commercial license with Gay Lea Foods, an industry leader in the production and processing of dairy products. The license grants Gay Lea the exclusive right to process cheese snack products for human and pet consumption in Canada using the Company's REV technology. Gay Lea immediately ordered a small commercial-scale nutraREV unit, and must submit an additional order for at least one 100kW nutraREV machine within 18 months.

powderREV technology is designed to dehydrate a wide variety of materials including enzymes, probiotics and food cultures, pharmaceuticals, non-regulated biologicals and certain dry food products.

It's ideally suited to replace the expensive and time consuming process of tray freeze and spray drying, which takes place in a high heat environment and damages sensitive organisms.

Laboratory tests have shown that the potential benefits of powderREV over freeze drying include less capital cost due to faster dehydration times, smaller plant footprints, and lower energy and labor costs.

In April 2013, EnWave signed a royalty-bearing commercial license agreement with a major North American enzyme producer to dry a number of food-related enzymes using a powderREV. EnWave will supply two 18kW powderREV machines.

In May 2014, EnWave signed another powderREV commercial license with Sutro Biopharma, a pharmaceutical company based in San Francisco. An 8kW powderREV machine is momentarily in testing phase. Once completed, Sutro will be conducting detailed trials that are expected to be completed by mid-2015.

Customer	Machines In Operation	Machines Ordered or Anticipated
Hormel	10kW	One 100kW nutraREV
Bonduelle		One 120kW quantaREV
NutraDried	100kW nutraREV	100kW nutraREV
Gay Lea Foods	10kW	One 100kW nutraREV
Natural Nutrition	10kW	Two nutraREVs
Sutro Biopharma	Prototype	one powderREV
Confidential		Two 18kW powderREVs
Merck	Lab-scale	Non-GMP Dryer
Partial list of machines in use & sales pipeline. Source: Company Presentation		

quantaREV is designed for high-volume, low-temperature dehydration of solids, liquids, granular or encapsulated products. It uses a continuous belt design in a controlled vacuum-microwave environment with an eventual target of dehydrating several tonnes of material per hour. This low temperature technology is designed to provide a higher-quality end product than what is currently achieved with spray drying or air drying.

In November 2013, EnWave signed a commercial royalty-bearing license with a division of Bonduelle, the world's leading processed vegetable producer. Bonduelle's global distribution reaches into over 100 countries worldwide, primarily selling fresh, frozen and canned vegetables. After signing the agreement, Bonduelle received an 18kW quantaREV machine to conduct tests and product refinement. In the coming months a commercial-scale 120kW quantaREV will be delivered to the food processing company.

Commissioning of this machine will enable commercial production in 2015 and validate the quantaREV platform on a larger scale. Success on commercial-scale is expected to lead to a further and more sizeable deployment of EnWave's quantaREV technology.

Development Stage

freezeREV is designed to provide high-speed dehydration for live and active organisms in vials with the potential for significantly lowering operating costs compared with freeze drying. freezeREV is intended for products which must have a minimum moisture content in order to maximize their shelf-life.

In December 2011, EnWave signed a Research Agreement with the drug manufacturer Merck to test the feasibility of the freezeREV technology. Late December 2014, the two companies signed a new R&D agreement that builds upon the prior one. Under the terms of the new 10 year agreement, EnWave will manufacture a specifically designed **non-GMP** REV dryer, while Merck will bear all costs associated with this process. When finished, the REV unit will enable further testing and advancement of the dehydration technology in the pharmaceutical industry. In this case, a non-GMP REV dryer is manufactured first, because it reduces development time and costs.

While Merck retains the option to exclusively license REV for the drying of several specific vaccines, the agreement is non-exclusive, which enables EnWave to pursue additional partners in the pharma field. This could ultimately help all biotechs in their potential future pursuit of regulatory approval for the use of REV, as the FDA will likely be more compelled to expedite the approval process if more than one company is lobbying for it.

Although it will take some more time to develop and commercialize freezeREV, the new deal with Merck provides revenues to EnWave from the sale of the machine, and it again confirms the high potential of the technology when a giant like Merck decides to proceed after a three year test period.

