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INVESTMENT RESEARCH

EnWave Corporation (ENW)

September 21, 2019

EnWave Corporation offers industrial-scale dehydration technology for commercial applications in the food, cannabis, 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 both air drying and spray drying.

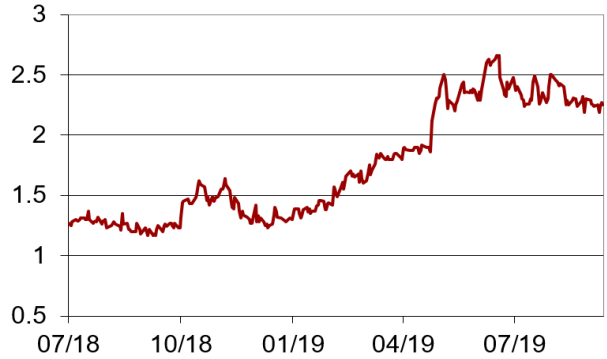
The cannabis sector is evolving into one of the fastest growth channels for new REV machine sales. The application to use REV technology as an efficient method to dry cannabis is an important advantage ensuring rapid and uniform processing, at much lower temperatures than possible through other methods.

REV processing also enables greater control over how much moisture is removed from the plants. Ideally, about 10% moisture content is preferred for smokeable cannabis, while plants that are processed for extractions and CBD oil are dried down to 1% moisture content. This precise level of control is a material advantage inherent with the REV process that saves cannabis and hemp producers lots of time and money.

With the continued strength in revenue growth, and the highlighted accomplishments to build new partnerships and secure further royalty-bearing license agreements, EnWave is clearly making inroads to establish a long term profitable enterprise. The Company has also been able to maintain a strong balance sheet (+$21 million in cash), and achieve positive cash flow on a quarterly basis.

ENWAVE

- EnWave has continued to attract talented personnel for senior management positions. The recruitment of additional engineering staff will enable the Company to develop enhancements for REV technology and build production of REV units to match the sales growth in the future.
- EnWave achieved significant targets during Q3 and remains on track for a breakthrough year. The steady rise in the value of its shares is a testament to this overall success story. EnWave remains one of the top small cap growth stories in Canada.



Market Data	
Price	C$2.06
Sector	Diversified Machinery
52-Week Price Range	C$1.19 - C$2.66
Shares Issued (m)	110.7
Market Cap (m)	C$228.0
Listings	ENW (TSXV) & E4U (Fra.)
Website	http://www.enwave.net

THE COMPANY

EnWave Corporation is a Vancouver-based applied technology Company that works in partnership with food, cannabis, and pharmaceutical companies to develop commercial applications for its proprietary Radiant Energy Vacuum (REV) dehydration technology.

The key to the technology is the vacuum environment in which the drying process takes place. Thanks to the reduced atmospheric pressure, the temperature, at which the moisture is efficiently removed, can be lowered. This reduction of heat and oxidization minimizes the damage inflicted on the REV-dried products, preserving richer flavors, brighter colors and higher nutritional content versus other drying methods.

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 one developmental-stage REV platform: **freezeREV** to stabilize and dehydrate biopharmaceuticals such as vaccines.

EnWave'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.

So far, EnWave has signed more than twenty royalty-bearing licenses, with licensees using the REV technology for applications in the dairy, seafood, spice & herb, fruit, cannabis, vegetable, and meat products verticals. Some of the Company's best-known customers include Bonduelle, Gay Lea Foods, Milne Fruits and Perdue Farms.

EnWave generates revenues from the following sources:

- REV machine sales and maintenance;
- Maintenance of the machines to ensure they are running properly and to replace and repair components subject to normal wear and tear from ongoing operations;
- Royalty streams from partners, which typically vary between 3% and 5% of sales (paid out quarterly), or a fee per kilogram of net production; and
- NutraDried, a 100% owned subsidiary, which sells healthy dried cheese snacks.

While a number of important milestones were achieved during the third quarter, perhaps the most impressive highlight is the quarterly revenue of $10,075,000. This represents an increase of 49% over the same period in 2018, and a new all-time quarterly record. Revenue growth is further illustrated by the quarter-over-quarter results. The Company achieved strong results of $8,773,000 in the second quarter and easily surpassed this milestone in the current one.

Moon Cheese, fueling the rapidly growing healthy snack market, announced new world-class packaging design, new names for existing varieties and the debut of two new varieties to its expanding portfolio. Re-launching at Expo East, Moon Cheese provided attendees with an exclusive first-look at Garlickin' Parmesan and Cheddar Bacon Me Crazy as well as renamed fan-favorites including Cheddar Believe It, Oh My Gouda and Get Pepper Jacked.

Incremental revenue growth is a demonstration of the success to build partnerships with new companies, in a variety of sectors. International sales growth is also contributing to the top line. Several new

machine orders were reported during the quarter, and many of the existing partnerships have expanded operations with plans to install additional REV units. At least eight more REV machines are currently in production, as part of the pipeline of orders scheduled for future quarters. This amounts to more than $10 million in additional sales revenue not included in the breakthrough numbers from Q3.

