

Smallcaps

Investment Research

EnWave Corporation (ENW)

September 12, 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, as they are faster and cheaper than freeze drying, and have better end product quality than air drying or spray drying.

Similar to the previous quarter, EnWave's revenues increased sharply in the third quarter, ended June 30, 2015. Sales in the third quarter were \$3.66 million, compared to \$1.39 million in the comparable period of 2014, an increase of 163%.

Moon Cheese, the healthy dried cheese snacks, may very well become EnWave's first blockbuster product. The snacks are available at 6,000 retail stores across North America and in 3,400 Starbucks locations. The large amount of reorders and the extension of the availability of the snacks at Starbucks, indicate that Moon Cheese is a big hit at the coffee chain.

EnWave's share price doesn't reflect the announcements made in the past months. It's a matter of time before the market realizes what a bargain it truly is. Based on our estimate of 92 million shares outstanding, the intrinsic value of EnWave's shares derived from our model is \$3.14, about equal compared to our previous report.



- ▣ In the coming months several companies, such as Bonduelle, Gay Lea Foods, and Umland, will initiate commercial sales with REV manufactured products, which will obviously have a positive effect on EnWave's royalty income.
- ▣ A few weeks ago, Sutro Biopharma ordered a commercial scale powderREV machine. The installation is scheduled for the first half of 2016. This is yet another milestone for EnWave, as it will be the first operational powderREV machine.
- ▣ NutraDried signed an agreement with Spire Enterprises to become the exclusive distributor of all NutraDried products in the United States. In return, Spire is obligated to purchase a certain amount of product each quarter so that NutraDried is, at least, cash flow positive.



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.

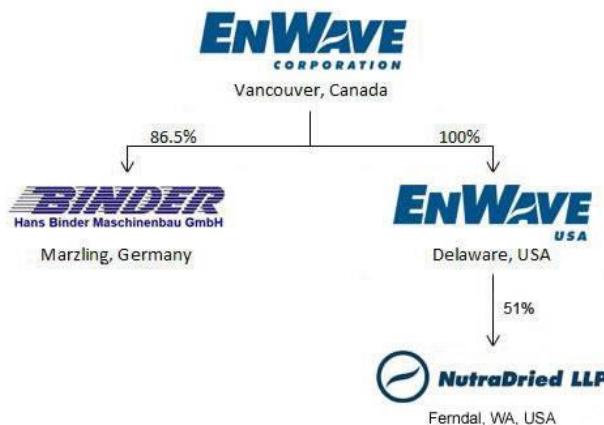
In addition, the Company has two developmental-stage REV platforms: bioREV and freezeREV to stabilize and dehydrate biopharmaceuticals such as vaccines.

The Company's business model is to sell REV machinery and 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.

Similar to the previous quarter, EnWave's revenues increased sharply in the third quarter, ended June 30, 2015. Sales in the third quarter were \$3.66 million, compared to \$1.39 million in the comparable period of 2014, an increase of 163%. Net sales for the nine months ended June 30, 2015 were \$11.64 million, compared to \$2.46 million in the same period in 2014, an increase of 373%.

During the past three months EnWave installed several additional REV machines with

customers, which will soon start to generate royalties. Moreover, the Company is working with over 50 other companies at varying stages of the sales process. Many are testing the merits of the REV technology for a wide variety of food, pharmaceutical and industrial applications.



EnWave corporate structure.

EnWave currently employs 26 people in Canada who operate three separate facilities including a biotechnology lab, a pilot plant and an engineering facility in Vancouver.

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 ND Creations LLP, to develop, market and produce healthy dried snack products. Its first product, Moon Cheese, is currently available at 6,000 retail stores across North America and in 3,400 Starbucks locations. NutraDried recently entered the \$8.3 billion energy & nutrition market.

EnWave generates revenues from the following three sources:

- ❑ Machine sales and maintenance directly through EnWave Canada and Hans Binder;
- ❑ 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

EnWave's international customer list truly validates its technology and potential. 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 have the option to sign commercial agreements and place machine orders.

Thus far, the Company has signed fifteen 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 collaboration 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. Going forward, the German subsidiary is expected to focus on generating new orders for its traditional air drying equipment and collaborate with EnWave on REV opportunities.

