

Smallcaps

Investment Research

EnWave Corporation (ENW)

Company Report – June 13, 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.

During the second quarter, ended March 31, 2015, EnWave's sales reached \$5.4 million, up more than tenfold compared with the same period in 2014. Income for the quarter was \$23,552 versus a loss of \$2.1 million last year.

During the past few weeks, EnWave started up three commercial REV machines that will soon generate royalties. The first unit was installed at Umland LLC, which sells high kosher cheese snacks, the second at Gay Lea, the second largest dairy co-operative in Canada and the third one at Natural Nutrition, a Chilean fruit processor.

The long awaited launch of Cheddar and Gouda Moon Cheese snacks, as part of a sixteen week long trial program at 3,500 locations of a major coffee chain in the United States is set to begin.

As a result of all these positive developments, we have increased the price target for EnWave's shares to \$3.15, up 13% compared to our previous report.



- At Bonduelle, a global leader in the production of vegetables, a 120kW quantaREV commercial unit is scheduled to come online very shortly. This will generate an attractive production-based royalty for EnWave. If successful, several more units could be ordered by Bonduelle.
- A 100kW commercial nutraREV unit is being installed at Hormel Foods Corporation, a multinational manufacturer and marketer of high-quality, brand-name food and meat products. Once operational, royalties should vary between \$300,000 and \$500,000 per year at full utilization.
- The backlog at Hans Binder, the Company's German subsidiary and current growth driver, continues to be high.



THE COMPANY

EnWave Corporation is a Vancouver-based industrial technology company, that 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.

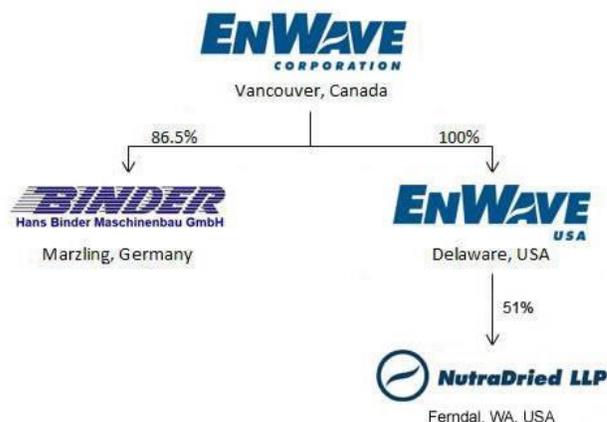
In addition, the Company has two developmental-stage REV platforms: bioREV and freezeREV to stabilize and dehydrate biopharmaceuticals such as vaccines.

During the second quarter, ended March 31, 2015, EnWave, for the first time in its history, reported a net income (including foreign exchange translation). Sales for the quarter were \$5.4 million, up more than tenfold compared with the same period last year. Income for the quarter was \$23,552 versus a loss of \$2,177,847 in the second quarter of fiscal year 2014.

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. During the past few weeks EnWave installed three additional REV machines with new customers, which will soon start to generate revenues (Also see 3 Commercial Startups in 7 Weeks).

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. April and May were also fruitful in this area, as two more technology evaluation agreements were closed (Also see Other Recent Events).

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 corporate structure.

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

The Company also owns 86.5% of Hans Binder Maschinenbau GmbH, a German subsidiary that engineers and builds dehydration equipment.

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:

- ▣ Machine 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 completing a satisfactory due diligence on the technology and market opportunity, those companies sign commercial agreements and place machine orders.

Thus far, the Company has signed thirteen 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;

- ❑ Umland for the dehydration of high kosher cheese snack products; 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.

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.

Binder has been a strong contributor to EnWave's improved financials the past couple of quarters. The German subsidiary continues to secure additional orders.

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 EnWave, 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%.



Moon Cheese will soon be available in more than 5,000 locations across the United States and Canada.

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 Overwaita 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.

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 eventually.

But NutraDried's strongest accomplishment so far, is 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 later this month, 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 the 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 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.

	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			

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 is being installed and should start to generate first royalties for EnWave later this year.