Despite the higher revenues, consolidated net loss after taxes was reported for the quarter amounting to $1,322,000. Among the contributing factors to this result was the increase to the cost of sales and marketing activity related to securing new partnership agreements. General and Administrative expenses also increased in line with the surge in business activity during the quarter. Furthermore, the recruitment of additional engineering staff had an effect on the bottom line.

It should be noted that all these costs serve to build a stronger corporate framework for growth that will generate positive long term effects. The expenses in Q3 represent an investment in the future for the Company.

Once again, the Company reported positive cash flow, posting Adjusted EBITDA of $139,000 during the quarter. For the first nine months of 2019, EBITDA of $2,304,000 was reported, compared with $1,632,000 achieved during the same time frame in 2018.

Another important consideration, EnWave was able to strengthen its balance sheet during the quarter after successfully raising more than $10 million through a strategic investment by Aurora Cannabis. This also served to emphasize the growing importance of the relationship with Aurora, and the confidence that future growth opportunities remain attractive.

NutraDried LLP

NutraDried LLP develops, manufactures, markets and sells 100% all-natural cheese snacks under the Moon Cheese brand.

NutraDried produces Moon Cheese in cheddar, gouda, mozzarella, pepper jack, and sriracha flavors at its manufacturing facility in Ferndale, Washington, and distributes it in over 25,000 retail locations across Canada and the United States. Notable retail points of distribution include Starbucks, Costco, Target, Rite Aid, CVS, Safeway, Loblaws, and Save-On-Foods.

Moon Cheese sales especially received a boost after the snack became available at Costco's Midwest division in 2018. During the year, NutraDried expanded the product rotation to the Southeast and Northwest divisions. This month, Moon Cheese is included in the Most Valuable Member ("MVM") coupon program, which results in a temporary distribution to all eight Costco divisions in the U.S.

Meanwhile, a significant restructuring was completed at NutraDried. This involved transitioning sales and marketing staff in-house. A full time Chief Marketing Manager was hired for the division, along with a newly appointed Senior Vice President of Sales.

In order to satisfy the increasing demand for its products, NutraDried commissioned a second 100kW nutraREV machine in September 2018, doubling its production capacity for Moon Cheese. Both REV units are currently running at full capacity, so that adding another machine may be considered.

The subsidiary expects to achieve full year sales revenues of $30 million. EnWave anticipates this growth performance will continue to improve, with a target for $50 million in sales for 2020.

TECHNOLOGY

Before EnWave launched its Radiant Energy Vacuum technology, food processing companies were limited to opt for either 'freeze drying', which provides great 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).

Thanks to EnWave's REV dryers, companies, for the first time, can combine the

effectiveness of freeze drying with comparable 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.

Four REV platforms have been developed to address specific market opportunities. Three platforms – nutraREV, powderREV and quantaREV - are at a commercial stage, while the fourth one – freezeREV - is under development. Each platform is described in more details 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, and freeze & air drying.

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. It is EnWave's most popular technology.

nutraREV machines are available at varying scales: 2kW for product development, 10kW for pilot-scale production and 100kW or higher for commercial production.

A 100kW unit is capable of producing as much as 150 kg (340 lbs) of dried product (below 5% residual moisture) per hour. A 100kW machine sells on average for USD$1.5 million and generates between $200,000 and $400,000 in royalties per year at full utilization.

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.

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

The technology 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. 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.

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 that must have a minimum moisture

content in order to maximize their shelf-life. It is currently available as a multi-vial prototype for partner research and development.

The idea is to evaluate EnWave's REV technology as a viable replacement for lyophilization in the pharmaceutical industry. More specifically, the developmental work and testing has focused on the potential of dehydrating several vaccinations.

Unlike lyophilization, freezeREV employs a combination of microwave energy with a low-pressure environment to achieve rapid, highly controlled dehydration of live, or active, biological materials.

Tests conducted on a lab-scale freezeREV show that processing times are far less than with lyophilization, which dramatically reduces costs. In addition, the footprint of a freezeREV machine is sizably smaller than a lyophilizer.

Expanding Patent Portfolio

EnWave holds numerous patents that protect both its REV technology and specific methods of use. The past two years, the Company received no less than 43 new patent approvals that protect its technology and processes.

Because the Company's technology continues to be developed, new innovations are made. As such, its intellectual property portfolio continually expands.

EnWave is driven to innovate and continuously commits resources to strengthen its intellectual property portfolio. Patents are truly the cornerstone for the Company's licensing-royalty business model, because each time a new patent is granted, the royalty stream timeline extends twenty years from the patent's filing date.

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 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, cannabis and biotechnology are expected to be the fastest growers 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.

VERSATILE APPLICATIONS FOR REV

While EnWave's dehydration technology has plenty of applications, it's clearly excelling in a number of distinct sectors.