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 ND Creations, a private company majority owned by a former director of EnWave, controls 49%. 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.

NutraDried has continued to secure additional distribution in many Canadian and U.S. grocery chains. The snacks can now be purchased at about 6,000 individual locations across North America.

But the subsidiary's strongest accomplishment so far, is that Cheddar and Gouda Moon Cheese is taking part in a sixteen week long trial program at 3,400 Starbucks locations in the United States. Since mid-July 2015, the 2oz packs have been available at the coffee chain and are selling exceptionally well. As a matter of fact, Starbucks has already confirmed that it will continue to offer Moon Cheese in 3,400 of its stores at least until the end of this year (Also see 'Moon Cheese at Starbucks').

A direct result of all this sales activity is that NutraDried's revenues in the third quarter of 2015 reached \$705,077, while they were only \$37,223 in the comparable quarter last year.



Moon Cheese is available at 3,400 Starbucks locations in the United States and is selling well.

In addition, late August 2015, NutraDried signed a Master Supply and Distribution Agreement with Spire Enterprises, a Washington-based distribution management company focused on the healthy snack and beverage categories.

Spire's management team includes former senior Pepsi bottling executives with domestic and international expertise in marketing, distribution and sales activities. The company will leverage its vast network of distribution relationships, including Pepsi bottling distributors throughout the U.S., to aggressively market NutraDried's product portfolio.

Spire will be the exclusive distributor of all NutraDried products in the United States. This includes Starbucks and all the stores and chains where Moon Cheese is currently already sold.

In return, Spire is obligated to purchase a certain amount of product on a quarterly basis

so that NutraDried is, at least, cash flow positive. This way, EnWave won't have to invest any more money in NutraDried. Even to the contrary, the subsidiary will most likely become a cash contributor.

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.

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. A 100kW machine sells on average for \$1.2 million and generates between \$200,000 and \$400,000 in royalties per year at full utilization.

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. CAL-SAN is not in full commercial production at this time, based on the company's focus on wine making.

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. Early 2015, after conducting successful technology, product and market studies, Hormel entered into a purchase agreement for a 100kW commercial nutraREV unit.

And in June of this year, the 15 billion dollar company, known for its numerous meat and food products, unveiled Spam Snacks, dried, bite-sized flavored pieces of the iconic canned meat. The snacks are available in three flavors: classic, bacon and teriyaki, and are produced with EnWave's REV technology.

Spam Snacks were launched this summer in a number of select markets and grocery stores in the United States. If successful, the snacks will be introduced across the U.S. and Hormel could buy more REV units.

James Splinter, group vice-president of Hormel's Grocery Products unit commented, "This represents a breakthrough innovation. We were inspired by the candy bar bites that have been a hit for many candy companies. We think bites are very on-trend, and these fun-to-eat Spam brand product snacks are a perfect complement to the fast-growing dried meat snacking category".

Also, 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.



The Spam Snacks from Hormel Foods come in three flavors: classic, bacon and teriyaki, and are produced with EnWave's REV technology.

The dairy products company immediately commenced production with its 10kW REV unit, which produces about 30 pounds of finished cheese snacks per hour. First royalties from Gay Lea are expected in the early fall of this year.

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

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.

powderREV is 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. Moreover, 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.

Sutro Biopharma, a pharmaceutical company based in San Francisco, commenced tests

with a lab-scale powderREV machine in September 2012. After validating the efficacy and stability of cell-free extracts, it signed a commercial royalty-bearing license and machine purchase agreement in May 2014. Shortly thereafter, EnWave delivered an 8kW prototype powderREV machine to Sutro to conduct a series of process optimization tests.

A few weeks ago, Sutro ordered a commercial scale powderREV machine. The installation of the customized unit, at Sutro's GMP manufacturing facility in San Carlos, California, is scheduled for the first half of 2016.