We expect the sale of the machine to generate approximately \$1.2 million in revenues and royalties should vary between \$200,000 and \$400,000 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.

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 certain cheese snack products for human and pet consumption in Canada using the Company’s REV technology. Late April 2015, a 10kW commercial REV machine was started up at Gay Lea’s production facility in Ontario, Canada. First royalties from Gay Lea are expected in the early fall of this year. In

addition, Gay Lea must purchase a 100kW REV unit within the next 14 months in order for it to maintain its exclusivity rights.

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 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 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
Umland LLC	10kW	
Sutro Biopharma	Prototype	One powderREV
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. Bonduelle's 120kW commercial scale production unit is scheduled to come online very shortly. If successful, several more units could be ordered.

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.

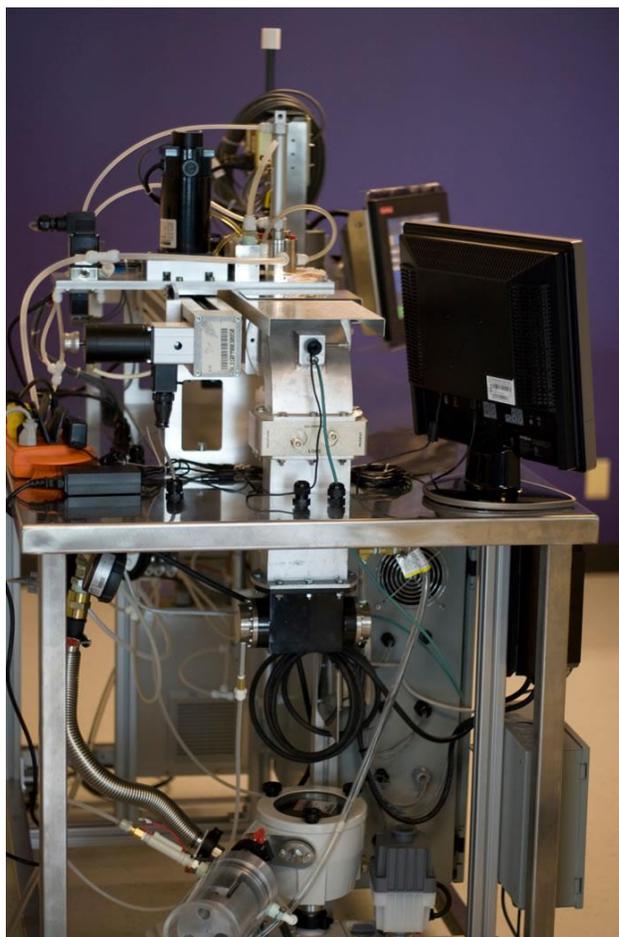
Development Stage

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 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.

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.



bioREV and freezeREV lab-scale technology

Although it will take some more time to develop and commercialize freezeREV, the new deal with Merck provides revenues for 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.

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.

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.

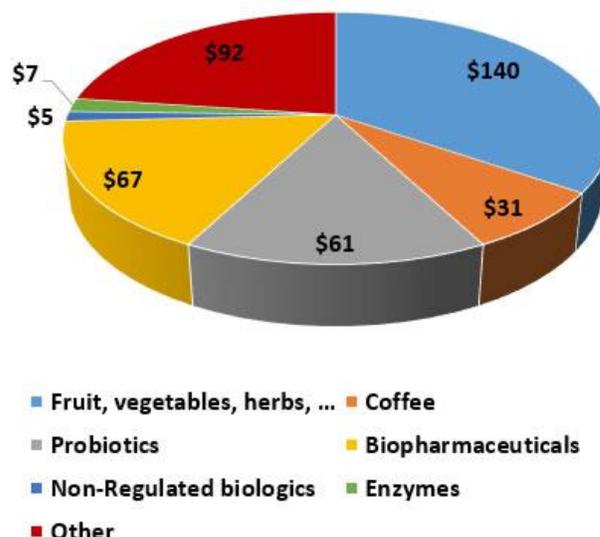
A few months ago, for example, EnWave was granted a Canadian patent that protects the improved modular design of its nutraREV machines. The new design allows for easy expansion in scale of a nutraREV machine, which is very useful, because there’s sort of a maximum scale at which products can be most 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

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.