Rapidly Expanding Dairy Space

By far the most successful REV dried cheese snack on the market today is Moon Cheese, as it's available at every Starbucks in North America and at thousands of retail stores in Canada and the United States.

Attracted by this success, other food companies worldwide sensed an opportunity and closed commercial agreements with EnWave to produce similar snacks. Typically, EnWave receives a 5% royalty on cheese snack sales.

The companies below have all signed a commercial agreement with EnWave to

produce a REV dried cheese product. It is also stated for which country or region the companies obtained an exclusive license.

- **NutraDried LLP** for the United States;
- **Umland LLC** for high kosher products in the United States. Production and distribution of the snacks has commenced;
- **Gay Lea Foods** for Canada. It started up a 100kW nutraREV machine to expand the production of its 'Nothing But Cheese' snack product. After a somewhat slower start, sales are starting to pick up;
- **Lake Blue Spa** for Chile. Commercial production of its INTAKT cheese snacks has recently started. The dried cheese products are available in four flavors: Original Gouda, Spicy Gouda, Oregano Gouda, and Mediterranean Mix;
- **Dominant Slice** for Portugal and Spain. It recently launched a dried cheese product, coined B!t Cheese, and is now building out commercial opportunities for the product line (also see Fruit Category below);
- **Agricola Industrial La Lydia SA (Pitalia)** for Central America. It has received two 10kW nutraREV units and has ordered a 100kW REV machine (also see Fruits Category below);
- **Ereğli Agrosan** for Turkey. The license actually grants the company the exclusive right to process a variety of fruit, vegetable and cheese products. Ereğli's dried cheese product has entered the market and is being sold B2B in central Asian markets and into Europe;
- **Kesito LLC** for Greece. A 10kW commercial REV machine was installed late 2016, which allowed Kesito to complete product development and enter the European market with a high-quality, shelf-stable dried cheese snack product under the Air Cheese brand name: and
- **Ashgrove Cheese** for Tasmania. Ashgrove purchased a 10kW commercial REV unit and launched a crunchy cheese snack under the brand name 'AmazeBalls' in January 2018. In September 2019, it purchased a second 10kW machines to fulfill increasing demand (also read Recent Events).

Next to the above agreements for REV dried cheese snacks, EnWave also signed a commercial royalty-bearing license with the following dairy company.

- **Arla Foods**, the world's largest manufacturer of organic dairy products. Pursuant to the License, Arla submitted a purchase order to obtain a small commercial-scale Radiant Energy Vacuum machine to initiate production in 2018, with plans to quickly scale if its products are commercially successful.

  The License grants Arla the exclusive right to use REV technology to process dairy products in Denmark, Sweden, Finland and Norway.

EnWave Excels in Dried Fruits Market

A growing number of fruit processors have signed either an evaluation or commercial agreement with EnWave, indicating that this is another strong market segment for the Company's applications.

EnWave has a royalty-bearing commercial license with, among others, these fruit related companies:

- **Milne Fruit Products** entered the REV-dried fruits market a couple of years ago, positioning MicroDried products - all-natural fruit pieces and powders - as pure, healthy alternatives to sugar-infused offerings. Milne Fruit is one of EnWave's largest customers, as it ordered its third 120kW machine right before the end of 2018. In fact, more than 50 consumer products on the market today already use its ingredients;
- **Natural Nutrition Limited d.b.a. Nanuva Ingredients**, a Chilean fruit processor, that has positioned itself as a leading provider of 100% natural (with no additives) dried fruits with colours, shapes, flavors and nutrients very similar to those of fresh fruit. These healthy ingredients are used in the snack food, functional food, nutraceutical and cosmetics industry;
- Next to dried cheese (see above), **Agricola Industrial La Lydia (Pitalia)** is also very active in the dried fruits space. In fact, La Lydia is a global leader in

producing and exporting golden pineapples under the brands YAZ and SWITI. La Lydia formed a new business entity coined Pitalia specifically for the production of REV dried products. In 2018, Pitalia has started selling pineapple, apple, mango and banana snack products through its Pure Joy brand in the European and South, Central and North American markets;

- **Van Dyk Specialty Products Ltd.**, a major Canadian producer of wild blueberry products, that is best known for its highly successful blueberry juice, is focused on providing the market with high-quality REV dried blueberry products;
- **AvoLov LLC (formerly AvoChips LLC)**, a U.S. based processor that has developed an innovative new avocado snack product using REV technology. AvoChips submitted a purchase order to obtain a 10kW commercial-scale REV machine to initiate production. The license grants AvoChips the exclusive global rights to use the REV technology to process the snack product;
- **Howe Farming Group**, one of Australia's largest and most diverse farming enterprises. The license grants Howe Farming the exclusive right to use the Company's REV dehydration technology to produce dried banana products in Australia and the non-exclusive right to produce dried blueberry products in Australia; and
- **Bare Foods** is the creator of delicious Snacks Gone Simple, including bare Apple Chips, Banana Chips, Coconut Chips, and new Beet Chips, Carrot Chips, and Sweet Potato Chips. Their snacks are sold in the United States, through grocery stores like Whole Foods Market, Sprouts, Safeway, and Publix as well as national retailers such as Target and Amazon. Distribution of the Bare snacks are bound to significantly increase further as the company was acquired by food and beverage giant PepsiCo in May 2018. In October last year, Bare purchased a third 10kW REV machine.
- **Dominant Slice**, a Portuguese snack company, signed a non-exclusive commercial royalty-bearing license with EnWave, granting Dominant Slice the right to use its existing REV machinery to produce pineapple, mango, banana, coconut and papaya fruit pieces in Portugal.
- **Fresh Business Consulting (FBC)**, purchased a smaller REV unit in April of 2019 to dehydrated fruit and food products in Peru. Meanwhile, EnWave received a non-refundable deposit of USD $100,000 from FBC for the purchase of a large scale REV machine.