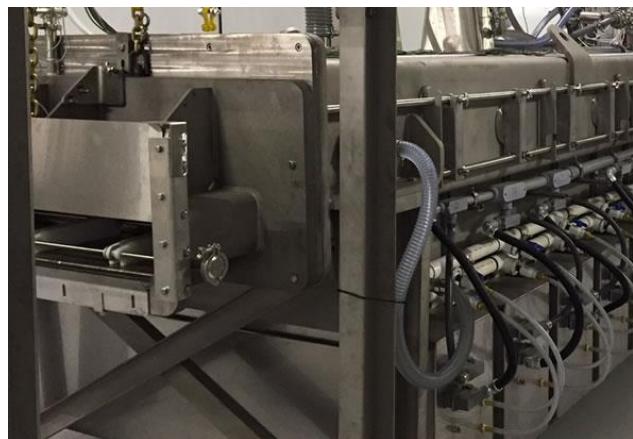
This will be the first operational powderREV machine. It will be used to dry and store cell-free extracts, as it simplifies storage conditions and improves product stability.

Sutro has already deposited an initial milestone payment, and will make additional ones during the manufacture and commissioning of the equipment. Once the machine is in operation, EnWave will receive an undisclosed royalty on all products manufactured. Knowing that pharmaceutical products are costly, income for EnWave could be quite high.

Customer	Machines In Operation	Machines Ordered or Anticipated
Hormel	100kW nutraREV	One 100kW nutraREV
Bonduelle	120kW quantaREV	One 300kW quantaREV
NutraDried	100kW nutraREV	One 100kW nutraREV
Gay Lea Foods	10kW	One 100kW nutraREV
Natural Nutrition	10kW	Two 10kW nutraREVs
Umland LLC	10kW	
Sutro Biopharma	Prototype	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.



Detail of a quantaREV machine.

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.

Tests were satisfactory and a few weeks ago, the Company installed, and started up the first 120kW commercial quantaREV machine at Bonduelle's facility. This unit enables Bonduelle to produce frozen vegetables with enhanced flavor, color and nutrient concentration. As such, it will be able to significantly distinguish itself from its competitors.

In a recent interview with CBC, Bonduelle Canada CEO Daniel Vielfaure raved about the many virtues of EnWave's REV dried vegetables. He said, right now, the quality of "water-heavy" frozen vegetables when served is not what consumers are expecting to have. Vegetables become mushy because the water

in them expands and destroys their molecular structure. But EnWave has the leap on everyone when it comes to the production of dehydrofrozen vegetables.

Bonduelle will pay a production-based royalty on a quarterly basis and a monthly lease for the use of the quantaREV machinery. When Bonduelle starts selling the REV dehydrated vegetables, it will generate an attractive production-based royalty for EnWave. If successful, several more units could be ordered.

Moreover, Bonduelle will also collaborate with EnWave to finalize the design and construction of a 300kW quantaREV machine for potential future use.

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.

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 thirty-five 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-one patent approvals pending in countries such as Brazil, India and Mexico.

These patents are an essential part of EnWave's royalty-generating business, because each time a new patent is granted, the royalty stream timeline extends twenty years from the patent's filing date.

As EnWave's technology continues to be developed, new innovations are made. As such, it is expected that many more patents will be filed in the coming years.

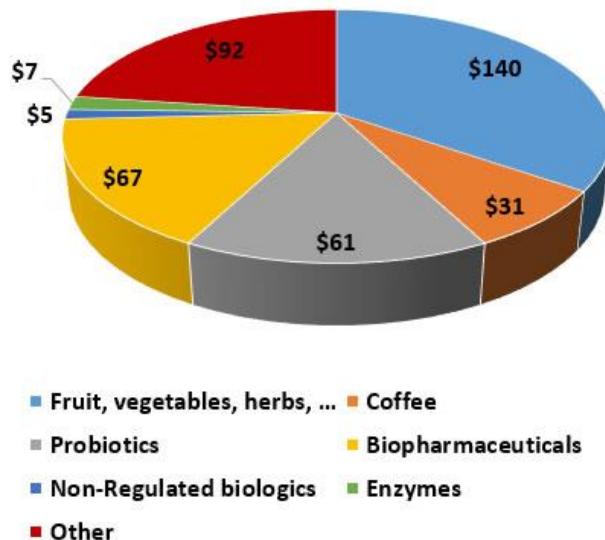
THE MARKET

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

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.



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

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.

MOON CHEESE AT STARBUCKS

Since mid-July 2015, Cheddar and Gouda Moon Cheese snacks are available at approximately 3,400 Starbucks locations in the United States, as part of sixteen week long trial.