GOOD MANUFACTURING PRACTICES (GMP)

Good Manufacturing Practices (GMP) are the practices required in order to conform to guidelines for manufacture and sale of food, drug products, and active pharmaceutical products. These guidelines provide minimum requirements that a pharmaceutical or food products manufacturer must meet to assure that the products are of high quality and don't pose any risk to the consumer or public.

Good manufacturing practices, along with good laboratory practices and good clinical practices, are overseen by regulatory agencies in the United States, Canada, Europe, China, and other countries.

In March 2014, the Company also entered in an agreement with a Tier 1 pharmaceutical company, to test the freezeREV technology for the dehydration of monoclonal antibodies.

bioREV is designed to dehydrate liquid biological materials in vials such as viruses and antibodies at temperatures above the freezing level. Unlike freezeREV, which is essentially an accelerated freeze drying process, bioREV is a more gentle drying process that is intended to remove moisture from highly sensitive biomaterials that cannot withstand freezing temperatures.

Tests at EnWave's laboratory are ongoing to determine its potential for producing room temperature stable biomaterials. When successful, this would potentially eliminate the need for a continuous 'cold chain' from manufacturer to patient, opening up another gigantic market.

The timeline for commercialization of this technology is still to be determined, and will depend on the developments made in conjunction with a partner in the pharmaceutical industry.

bioREV and freezeREV sample vials

Expanding Patent Portfolio

EnWave currently holds, or has filed, 18 separate patents that protect both its REV technology and specific methods of use. Because the Company's technology continues to be developed, new innovations are made. As such, its intellectual property portfolio continually expands.

A few weeks ago, EnWave was granted a Canadian patent that protects the improved modular design of its nutraREV machines. The new design allows for easy expansion in scale of a nutraREV machine, which is very useful, because there's sort of a maximum scale at which products can be most effectively dehydrated. Thanks to the modular design however, as many units as necessary can be linked up, making it easier to customize a machine to each client's specific needs. The modular nutraREV patent has also been filed in the United States and Europe.

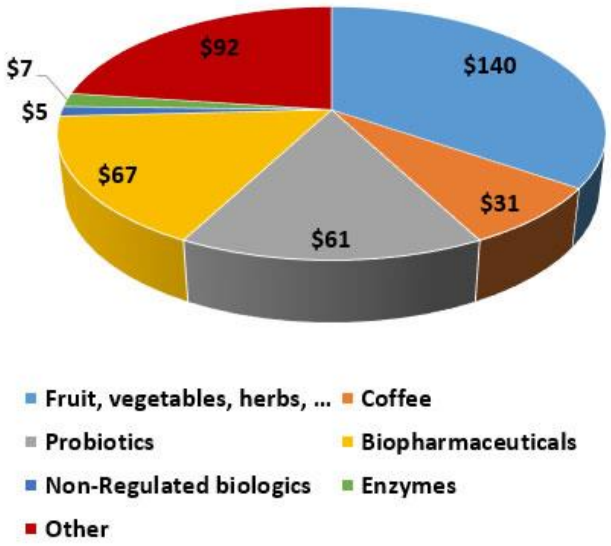
EnWave's patent suite now consists of twenty-six patent approvals protecting its REV technology in the United States, Canada, the European Union, China, Hong Kong, New Zealand, Chile and Australia. The Company also has an additional forty-five patent approvals pending in countries such as Brazil, India, Japan and Mexico.

Although a patent approval may seem like a non-event for many investors, it is

very important for the Company's business model, as every new patent extends the term of royalty payments to EnWave.

THE MARKET

As noted before, EnWave targets both the drying equipment market and dried products market, where it partners with companies that dehydrate their products.



The global dried products market (figures in billion USD). Source: Company Presentation.

The total market size for freeze drying equipment is estimated at $16 billion and is expected to reach $35 billion by 2020. Especially the food processing and pharmaceutical industries are expected to continue to drive demand for freeze drying equipment. While food processing is the largest segment with about 35% of the market, biotechnology is expected to be the fastest grower the following years.