3 COMMERCIAL STARTUPS IN 7 WEEKS

Since our previous report, EnWave added three commercial clients who will soon generate royalties.

Royalty Bearing Agreement with Umland LLC

In April 2015, EnWave signed a royalty-bearing commercial license and machine purchase order with Umland LLC. The license grants Umland the exclusive right to dehydrate high kosher cheese snack products in the United States using EnWave's REV technology.

EnWave is already building a 10Kw nutraREV machine for Umland, and will receive a 5% royalty on the wholesale value of all cheese snacks that are produced and sold. Production and distribution of the snacks are scheduled to start in the current quarter.

Point32 Foods LLC will handle the distribution. Point32 is one of the partners in Umland, and has broad experience in the kosher and natural food industry. What makes is very interesting is that Point32 Foods is already a

manufacturer and distributor of freeze dried foods such as yogurt, smoothies, fruits, and veggie snacks.

KOSHER CERTIFICATION

Food that may be consumed according to halakha (Jewish law) is termed kosher in English, meaning "fit" (in this context, fit for consumption). Among the numerous laws that form part of halakha are the prohibitions on the consumption of unclean animals, such as pork. The same applies to dairy products. Milk, for example, is only kosher when it comes from a kosher animal, such as cows and sheep, while milk from a non-kosher animal, such as horses and camels, is non-kosher. For dairy products several categories are used.

- Cholov Yisroel is a term which refers to all dairy products that are derived from milk produced under the supervision of an "observant Jew". Cholov Yisroel is the highest kosher certification as it's 100% certain from which species the milk is derived. All Umland cheese snacks will have this certification.
- Chalav stam is used for products, which are produced in countries with strict government regulations on milk. Thanks to these regulations, it's reasonable to assume that milk is 100% what it is labeled (i.e. anything labeled as "milk" is 100% cows milk, goat's milk must be 100% goats milk and labeled as such, etc.).
- Cholov Akum is the lowest category as these are products derived out of milk from countries that don't have strict government regulations and supervision.

Point32 Foods LLC will handle the distribution. Point32 is one of the partners in Umland, and has broad experience in the kosher and natural food industry. What makes is very interesting is that Point32 Foods is already a manufacturer and distributor of freeze dried foods such as yogurt, smoothies, fruits, and veggie snacks.

The fact that this company, which has been using regular freeze drying equipment for

several years, for the first time turns to a REV machine shows that manufacturers are paying attention to EnWave and that they're slowly but surely giving the benefit to the superior REV technology.

Noteworthy is that the deal with Umland was unexpected in that EnWave never announced a cooperation or research agreement. This leads us to believe that Umland's test period was relatively short. In the past, the technology and market evaluation phase could take 24 months or more. Since Mr. Budreski joined EnWave in June 2014, one of his major goals has been to shorten the time between the initial contact with a company and the signing of a commercial license agreement.

Startup at Gay Lea Foods

Also in April, the Company installed and started up a 10kW commercial REV machine at Gay Lea Foods' production facility in Ontario, Canada. First royalties from Gay Lea are expected in the early fall of this year.

Gay Lea, the second largest dairy cooperative in Canada, owned by over 1,200 dairy farmers, signed a commercial royalty-bearing license in November 2014, which gave them the exclusive right to process certain types of cheese snacks in Canada, using REV technology.



A selection of Gay Lea's wide assortment of dairy products.

Very interesting is that in order to retain the exclusive license, Gay Lea must submit an additional order for at least one 100kW nutraREV machine within the next 14 months. This obviously puts pressure on Gay Lea to launch the new products as fast as possible.

The dairy products company will immediately commence production with its 10kW REV unit, which can produce about 30 pounds of finished cheese snacks per hour.

Startup at Natural Nutrition

And a couple of weeks ago, a 10kW commercial REV machine was installed at the facilities of Natural Nutrition Limited, a Chilean fruit processor focused on the production of high-quality, nutrient-rich products. Production has already commenced and EnWave will receive its first royalties from this agreement in the current quarter.