Starbucks typically designs menus to meet the needs of customers at different times of the day and evening. For the summer months, the large coffee chain created a snack selection for the millions of Americans on the go, from getting an early start at work,

going on picnics, taking road trips, to backyard camping.

Most of the 3,400 stores are located in major metropolitan areas and were selected because they are known to have customers who are more likely to buy these kind of grab-n-go type items.



Moon Cheese will be available at Starbucks at least until the end of 2015.

Ellie Halevy, Starbucks vice president, Food commented: "Since so many people are snacking these days, we decided to increase the number of snacks we offer in our stores. We looked for companies that could help us provide a wider variety of options both sweet and savory."

It was the intention that based on the trial period, Starbucks would determine if it was justified to continue selling the product. However, right from the start it was clear that Moon Cheese was a big hit at Starbucks, as comments on social media, blogs and forums were overwhelmingly positive.

One of the most popular unofficial Starbucks blogs StarbucksMelody commented: "The Cheddar Moon Cheese was incredible. It's like extremely fancy Cheetos. I strongly suggest you try this! For the aspiring coffee masters

reading this, I bet Moon Cheese would pair beautifully with Sumatra."

That positive impression was soon confirmed as NutraDried received over forty reorders from different Starbucks distribution outlets less than five weeks after the start of the trial. Moreover, a couple of weeks later, sales were going so well that Starbucks extended the availability of Moon Cheese until the end of 2015 at a minimum.

Before the trial commenced, it was estimated that if 2 packs of Moon Cheese were sold per day in each store, the 16-week trial period would generate \$1.52 million in sales at a realistic \$2 wholesale price per pack. We heard that current sales, including the reorders, are already approaching half of the projected amount mentioned above, which is an amazing achievement.

If Moon Cheese sales keep up at Starbucks, we're confident that the coffee chain will continue to carry the snacks beyond 2015, and possibly even expand availability to all of its 11,100 stores in the U.S.

CHEESE SNACKS AROUND THE WORLD

It is evident by the rapidly increasing number of stores in which Moon Cheese is available that North America loves the cheese snacks. Other food companies worldwide are sensing an opportunity and have closed agreements with EnWave to produce similar dried cheese snacks.

In July 2015, for example, EnWave signed a royalty-bearing commercial license agreement with Lake Blue Spa., a Chilean food processing company. The license grants Lake Blue the exclusive right to use EnWave's REV technology for the production of dried cheese products in Chile, South America.

Lake Blue has submitted a purchase order, and immediately paid a deposit, for a small commercial REV machine. In addition, Lake Blue has agreed to pay a 5% royalty to

EnWave on the wholesale value of the dried cheese products they sell. First production is expected late 2015.

Lake Blue plans to build a market for several dried cheese products and if successful, purchase a large commercial REV unit within the next 18 months. Moreover, it plans to pursue other REV-dried product opportunities, such as dried fruit and vegetable products.

What makes this deal very attractive is that Lake Blue is an experienced company with over 60 years of dairy and meat production history in Chile. A company that has been around for that long, usually has a vast network of contacts and distributors to make a product succeed.

Also, early August 2015, EnWave landed its first partnership in Europe. Dominant Slice Lda, a Portuguese snack company, received an exclusive license that allows it to produce and sell dried cheese snacks in Portugal and Spain using EnWave's patented REV dehydration technology. Not much information is available on Dominant Slice, but we were able to find out that it has an extensive distribution network in the Spanish and Portuguese markets.

In return for the license, Dominant Slice bought a 10kW commercial-scale nutraREV machine, which is scheduled to be installed at its Portuguese facilities late 2015. Also in this case, the company will pay EnWave a 5% royalty on all products sold that are processed using REV technology.

Moreover, within 18 months, the Portuguese snack firm must purchase additional REV machines in order to retain its exclusive license for Spain and Portugal. This again indicates that EnWave's negotiating position is becoming stronger. In earlier agreements, EnWave would never have been able to include such terms. But now, with more contracts signed, and many more in the pipeline, the pressure on food and biotech companies is increasing to close a deal before a competitor snatches away the exclusive rights for a certain country.

Finally, market tests have started at retail chains in Japan and Taiwan for the Moon Cheese product. If the outcome of the tests is successful, distribution will be increased and larger purchase orders will be placed to NutraDried.