Growing in Important Vegetable Sector

In 2016, EnWave entered into a partnership with **Bonduelle**, the world's leading processed vegetable producer. By removing most of the moisture content prior to freezing, the companies developed an innovative way to preserve frozen vegetables using EnWave's Radiant Energy Vacuum (REV) technology. This process ensured that the flavor and texture of the vegetables remained intact.

The agreement also involved a long-term lease commitment for a commercial 120kW quantaREV machine, and granted exclusivity for the dehydrofrozen process to Bonduelle. Years of work led to the launch of Bonduelle's InFlavor premium frozen vegetable line. Presented at trade shows and test marketing events, the InFlavor brand was an immediate success and even received prestigious awards acknowledging the appeal of the product line.

After a favorable response from its test audience, several larger orders for the InFrozen products were recently secured from B2B clients, prompting Bonduelle to officially launch its InFlavor dehydrofrozen vegetable product line to its food service customers. Moreover, the multinational has confirmed plans to launch a retail version of the product line late 2019.

In February of 2019, EnWave reported that the royalty agreement with Bonduelle has been revised, such that exclusivity for the production of frozen vegetables was extended for the North American market. The global exclusivity, which Bonduelle once had in the dehydrofrozen vegetables space, however was reduced to a more focused market territory. Most likely because Bonduelle didn't purchase the number of REV machines necessary to maintain its global exclusivity. In order for Bonduelle to retain its exclusive right to produce dehydrofrozen vegetables in North

America using REV technology, it must purchase a 400kW REV machine before September 30, 2019.

In exchange for the extension of the exclusivity, Bonduelle had to make a milestone payment to EnWave. The amount of the payment was not disclosed but believed to be meaningful. In addition, Bonduelle agreed to buy-out the operating lease on the 120kW quantaREV machinery currently operating at Bonduelle's plant in Sainte-Martine, Quebec.

This is all good news for EnWave as Bonduelle's product line may soon generate a substantial royalty stream for the Company.

In 2017, **Merom Farms**, an agricultural and food production company, announced that it is going to start selling wasabi-based products in Canada and the United States.

The dried, powdered and encapsulated wasabi is specifically designed for the natural health supplement market and will soon be available under the "Your Wasabi" brand name.

Your Wasabi holds the ONLY license issued by Health Canada to produce wasabi capsules in Canada. (Also see Cannabis/Hemp Category below).

Meat Snack Producers - Another Major Market for EnWave

The intention of most of these meat companies is to develop crispy meat snacks. Similar snacks are already being produced, but the texture and taste of most meat chips is poor because they are either air dried or baked.

In the meat category, EnWave has signed a royalty-bearing agreement with **Perdue Farms**, a leading food and agricultural products company, ordered a 10kW REV dryer to process pet food and pet treats in the United States and Canada.

Cannabis / Hemp Application

Late August 2017, EnWave filed a new patent application for the simultaneous pasteurization and drying of cannabis using REV technology. These patent-pending methods expanded the application of EnWave's REV technology to the booming medical and recreational cannabis sector.

Medicinal cannabis is often used by chronically ill or immunocompromised patients, causing several countries with medicinal cannabis programs to employ strict standards regulating microbial contamination of herbal cannabis products in order to reduce the potential for opportunistic lung infections.

Ionizing radiation is currently the only method commonly employed to meet these medicinal cannabis microbial standards.

However, EnWave's patented technology pasteurizes and uniformly dries cannabis in its natural state, without any additives, in under one hour, dramatically shortening the time from harvest to marketable products and circumvents the need to transport medical cannabis to highly-specialized and expensive off-site decontamination facilities.

Another major advantage is that EnWave's continuous high-volume REV drying process also eliminates the need for large-scale in-house drying rooms and their associated potential for product loss due to mold growth during the traditional multi-day drying process.

Finally, a common method for the extraction of cannabinoids (essential oils) from the dried plants uses pressurized CO2 as solvent. The challenge with this process however is that moisture levels in dried leaves often vary, which results in inconsistencies in the oils that are extracted. The goal with REV is to produce a much more homogenous raw material at a specific moisture level.