Natural Nutrition holds an exclusive license to process blueberry products using EnWave's REV technology and the non-exclusive right to process apple, plum, strawberry, cherry, peach, grape, raspberry and blackberry products. In exchange, Natural Nutrition must pay EnWave a royalty of between 3 and 5 percent on the revenues derived from the sale of the aforementioned products.

In order for Natural Nutrition to keep its exclusive license, it must purchase an additional nutraREV machine within one year from the commissioning of the first machine and a third within one year from the startup of the second unit.

Natural Nutrition aims to position itself as a benchmark and leader in Latin America, North America and Europe for the production of high-quality dried fruit with high nutritional value, supplying the market demand for snack fruit, nutraceuticals and functional ingredients.

Similar to the Umland deal, the very short cycle from the initial introduction to the start of commercial production is striking. It was only in the second half of 2014 that EnWave built and installed a small commercial-scale nutraREV machine for Natural Nutrition to support initial market development efforts and commercial production. Shortening the entire sales cycle has become very important at EnWave. Where it used to take several years, the Company now aims to reduce the cycle to a maximum of 18 months.

OTHER RECENT EVENTS

R&D Agreement with Perdue Farms

Mid-April, EnWave signed a Technology Evaluation and License Option Agreement with Perdue Farms Incorporated.

Perdue, the third-largest chicken processing company in the United States, will evaluate EnWave's technology. If the results are positive, Perdue can license the use of REV technology, on an exclusive basis, in the U.S. for a variety of food applications.

Although at first sight this is nothing more than an R&D agreement of which we may see a positive outcome in a few quarters, it is an important event for a number of reasons.

First, it's another research agreement with a major player. The fact that these industry leading companies are willing to spend time and money - Perdue will lease a smaller scale REV unit from EnWave to do the R&D work - on testing EnWave's equipment is both a recognition and validation of the technology.

Second, and even more importantly, it urges other meat companies with which EnWave has a research agreement, such as Jack Link's and Campofrio, to finish their R&D work and sign a commercial license. A company that enters into a commercial agreement with EnWave can get an exclusive license to use REV for a certain product or market territory, so it's vital for them to move forward with their decision.

Anuga FoodTec Show

Late March, EnWave attended the Anuga FoodTec Show, one of the largest fairs in the world for the food and beverage industry.

The show, which is organized once every three years in Cologne, Germany, brings together the newest technologies, machines and equipment for the manufacturing, processing and packaging of foods and beverages. It was an ideal spot for EnWave to

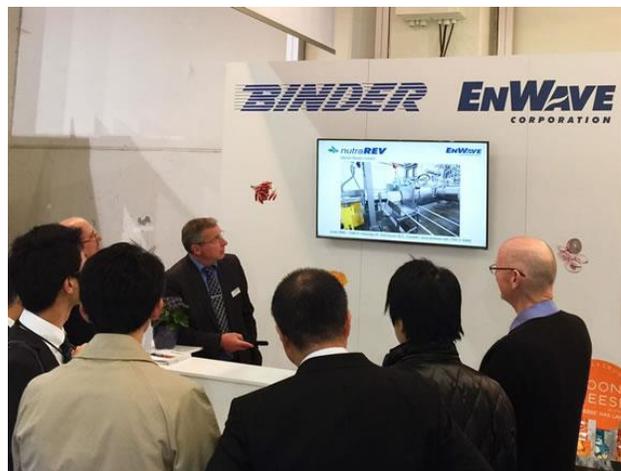
demonstrate its revolutionary Radiant Energy Vacuum dehydration technology.

ANUGA FOODTEC

The 2015 Anuga FoodTec trade fair set a new record both in terms of the number of exhibitors and visitors, clearly confirming its international leading role as an information and sourcing platform for the food and beverage industries.

More than 1,500 companies from the mechanical engineering, food and beverage technology, process technology, packaging and filling sectors exhibited at the show. And over 45,000 experts from the food and beverage industry gathered information on the innovations and further developments of the industry.