This latest deal is EnWave's fifth commercial license for dried cheese snacks:

- ❑ NutraDried LLP for the United States;
- ❑ Umland LLC for high kosher products in the United States. Production and distribution of the snacks are scheduled to commence late 2015;
- ❑ Gay Lea Foods for Canada. First royalties from this deal are expected in the early fall of this year;
- ❑ Lake Blue Spa for Chile. First production is expected late 2015;
- ❑ Dominant Slice for Portugal and Spain. Also in this case first production is expected late 2015.

We're convinced more cheese snack agreements for other territories will be signed in the coming weeks and months, as the snacks are an obvious success and food companies worldwide are eager to launch new innovative products.

RECENT EVENTS

NutraDried Expands Into \$8.3 Billion Energy & Nutrition Market

After successfully introducing Moon Cheese in North America, and securing an exclusive distribution agreement for the snacks with Spire Enterprises Inc., NutraDried wants to expand its product portfolio of healthy dried snack products.

In order to do so, EnWave and NutraDried signed a Technology Evaluation and License Option Agreement late August 2015, that grants the latter the right to develop various protein matrix products, such as sports nutrients, protein bars, complete meal replacement snacks, and dietary products. Upon signing, NutraDried paid EnWave a fee.

We can't help feeling that this deal will rapidly evolve. Especially because it was immediately mentioned in the press release that if commercial protein matrix products were developed by NutraDried, that Spire Enterprises would become the distributor in the United States. In our opinion, the first REV dried protein bars and nutrients could see the light of day in a few months. Moreover, we wouldn't be surprised if Spire already had an end customer in mind for the new products.



Moon Cheese will be available at Starbucks at least until the end of 2015.

Nutrition and energy bars are part of a broad cultural shift towards healthier food products, as they fit right in a busy lifestyle. Instead of eating three meals a day at set times, these snacks are ideal to eat throughout the day at home or on the go.

A recent Packaged Facts report estimates the market size for cereal/granola bars and energy/nutrition bars in 2016 at USD\$8.3 billion, for a compound annual growth rate of 7.5% over the five-year 2012 to 2016 period.

The added value of EnWave's REV technology is that the dried fruits and nuts retain their flavor, color and nutrient concentration. In addition, REV heightens the efficacy of the proteins. It goes without saying that these are highly sought after qualities for food ingredients.

Milne Fruit Ramping Up REV Sales

In August, EnWave amended and expanded its existing commercial royalty-bearing license

with Milne Fruit Products, a processor and global supplier for the industrial food ingredient and beverage markets.

Milne entered the dried fruit market a couple of years ago positioning MicroDried products as pure, healthy alternatives to sugar-infused offerings. The MicroDried products are all-natural whole fruit pieces and powders with no added sugars, flavors, colors or preservatives. Independent third-party testing comparing MicroDried products to air-dried and freeze-dried products in a variety of applications revealed overall superiority in appearance, flavor and texture. Milne's MicroDried products are produced with an EnWave dehydrator.

The fruit products are available in several moisture ranges from crunchy to chewy, offering a wide scope of applications from hot and cold cereals to baked goods, trail mixes, granola bars, baking mixes and more. Additionally, each MicroDried item retains vital nutrients; offering high levels of polyphenol antioxidants, which are ideal for new health and wellness consumer products. The expanded license enables Milne to create products from mint, sweet potato and beets.

After an extensive product and market development effort, Milne's MicroDried products have been gaining traction with a growing network of customers. As a matter of fact, the Washington based food processor has recently ramped up its production to satisfy significant orders from several major food companies.

Agreement With Major Table Grape Producer

In July 2015, EnWave signed a technology evaluation agreement with a major table grape producer in the State of California.

During a seven month period the grape producer has the right to evaluate EnWave's REV technology to develop dehydrated crispy grape snacks. In order to do so, the California company will rent a 10kW commercial-scale nutraREV machine for which it will pay EnWave \$37,500 as an upfront rental fee.

If the company decides to exercise its exclusive option to produce grape snack products in the State of California, it will be required to submit a purchase order for at least one 100kW REV machine.

Very notable again in this agreement is the relatively short technology and market evaluation phase of only seven months, while this could take 24 months or more in the past.