Still in 2017, the Company signed a royalty bearing agreement with **Tilray**, a major Canadian cannabis player with international presence. Tilray is an Authorized Licensed Producer as defined by Health Canada's Access to Cannabis for Medical Purposes Regulations (ACMPR).

The license grants the cannabis grower the exclusive right to use the Company's

proprietary REV dehydration technology to dry and decontaminate cannabis in Canada.

So far, Tilray has purchased a 10kW REV machine and two 60kW continuous REV machines.

In return for the exclusivity, Tilray has purchased a small-scale 10kW commercial REV unit to enable advanced product development along with a large-scale 60kW commercial REV machine that will be used to initiate commercial production. In May 2018, Tilray ordered a second 60kW REV machine, which will be installed in Portugal. Both units are expected to be up and running in 2019.

Moreover, the Licensed Producer must also pay royalties based on the amount of cannabis processed with EnWave's REV equipment. Royalties in the cannabis space could be up to three times higher than what EnWave receives from companies that are active in the food sector.

Early 2019, EnWave announced the signing of its second royalty bearing license. This time with **The Green Organic Dutchman Holdings Ltd. (TGOD)**, another well-known Canadian cannabis producer.

TGOD first purchased a commercial 60kW REV machine. This unit is since a few weeks operating with a potential output of 20 metric tonnes per year.

Additionally, in March of this year, TGOD ordered three additional 120kW REV machines. The order also includes additional custom features including transport belts to assist with continual product feed to each unit. The machines will also be equipped with robotic arms to unload trays of dried cannabis after processing, empty them, and place them back on the belt.

The total purchase price for these three units is estimated to be in the range of $6.5 million. This one sale represents a higher total in REV unit sales than was reported by EnWave in all of 2018.

One month later, EnWave announced another blockbuster deal. This time with **Aurora Cannabis Inc.** As a producer of recreational and medicinal cannabis with operations in many countries worldwide, Aurora is a leading player in the sector.

So far, Aurora has agreed to purchase at least four and possibly five REV machines. Two 120kW commercial REV dehydration machines will be installed at the Aurora Sky and Aurora Sun cannabis processing facilities located in Canada.

A third 120kW commercial REV unit may additionally be purchased for installation at the Aurora Nordic facility in Denmark. Furthermore, a 60kW commercial REV unit will be installed and operated in South America, and Aurora has also purchased a smaller 10kW REV machine for product development, protocol development, and R&D purposes.

As with other equipment sales agreements secured by EnWave, a license has been granted to Aurora with exclusivity to operate the REV machines for the production of cannabis in Europe (excluding Portugal), throughout South America (except Peru) and an option to exclusively license the REV technology in Australia for cannabis manufacturing.

Similar to the strategic arrangement that EnWave has in partnership with Tilray, Aurora and EnWave also have the opportunity to develop further sub-license agreements using the technology within Aurora's exclusive jurisdictions.

Aurora has now locked up processing capacity using REV machines for a large part of its

worldwide production base. Considering that Aurora is one of the largest cannabis producers in the entire sector, with funded capacity to produce more than 625,000kg of cannabis per year, this royalty leverage could amount to a very significant revenue source.

Another dimension of this arrangement that is also noteworthy is that Aurora committed to participate in a strategic equity placement. The deal was structured similar to a share swap valued at $10 million, whereby Aurora issued 840,576 common shares to EnWave in payment for a block of 5,302,227 EnWave shares. Following this transaction, Aurora now controls approximately 4.91% of the issued and outstanding EnWave shares.

In August 2019, EnWave reported yet another new partnership agreement. The Company has granted a royalty-bearing commercial sublicense to **Glasshouse Botanics Inc.**, a private company based in Ontario, Canada. Glasshouse is engaged in the cultivation of high quality medicinal cannabis.

Established in 2017, GlassHouse Botanics is a privately owned and operated medicinal cannabis producer with its greenhouse located in Canada and processing and sales located in Malta. The first 43,000 sq ft of its planned 520,000 sq ft greenhouse is substantially complete.

Glasshouse will begin processing of cannabis plants using a 10kW REV machine during a 3-month lease. An option arrangement was granted by EnWave to purchase the machine following the trial period. The sublicense granted to Glasshouse shall expire after the three month period if the purchase option is not exercised.

Early 2019, EnWave reported another license agreement with **Your Wasabi Farms Ltd (YWF)**, to enable the partner to begin processing hemp with its REV equipment on a toll-processing basis on behalf of third-party suppliers.

It should be noted that the license currently granted to YWF is for the processing of hemp only, which is a species of the Cannabis plant. Hemp has many industrial uses derived from fibers of the plant and is also increasingly becoming important for medicinal applications. While hemp itself is legal to cultivate and process, marijuana plants are still regulated and production of these plants in Canada requires a license.