The Show was a big success, as the Company received many enquiries from potential customers. In addition, prospects were invited to the operating NutraDried facility in Ferndale, WA, where they can see a 100kW nutraREV machine in operation.



Potential customers at the Anuga Foodtec Show watching a demonstration of EnWave's REV dehydration technology.

At the time of the previous Anuga fair, in 2012, EnWave was nowhere near where it is today. As such, this year's event was an excellent occasion to show all the major food players in the world that the Company's REV

platforms are ready to become the new global dehydration standard.

Ultima Foods Agreement

And in May, the Company signed a Technology Evaluation and License Option Agreement with Ultima Foods Inc, a major Canadian yogurt and fresh dairy products manufacturer. Formulation and product development is underway at EnWave’s own facility in Vancouver, British Columbia.

The agreement gives Ultima the exclusive right to develop dehydrated yogurt applications using EnWave's REV technology. Initially, EnWave will work closely with Ultima to optimize several formulations. If successful, EnWave will make a small scale machine available that will allow Ultima to do a market study. EnWave will of course receive fees for their provided services and for the small scale machine.



iögo, one of the two well-known brands of Ultima Foods.

Ultima Foods, a joint venture of two of Canada's largest dairy cooperatives Agropur and Agrifoods, has over 700 employees and produces more than 100 million kilos (220 million lbs) of fresh dairy products each year.

It’s a Canadian leader in the manufacturing and marketing of yogurt and fresh dairy products. Ultima's products are sold under the iögo and Olympic brands.

When the company started looking for an innovative way to produce and deliver yogurt products to consumers, it ended up at EnWave.

FINANCIALS

EnWave’s sales for the second quarter of fiscal year 2015, ended March 31, 2015, reached an astonishing \$5.47 million, an increase of \$4.97 million, or almost 1,000%, 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.

The direct result of the sales increase was a small net loss for the second quarter of \$28,237 compared with a steep loss of \$2,29 million in the comparable quarter last year. And when the foreign exchange translation, arising from the consolidation of both Binder and EnWave USA, is taken into account, the second quarter showed a profit of \$23,552.

Despite the significant rise in revenues, expenses were down 12.8% in the second quarter of 2015 compared with the same period last year. A remarkable achievement!

Amounts in \$000's	03/31/15	03/31/14
Net Sales	5,475	505
Cost of Goods Sold	3,628	646
Gross Profit (Loss)	1,847	(141)
Expenses	1,875	2,151
Net (Loss)	(28)	(2,292)
Diluted Shares Outs.	84,444	78,739
Diluted EPS	0.00	(0.03)

Most important income statement data for the quarters ending March 31, 2015 and March 31, 2014. Source: Company Filings

Looking at where revenues exactly come from, EnWave can be divided into three

segments, EnWave Canada, which comprises all the royalties, commissions and licensing fees, Hans Binder, which relates to the construction of dehydration equipment, and EnWave USA, which relates to NutraDried cheese snacks sales.

For the six months ended March 31, 2015, EnWave Canada's sales reached \$1,79 million, up 475% compared with the six months period ended March 31, 2014. Hans Binder showed an even better result, with revenues of \$5.43 million, up 619% from \$756,018 last year. Finally, sales for the EnWave USA segment rose 780% to \$752,109, up from \$85,405 in the first six months of fiscal year 2014.

Amounts in \$000's	EnWave Canada	Hans Binder	EnWave USA
Revenues	1,798	5,435	752
Expenses	3,207	4,557	1,473
Net Profit (Loss)	(1,410)	878	(721)

The results of operations per segment for the six-months period ending March 31, 2015. Source: Company Filings

Note that the Binder backlog continues to be high and that NO revenues have been recorded so far from the deal with the large international coffee chain, where Cheddar and Gouda Moon Cheese will be introduced in 3,500 locations.

These sure are exciting times for EnWave and its shareholders as the Company is growing on all fronts. New research and commercial deals are being signed, more REV machines come online that generate royalties, the distribution on NutraDried's cheese snacks is expanding rapidly, and Hans Binder is manufacturing dehydration machines at high capacity.