The worldwide market size for dried products is estimated at an astonishing $400 billion. The largest segment, estimated at $140 billion, is the food industry, which includes dried fruits, vegetables, meats, etc. The biopharmaceuticals segment comes in second with a $67 billion market share, closely followed by probiotics, food cultures and enzymes, that generates $61 billion annually. The dried beverage market, primarily made up of coffee and milk, is estimated at $31 billion.

EnWave intends to develop the market for REV technology by selectively collaborating with strategic partners focused on reducing processing costs and creating new or improved product opportunities.

RECENT EVENTS

The Quiet Investor Recommendation

EnWave Corp was given a buy recommendation in the February 2015 issue of the popular investment newsletter "The Quiet Investor".

John Gay, the publisher of the subscription based newsletter, stated: *"It seems that EnWave has done much of the heavy lifting in order to get this Company and its revolutionary product into the market. The concept has been validated not only by scientific experiments and peer reviewed papers, but also by actual trials by a number of companies, and finally by orders for dryers that have been successfully employed on a diverse range of products."*

"There are nine dryers in operation at the beginning of this year, and the possibility of an additional nine or ten could be in operation by the end of the year. Breakeven can be around $13-$14 million depending on the mix of sales and royalties, and there is a possibility that the Company can be cash flow positive in 12 to 14 months."

TSX Venture 50 Company

Early 2015, EnWave was named a 2015 TSX Venture 50 company by the TSX Venture Exchange. The TSX Venture 50 annually ranks the top 10 performing companies in five industry sectors: Clean Technology, Diversified Industries, Mining, Oil & Gas, and Technology & Life Sciences.

The companies are ranked based on the following four equally-weighted criteria: market capitalization growth, share price appreciation, trading volume and analyst coverage. It basically identifies emerging companies that have shown strong results in key measures of market performance.

FINANCIALS

The table below shows the remarkable progress EnWave has made in the first quarter of fiscal year 2015, ended December 31, 2014, versus the comparable quarter last year.

Sales for the first quarter of fiscal year 2015, ended December 31, 2014, reached $2.51 million, an increase of $1.94 million, or 343%, compared with the same quarter last year. The strong increase was mostly driven by Binder's success in securing machine-building contracts during the last quarter of fiscal year 2014, and during the present fiscal period, whereas during the comparative period Binder was faced with a slowdown in work orders. Also contributing to the revenue is stronger sales by NutraDried.

Binder finished fiscal year 2014 with an order book of approximately C$7 million. Since then, it has secured an additional C$4.38 million in orders.

And NutraDried generated more sales during the first quarter of fiscal 2015 (approximately USD$450k), than it produced for the FULL fiscal year 2014 (USD$220k). This sales increase can be attributed to two factors; repeat orders from existing customers and an increase in points-of-sale. Moon Cheese is currently available in approximately 1,700 individual locations.

Note that NO revenues have been recorded yet from the deal with the large international coffee chain, where Cheddar and Gouda Moon Cheese will be introduced in 3,500 locations.

The sharp increase in revenues resulted in a gross profit for the quarter of $567,617 compared with a loss of $477,994 in the first quarter of fiscal year 2014. A very nice achievement.

The first quarter of 2015 showed a net loss of $1.49 million, versus a net loss of $2.63 million in the comparable period last year. Still a loss, but nevertheless a strong improvement.

We're not there yet, but with the solid backlog from Binder and the expanding Moon Cheese distribution, the following quarters should continue to advance. In addition, the Bonduelle deal should start to generate royalties in the second half of the calendar year.

Amounts in $000's	12/31/14	12/31/13
Net Sales	2,510	566
Cost of Goods Sold	1,942	1,044
Gross Profit (Loss)	**568**	**(478)**
Expenses	1,792	2,245
Foreign Exchange	274	88
Net (Loss)	**(1,499)**	**(2,635)**
Diluted Shares Outs.	84,373	78,739
Diluted EPS	(0.02)	(0.03)

Most important income statement data for the quarters ending December 31, 2014 and December 31, 2013. Source: Company Filings

EnWave has three sources of revenues. The first one is building and selling REV machines to commercial partners, utilizing Binder's in-house manufacturing capacity. A 100kW machine typically sells for $1.2 million with margins on manufacturing estimated at 20%. In addition, Binder manufactures and sells conventional drying equipment which is consolidated into EnWave's financials. Maintenance revenue on machines is also earned.