As the legal consumption of marijuana grows in Canada, increasing demand will likely encourage more cultivation operations and larger crop yields. This in turn may lead to greater utilization of REV processing to cure and dry cannabis plants. There is the possibility that YWF may apply for regulatory approval to begin processing marijuana plants, and thereafter reach an amended deal to expand the license agreement with Tilray to include this option under a royalty structure.

So far, EnWave has stayed on the sideline to close deals with U.S. based cannabis companies because the legal framework in the country is still uncertain. With legalization spreading across the United States however, it is only a matter of time before EnWave can start its conquest of this cannabis market as well.

The production of industrial hemp on the other hand has recently been legalized in the United States with the passage of the 2018 Farm Bill. Hemp, which is closely related to cannabis, therefore represents a compelling opportunity to achieve further growth for the Company. As such, it's exciting to see that EnWave reported its first U.S. partnership agreement in this space in July 2019.

The Company signed a commercial royalty-bearing license agreement with **Electric Farms LLC**. From its primary cultivation center located in Tennessee, Electric Farms operates a 6,000 square foot greenhouse facility along with a 12-acre outdoor growing operation dedicated to the production of organic hemp. Approximately 10,000 pounds

of dried hemp output is anticipated each year, for smoking and processing of extraction products.

A purchase order has been submitted for a 10kW REV. Exclusivity for processing hemp using REV technology has been granted to Electric Farms within the state of Tennessee.

A single 120 kW quantaREV system can dry about 840 kg (about 1850 lbs) of wet flower in a single 8-hour day, producing about 190 kg (about 420 lbs) of dry flower per shift.

Pharmaceutical Dehydration Technology

A final pillar of EnWave's success is pharmaceutical applications.

In December 2011, EnWave signed a 10-year Research and Development agreement with **Merck**, one of the world's leading pharmaceutical, chemical and life science companies, in which Merck bears the costs associated with this process. Test results with a scaled-up freezeREV machine have been very encouraging.

The REV freeze drying technology for the pharmaceutical industry provides the capability for continuous processing such that individual dosage units of vaccines, enzymes, antibodies, proteins, probiotics and other small molecule therapeutics may be rapidly dried and packaged.

In September 2018, EnWave announced that Factory Acceptance Testing was completed after a thorough development phase at its own R&D facility in British Columbia, in collaboration with Merck. Testing work focused on achieving specific throughput and capacity objectives established by Merck to demonstrate the processing can deliver consistent performance with regards to production metrics such as moisture content, homogeneity, processing time, etc.

Following this test phase, Merck installed the 9kW REV machine at its facility in Pennsylvania, where it recently passed site acceptance testing. Site acceptance testing ensured that the equipment performed at the Merck manufacturing complex in line with the same protocol as the original parameters already achieved at EnWave's R&D test facility.

Merck has several new products under development that will become candidates to utilize the REV machine for the potential launch of products in the future. The development regime would involve a timeline greater than 3 years to gain FDA approval, so the actual commercial payoff for this technology is some time ahead.

However, EnWave has once again demonstrated a new application for its REV technology. The potential rollout as part of the manufacturing process for established pharmaceutical companies like Merck represents another distinct industrial sector where the REV machines are contributing to efficient production of new products.

GROWTH DRIVERS

EnWave Potentially Solving Major Military Issue

In June 2017, EnWave entered into a contract with the US Army to jointly develop low weight, high quality, nutritious field rations.

This opportunity for EnWave is enormous, as potentially hundreds of thousands of men and women in active duty could be served REV-dried rations.

The military is focused on reducing the footprint (weight and volume) of what fighters have to carry in the field. It will not only increase chances of them packing more

rations, it will also lessen their fatigue and improve agility and speed.

The Company's Radiant Energy Vacuum technology is uniquely suited for this purpose, because food items can be intermediately dried, and as such easily compressed. When products are dried with other drying techniques and then compressed, they typically pulverize into small pieces.

Internal focus groups of up to 200 people involved in sampling of these newly developed products have been very enthusiastic about the composition and flavor of the samples provided.

In fact, the NSRDEC was so satisfied with the progress being made that in July 2018 it ordered a 10kW REV machine for research and development purposes.

In May 2019, EnWave reported a second machine purchase order by the United States Army Combat Capabilities Development Command Soldier Center (CCDC)* to produce nutritious, durable rations for the military. The new 2kW REV dryer is sold for approximately $100,000. It will be installed at another location than the 10kW machine, which was purchased last year to advance the development process.

** This entity was formerly known as the US Army Natick Soldier Research, Development and Engineering Center.*

The CCDC has been tasked with the development and procurement of advanced rations on behalf of the US Army. If indeed the collaboration with EnWave achieves a successful outcome, then the technology will be licensed to vendors to enable production of the rations. This will involve the sale of larger commercial REV machines and the potential for high volume production to commence.

It should be highlighted that three-way dialogues are already ongoing between EnWave, the US Military, and approved vendors involved in supplying the military, to consider production of the new REV-dried rations once a final "go" decision has been made.