FINANCIALS

Similar to the second quarter, EnWave's revenues again increased sharply in the third quarter, ended June 30, 2015. Sales reached \$3.66 million, an increase of \$2.27 million, or approximately 163%, compared with the third quarter last year.

The solid increase was mostly due to Binder's success in securing machine-building contracts, which are now at an advance stage of construction. Also contributing to the revenue was EnWave's success in securing machine building contracts during the current fiscal year, and NutraDried's significantly increased sales of cheese snacks.

Amounts in \$000's	06/30/15	06/30/14
Net Sales	3,663	1,392
Cost of Goods Sold	3,606	528
Gross Profit (Loss)	57	864
Expenses	5,845	1,432
Net (Loss)	(5,788)	(568)
Diluted Shares Outs.	84,523	81,916
Diluted EPS	(0.07)	(0.01)
Most important income statement data for the quarters ending June 30, 2015 and June 30, 2014. Source: Company Filings		

Direct costs were exceptionally high mainly because of NutraDried, as it's stocking up Moon Cheese snacks in advance of expected orders.

Note that the goodwill allocated to EnWave's German subsidiary Hans Binder Maschinenbau was fully impaired during the quarter and resulted in an impairment charge of \$3,855,602. Without this charge, the loss

during the third quarter would have been approximately \$1.97 million.

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 LLC sales.

Amounts in \$000's	EnWave Canada	Hans Binder	EnWave USA
Revenues	2,502	7,688	1,457
Expenses	4,965	11,037	2,686
Net Profit (Loss)	(2,464)	(3,349)	(1,229)
The results of operations per segment for the nine-months period ending June 30, 2015. Source: Company Filings			

For the nine months ended June 30, 2015, EnWave Canada's sales reached \$2.50 million, up 521% compared with the nine months period ended June 30, 2014. Hans Binder also performed excellently with revenues of \$7.69 million, up 396% from \$1.94 million last year. Finally, sales for the EnWave USA segment rose 1,088% to \$1,46 million, up from \$122,628 in the first nine months of fiscal year 2014.

Balance Sheet As Of June 30, 2015

The Company's increased efforts in its core business increased the consumption of its cash reserves. Incremental funds were used for marketing initiatives, equipment construction, installation and commissioning of new equipment and parts and machine inventory.

Although these efforts are now displaying returns in the form of new research agreements, new purchase orders, and a general acceleration of the business - hence the sharp increase in Accounts Receivable and Due from Customers - they also caused the cash and cash equivalents position to decline to \$1.22 million.

If additional machine purchase orders were to be announced in the coming months, which in

our opinion will occur, EnWave will have to increase its working capital so that it can order all the necessary parts. We believe that in the Company's current state, a substantial revolving loan agreement at an attractive interest rate is available and in the best interest of shareholders.

Amounts in \$000's	06/30/15	09/30/14
Cash and Cash Eq.	1,225	5,851
Restricted Cash	1,492	972
Accounts Receivable	2,632	1,660
Due from Customers	906	81
Inventories	1,989	1,243
Total Current Assets	9,076	10,642
Total Assets	16,158	21,932
Trade and Other Payables	2,863	1,679
Total Current Liabilities	4,636	4,359
Total Liabilities	5,208	5,495
Total Stockholder Equity	10,950	16,438
Most important balance sheet data for the periods ending June 30, 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.

As EnWave's unique dehydration technology is becoming widely known, companies recognize its potential. The food industry is extremely competitive and producers are constantly looking to make the difference. For the first time in many years a brand new dehydration technology enters the market, which is faster and cheaper than freeze drying, and has better end product quality than air drying or spray drying.

More and more food and biopharmaceutical products are realizing that REV is the way to go if they want to stay one step ahead of the competition. Because of EnWave's business model, in which territorial exclusivity is granted for certain products, it's a matter of signing an agreement first.

This is especially notable by the number of research and commercial contracts that EnWave has closed the past few months. While the deal flow at most companies is relatively slow during the summer, it's been extremely busy at EnWave. Hardly a week goes by without a new agreement being announced. This indicates that there's no time to waste and that companies want to move forward fast. As a result, EnWave is growing at a substantial rate, as indicated by its financials.