The second source is recurring licensing royalties from commercial partners for use of the REV technology. They pay EnWave a 2 to 10 percent royalty on all revenues generated from products manufactured with a REV unit. EnWave targets annual revenues between $100,000 and $900,000 per 100kW machine.

The third source is generated through the 51% ownership of NutraDried, where EnWave

will consolidate the entire NutraDried Profit & Loss account. In addition, EnWave earns a 5% royalty on all revenues generated by NutraDried.

Amounts in $000's	FY 2014	FY 2013
Sales & Machine Construction	2,394	356
Royalties	6	51
Equipment Testing Fees	110	159

Revenue breakdown for the quarters ended December 31, 2014 and 2013. Source: Company Filings

Balance Sheet As Of December 31, 2014

Due to the net loss in the first quarter, EnWave's cash position declined about $1.3 million. With about C$4.5 in bank, the Company's management is confident this is sufficient to continue executing the business plan of constructing, selling, and starting to collect royalties from REV machines. The goal is to become cash flow positive in 2015, which is certainly achievable.

Amounts in $000's	12/31/14	09/30/14
Cash and Cash Eq.	4,535	5,851
Accounts Receivable	1,971	2,496
Inventories	1,758	1,243
Total Current Assets	9,124	10,561
Total Assets	**20,791**	**21,851**
Trade and Other Payables	1,784	1,679
Total Current Liabilities	4,467	4,278
Total Liabilities	**5,429**	**5,414**
Total Stockholder Equity	15,362	16,438

Most important balance sheet data for the periods ending December 31, 2014 and September 30, 2014. Source: Company Filings

The overall working capital of the Company decreased by approximately 1.6 million due to: (a) acquisition of property, plant and equipment, which includes dehydration equipment to lease to customers by EnWave Canada; (b) decrease of long-term liabilities; and (c) the structure of some machine construction contracts whereby a significant part of the payment is realized upon delivery of the equipment.

The current ratio is 2.04 and long term debt is only $0.96 million.

OUTLOOK & VALUATION

Until recently, food processing companies had to choose between minimizing their drying costs or producing premium dried products. Thanks to EnWave's REV technology, companies no longer have to choose, as they're able to produce high-value dried products at a much lower cost. The main goals of using REV technology are to shorten processing times, reduce operational costs and to produce higher-value products than previously achievable via alternative processing technologies with similar economics.

Judging from the large and well-known companies with which EnWave has signed commercial licenses or research collaborations, it's clear that its REV technology is a game changer. Moreover, EnWave hardly has any competition and its technology is fully patented, which enhances the Company's valuation.

Currently, EnWave has twelve commercial customers under contract. Bonduelle and Hormel Foods, to only name two, will start using their REV units in 2015, which will generate sales and royalties for the Company.

EnWave also has commercial license negotiations ongoing with Tier 1 and Tier 2 companies that could lead to license and purchase decisions over the next quarters. Many more dialogues are ongoing with potential partners in the huge dehydration market.

EnWave is led by a strong management team with both technical and commercial experience. Since Mr. Budreski joined the Company as Executive Chairman in June 2014, existing partners and potential customers are approached in a more pro-active way, in an effort to shorten the time between initial contact and the signing of a commercial license agreement. In addition, armed with success stories from existing customers, EnWave now actively approaches

companies that can benefit from its revolutionary dehydration technology.

Of course, while negotiations are often subject to decision timelines of large counterparties, NutraDried allows EnWave to dictate its own future. Its dried cheese snacks will soon be sold at 3,500 locations of a large international coffee chain as part of 16 week trial. Depending on the outcome of the trial, distribution could be expanded. Moon Cheese is already available in approximately 1,700 locations across the United States and Canada.