There is also the potential that other countries may be interested in licensing this technology on behalf of their military forces. EnWave has already met with representatives of the Australian department of Defence to discuss a similar development program. As was demonstrated by the breakthrough in the Cannabis sector, the leadership of a significant player to embrace a new technology process may prompt a more rapid growth curve as other participants realize the benefits.

RECENT EVENTS

EnWave's Breakthrough in Japan

Early last year, EnWave achieved a breakthrough in Japan when the Company signed a Technology Evaluation and License Option Agreement (TELOA) with **Calbee Incorporated**. Using a rented machine, the multinational snack foods company began testing EnWave's REV technology for the production of various healthy snacks. That testing process was successfully concluded this year as Calbee entered into a formal partnership to begin production. Calbee purchased a 10kW REV machine in May as part of that agreement. The unit has already been delivered and will be in operation later this month.

The emerging partnership with Calbee is of interest because it represents the first significant beachhead for EnWave within the important Japanese market place. To assist with the entire process, EnWave used the help of Tokyo-based Correns Corporation, which Correns, which aims to bridge partnerships between Japanese and Western companies.

A thorough evaluation process was completed by Calbee prior to engaging in a business arrangement with EnWave. This is customary with Japanese corporate culture and part of the process to establish a new relationship. The careful and prudent investigation even involved several trips by Calbee personnel to visit the EnWave production facility.

Last week, a second Japanese company has entered into a partnership with EnWave. **Kameya Foods Corporation** has signed a

royalty bearing commercial license to begin using the REV technology. Kameya has also submitted a purchase order for a 10kW REV unit to be installed at its main facility located in Shinshuku, Japan.

Situated in an agriculturally diverse environment, Kameya Foods has access to a variety of local, high-quality raw materials, which include some of Japan's best-quality wasabi grown at the edge of Mt. Amagi (photo), fresh vegetables and seafood from Suruga Bay.

With its diversified product line of premium foods, Kameya plans to use the REV unit for the production of dried wasabi, fruits, tea and seafood. The performance advantage using REV technology for food processing has already been established by many other companies in this sector. The addition of Kameya to the roster of partners then builds on this successful market niche created by EnWave.

Kameya is recognized as an innovative pioneer with a very high standard for the creation of new products. The company has achieved the status as a specialty producer of exceptional food products for global markets. The choice to begin operations using REV processing is therefore an implied validation of the technology. Once again, REV processing is highlighted as the superior choice for the operations of the most quality-conscious industry partners. With its reputation for the production of premium food products, Kameya is an ideal client for EnWave to build its presence in Japan.

Similar to the arrangement with Calbee, formal introductions were first arranged by Correns Corporation for this new deal. This value of the alliance that EnWave established with Correns is once again paying dividends for its growth plan.

Kameya also committed to a thorough vetting process, again including sending representatives on several visits to inspect the Canadian facility. Recall that EnWave was required to navigate even greater scrutiny prior to advancing its arrangement with the United States Army Combat Capabilities Development Command Soldier Center. That EnWave is able to surpass even the highest scrutiny protocols is a feather in the corporate cap. It demonstrates that the Company is well run with the capacity to achieve superior operating standards demanded by its partners.

Every new sales agreement is an important event for EnWave in its longer term goal of commercializing REV technology worldwide. The popular product line marketed by Kameya will generate a profitable royalty revenue stream to EnWave. This deal also advances the objective to expand its business activity within Japan. The country is recognized as one of the most difficult markets for foreign corporations to become established.

Strong AmazeBalls Sales Prompt Ashgrove Cheese to Order Second REV Dryer

A couple of weeks ago, EnWave reported that Ashgrove Cheese Pty Ltd, submitted a purchase order for a second REV machine. Based in the State of Tasmania, Australia, Ashgrove is a private company active in the dairy products sector. Family owned, Ashgrove produces and markets conventional dairy foods including milk, butter and cheese.

Based on the expanding worldwide popularity of dried cheese products, Ashgrove opted to develop its own cheese snack line. The company considered using REV technology as a premium processing option. After a lengthy evaluation process, Ashgrove commenced production of its AmazeBalls dehydrated cheese snacks using REV technology in 2017. The company purchased a 10kW REV unit and was granted exclusivity for distribution within Australia. EnWave receives a royalty payment

of 5% for the wholesale value of all AmazeBalls sales.

AmazeBalls is now available in six flavours: Cheddar, Havarti, Sweet Chilli and Sour Cream, Apple Cider Vinegar & Chive, Pizza Supreme, and Salted Caramel.

The AmazeBalls cheese snack product line is considered a healthy choice snack food. Six different flavors are currently available. Distinctive flavor choices, including Pizza Supreme and Salted Caramel, add to the appeal of these snacks. AmazeBalls are sold in high volume retail chain stores including IGA, Leo and Drakes Superstores, Ritchies and Woolworth. It is the popularity of AmazeBalls that prompted Ashgrove to order another REV machine and increase production output. The second REV machine ordered by Ashgrove is also a 10kW unit. As a consequence, the increased production of AmazeBalls will generate higher royalty payments to EnWave.