Balance Sheet As Of March 31, 2015

On March 31, 2015, EnWave's cash & cash equivalents position was about \$2.5 million, down from \$5.9 million six months ago. However, looking at the amount customers are still due, it's clear that most of the Company's cash burn went to the construction

of machines that still have to be delivered and invoiced.

As such, there's a high possibility that EnWave's cash position at the end of the current quarter will again be higher than \$2.5 million. Unless of course more machine orders continue to come in, which wouldn't be bad either.

The Company's management is confident that no money will need to be raised. The goal continues to become cash flow positive in 2015.

Amounts in \$000's	03/31/15	09/30/14
Cash and Cash Eq.	2,505	5,851
Restricted Cash	1,492	972
Accounts Receivable	1,591	1,660
Due from Customers	1,931	-
Inventories	1,816	1,243
Total Current Assets	10,373	10,561
Total Assets	22,219	21,851
Trade and Other Payables	2,477	1,679
Total Current Liabilities	5,068	4,278
Total Liabilities	5,721	5,414
Total Stockholder Equity	16,497	16,438

Most important balance sheet data for the periods ending March 31, 2015 and September 30, 2014. Source: Company Filings

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.

In the next few weeks there are several events that will have a very positive impact on EnWave.

Bonduelle's 120kW quantaREV commercial scale production unit is scheduled to come online very shortly. This will generate an attractive production-based royalty for EnWave, and, if successful, several more units could be ordered by Bonduelle.

Moreover, this will be the first full-scale quantaREV machine in production, which will undoubtedly trigger the interest of other companies. Similar to the installation of the 100kW nutraREV machine at Enwave's Ferndale facility, this will provide the Company with a direct exhibit of the potential of the quantaREV system. It will truly be a commercial technology as supposed to a theoretical model.

Next to Bonduelle, EnWave will soon start earning a 5% royalty on all products sold by Gay Lea Foods that are processed using REV technology. In addition, Gay Lea, a large dairy co-operative comprised of over 1,200 Canadian farmers, must purchase a 100kW REV unit within the next 12 months in order for it to maintain its exclusivity rights.

In addition, a 100kW commercial nutraREV unit is being installed at Hormel Foods Corporation, a multinational manufacturer and marketer of high-quality, brand-name food and meat products. Once operational, royalties should vary between \$200,000 and \$400,000 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.

And it doesn't stop there. The long awaited launch of Cheddar and Gouda Moon Cheese snacks, as part of a sixteen week long trial program at 3,500 locations of a major coffee chain in the United States is set to begin.

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. With EnWave's Radiant Energy Vacuum technology, we're witnessing a shift in the global dehydration market because it's faster and cheaper than freeze drying, and has better

end product quality than air drying or spray drying.

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.

There's substantial upside potential thanks to commercial contracts starting to generate revenues in 2015. In addition, 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 \$3.15, up about 13% compared to our previous report. The increase is justified based on the new agreements that were recently announced.

EnWave's share price and volume don't reflect the announcements made in the past months. We believe it's a matter of time before the market realizes what a bargain it truly is. This intrinsic value suggests significant appreciation potential for EnWave's shares from the current price over the medium-term.

SHARE DATA & OWNERSHIP

As of March 31, 2015, 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 a little over 4.9 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 (5.77%), Kimelman & Baird (1.44%), Front Street Capital (1.20%), and Petercam (1.07%).

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 – 6M 2015

All numbers in thousands

PERIOD ENDING	FY 2012	FY 2013	FY 2014	6M 2015
Total Revenue	487	5,448	4,554	7,985
Cost of Revenue	971	3,796	3,976	5,570
Gross Profit (Loss)	(484)	1,652	578	2,414
Expenses				
Administrative	916	1,994	2,117	1,223
Sales & Marketing	425	979	1,165	593
R&D	2,542	2,675	1,591	764
Amortization Intangible Assets	1,147	1,905	1,432	718
Stock-based Compensation	915	1,118	608	171
Net Loss Applicable To Common Shares	\$6,770	\$7,772	\$6,706	\$1,252

Annual Income Statement FY 2012 – 6M 2015. Source: Company Filings



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