Also the backlog at the Company's German subsidiary Binder is growing, as it received C$4.38 million in orders over the past few months.

As a result of all these positive developments, EnWave is well on its way to reach its goal of becoming cash flow positive in 2015.

Valuation

EnWave Corp. has gone through most of its de-risking cycle. Its technology works and is validated by many commercial agreements. The dehydration market is large and spread over many different sectors. Furthermore, the Company has several million dollars in cash and could become cash flow positive in 2015, eliminating the need for equity capital requirements.

There's substantial upside potential thanks to commercial contracts starting to generate revenues in 2015. There are several commercial contracts, with machine orders attached to them, pending. And the Company is benefitting from Binder's solid order flow and NutraDried's expanding distribution.

Given the still emerging nature of EnWave's earnings, a multiple-based valuation is challenging. Instead, we apply a Discounted Cash Flow (DCF) model.

Based on our estimate of 92 million shares outstanding, the intrinsic value of EnWave's shares derived from our model is $2.79, about equal to our initial report. This intrinsic value suggests significant appreciation potential for EnWave's shares from the current price over the medium-term.

SHARE DATA & OWNERSHIP

As of December 31, 2014, EnWave had approximately 84.5 million common shares outstanding. In addition, the Company has 2.1 million warrants outstanding with an exercise price of $1.75 and 0.2 million agents' warrants with an exercise price of $1.40. All warrants entitle the holder to purchase one common share of the Company until December 20, 2015. Finally, EnWave has about 5.2 million stock options outstanding with a weighted average exercise price of $1.48. Each stock option entitles its holder to purchase one common share of the Company.

The principal owners of the Company's common stock are DJE Investment (5.63%), Kimelman & Baird (1.43%), Front Street Capital (1.20%), Petercam (0.95%), and Driege & Weghsteen (0.29%).

MANAGEMENT

- **DR. TIM DURANCE - PRESIDENT & CEO, DIRECTOR**

One of the founders of EnWave, Dr. Durance has 35+ years' experience in the processed food industry and is the co-inventor of the Company's Radiant Energy Vacuum (REV) technology.

Dr. Durance received his Ph.D. and M.Sc. in Food Science from UBC, as well as a B.Sc. in Microbiology from the University of Guelph and a B.A. in Anthropology from the University of Waterloo. He's the author of more than 75 peer-reviewed scientific publications, 16 patents, and numerous book chapters, scientific presentations, and invited lectures on technology and food processing.

As EnWave's President & Co, his responsibilities include research and development related to all of the REV technologies, as well as ongoing intellectual property development.

- **MR. JOHN P.A. BUDRESKI - EXECUTIVE CHAIRMAN**

Mr. Budreski has over 30 years of extensive capital markets and executive management experience. He was formerly a Vice Chairman of Cormark Securities Inc. from 2009 to 2012 and President and CEO of Orion Securities Inc. from 2005 to 2007, prior to its successful sale to Macquarie Bank. He has filled the roles of a Managing Director of Equity Capital Markets and Head of Investment Banking for Scotia Capital Inc. from March 1998 to February 2005 after starting out as a Managing Director of US Institutional Equity Group for Scotia Capital. He also held senior roles in investment banking and equity sales and trading for RBC Dominion Securities.

ANNUAL INCOME STATEMENT FY 2012 – 3M 2015

All numbers in thousands

PERIOD ENDING	FY 2012	FY 2013	FY 2014	3M 2015
Total Revenue	**487**	**5,448**	**4,554**	**2,510**
Cost of Revenue	971	3,796	3,976	1,942
Gross Profit (Loss)	**(484)**	**1,652**	**578**	**568**
Expenses				
Administrative	916	1,994	2,117	460
Sales & Marketing	425	979	1,165	289
R&D	2,542	2,675	1,591	490
Amortization Intangible Assets	1,147	1,905	1,432	360
Stock-based Compensation	915	1,118	608	97
Net Loss Applicable To Common Shares	**$6,770**	**$7,772**	**$6,706**	**1,499**

Annual Income Statement FY 2012 – 3M 2015. Source: Company Filings

TSX Venture: ENW

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