The Company is also expanding internationally. The first commercial license in Europe is an important step, as EnWave can now leverage this relationship, and the upcoming commercial start-up, to encourage further European adoption of the technology.

In the coming months several companies, such as Bonduelle, Gay Lea Foods, and Umland, will initiate commercial sales with REV manufactured products. This will obviously have a positive effect on EnWave's royalty income.

Finally, Moon Cheese may very well become the first blockbuster product for EnWave. The large amount of reorders and the extension of the availability of the snacks at Starbucks, again indicate that Moon Cheese is wanted by consumers.

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.

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 \$3.14, about equal compared to our previous report.

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 June 30, 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 (1.74%), and Petercam S.A. (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 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.

□ MR. DANIEL HENRIQUES - CHIEF FINANCIAL OFFICER

Mr. Henriques is a Chartered Accountant and brings extensive experience in finance effectiveness and financial reporting to his role at EnWave. Prior to joining EnWave, Mr. Henriques was a manager in the Assurance group at PricewaterhouseCoopers LLP, and supported numerous mid-market companies, including companies listed on the Toronto Stock Exchange, TSX Venture Exchange and the New York Stock Exchange, with financial reporting and compliance. While at PwC, Mr. Henriques provided clients in the manufacturing and technology sectors professional services in the areas of financial audits, financial reporting and tax.

ANNUAL INCOME STATEMENT FY 2012 – 9M 2015

PERIOD ENDING	All numbers in thousands			
	FY 2012	FY 2013	FY 2014	9M 2015
Total Revenue	487	5,448	4,554	11,647
Cost of Revenue	971	3,796	3,976	9,176
Gross Profit (Loss)	(484)	1,652	578	2,471
Expenses				
Administrative	916	1,994	2,117	1,977
Sales & Marketing	425	979	1,165	942
R&D	2,542	2,675	1,591	1,059
Amortization Intangible Assets	1,147	1,905	1,432	1,073
Stock-based Compensation	915	1,118	608	231
Impairment of Goodwill	-	-	-	3,856
Net Loss Applicable To Common Shares	\$6,770	\$7,772	\$6,706	\$7,302

Annual Income Statement FY 2012 – 9M 2015. Source: Company Filings



TSX Venture: ENW

Company Headquarters

1066 West Hastings St., Suite 2000
Vancouver, BC V6E 3X2
Canada

Company Contact Information

Brent Charleton, Vice President, Corporate Affairs
Phone: +1 778.378.9616
info@enwave.net

About Smallcaps Investment Research

Smallcaps Investment Research (SIR) is one of the most trusted sources on U.S. and Canadian small cap stocks. It publishes extensive quarterly research reports and informative updates on up and coming companies.

This Company Report is prepared and distributed by Smallcaps Investment Research.

Contact: editor@smallcaps.us

DISCLOSURES

This publication has been prepared by Smallcaps Investment Research, which owns and operates the website <http://www.smallcaps.us>. Smallcaps Investment Research is not a registered financial advisor, nor is it a stockbroker or investment advisor.

This publication is provided for information purposes only and is not intended to be an offer, or the solicitation of an offer, to buy or sell the securities referred to herein.

Investors must make their own determination of the appropriateness of an investment in any securities referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. Past performance is no guarantee for future results. Smallcaps Investment Research nor any of its employees shall be responsible for any investment decision.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. However its accuracy and completeness is not guaranteed. All opinions, forecasts and estimates herein reflect the judgment of Smallcaps Investment Research on the date of this publication.

This Company Report may contain certain "forward-looking statements" within the meaning of applicable securities laws, including without limitation, statements related to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth, and (iii) other risks and uncertainties indicated from time to time in the Company's public filings.

Smallcaps Investment Research has been compensated by EnWave Corporation to develop and execute a communication plan to enhance the Company's exposure to the investor community.

Smallcaps Investment Research and/or its employees may hold positions in companies mentioned. However, it is prohibited for Smallcaps Investment Research and/or its employees to trade in financial instruments of companies one week prior to publication of the initial Company Report or a rating change until one week thereafter.

No part of this publication may be reproduced in any manner without the prior written consent of Smallcaps Investment Research. © 2003 - 2015 Smallcaps Investment Research.