EnWave is Added to Popular Cannabis ETF

The rapid growth story for the cannabis sector has been one of the major market trends for several years. Numerous jurisdictions have moved towards legalization for cannabis consumption. This includes acceptance for legitimate medicinal treatments, and also for recreational use. A corresponding increase in the cultivation of cannabis plants is underway to meet this new demand.

REV processing is now becoming established as the superior option for drying cannabis and hemp plants. The system affords advantages of faster and more uniform processing, with less waste and lower costs. In addition, the precise moisture control ensures the ideal quality for secondary processing to extract CBD oil.

The importance of REV processing has now again been recognized with the inclusion of EnWave in a cannabis sector Exchange Trading Fund (ETF). ETFs have become a popular option for investors to gain leverage to a range of companies within a specific sector with just one purchase. By holding a basket of representative companies, an ETF is structured to track the market performance of the sector.

This week EnWave reported that it has been added to The Cannabis ETF. Trading on the New York Stock Exchange (NYSE – THCX), this ETF enables leverage to EnWave for US market participants. There are a total of only 35 different companies held within the basket of stocks currently included in the THCX. The ETF stated that EnWave was included as business providing ancillary services related to the sector. A wider diversity of companies is desired for the ETF, beyond the typical cannabis cultivation and marketing stories. This positive association for EnWave within a growing sector builds further appeal for the Company.

EnWave has been added to The Cannabis ETF (NYSE:THCX) which trades on the New York Stock Exchange. THCX follows the Innovation Labs Cannabis Index, which is a portfolio of 35 holdings expected to benefit from growth of the legal marijuana, CBD and hemp industries.

Some US based investors do not have access to trade Canadian-listed stocks. The

popularity of the cannabis sector has led to increasing participation using The Cannabis ETF. Therefore the ETF addition will increase the scope of ownership of EnWave shares within the United States.

This comes in addition to the inclusion of EnWave within the Horizon Marijuana Life Sciences Index (TSX – HMMJ), another prestigious ETF. Participation within these ETFs garners further validation of the successful innovation of REV processing for cannabis producers.

FINANCIALS

EnWave generates revenue from two business segments: EnWave Canada and NutraDried. EnWave Canada sells REV machinery to royalty partners, rents REV units to prospective royalty partners, and earns royalties from customers that sell REV dried products.

Note that royalties are payable to EnWave as a percentage of the value of products sold or based on the number of units produced by its royalty partners. NutraDried, on the other hand, sells Moon Cheese snacks into retail and wholesale distribution channels.

Amounts in $000's	06/30/19	06/30/18
EnWave Canada Sales	5,075	1,602
NutraDried Sales	5,000	5,177
Total Sales	**10,075**	**6,779**
Cost of Goods Sold	7,217	3,848
Gross Profit	**2,858**	**2,931**
Expenses	4,149	3,035
Pre-Tax Income (Loss)	(1,291)	(104)
Income Tax Expense	31	-
Net Profit (Loss)	**(1,322)**	**(104)**
Diluted Shares Outs.	107,472	100,784
Diluted EPS	(0.01)	(0.00)

Selected income statement data for the quarters ended June 30, 2019 and June 30, 2018. Source: Company Filings

For the third quarter, ended June 30, 2019, EnWave reported record revenue of $10.07 million, an increase of $3.29 million, or 48%, compared with the third quarter of fiscal year 2018.

The main contributor to these excellent sales was an increase in machine orders and production. NutraDried sales were lower in the third quarter compared with the first and second quarter of FY 2019 as the Company was preparing for the launch of the MVM coupon program at Costco.

Direct costs have increased with revenue growth as it relates to NutraDried's product sales revenues. Expenses increased in Q3 2019 relative to Q1 & Q2 2019 due to additional personnel costs and recruiting costs tied to growth as well as additional marketing costs and a restructuring cost related to NutraDried.

For the first nine months of fiscal 2019, EnWave had consolidated revenues of $26.65 million, compared to $15.47 million in the same period in fiscal 2018, an increase of 72% or $11.18 million.

The Company had a consolidated net loss of $1.56 million in the three quarters of fiscal 2019, compared to a consolidated net loss of $1,020 for fiscal 2018, an increase of $541.

EnWave also reported adjusted EBITDA of $2,304 for the three quarters of 2019 compared to $1,632 for the three quarters of 2018, an increase of $672.

EnWave Canada reported revenues of $8,562 for the nine months ended June 30, 2019 compared to $5,499 for the nine months ended June 30, 2018, an increase of $3,063. EnWave Canada reported a segment loss of $4,082 for the nine months ended June 30, 2019 compared to $2,827 for the nine months ended June 30, 2018, an increase of $1,255. The Company secured a significant number of equipment purchase orders at the end of Q2 2019 and early Q3 2019 that will continue to increase EnWave Canada's revenues for the remainder of fiscal year 2019.

NutraDried reported revenues of $18,092 for the nine months ended June 30, 2019, compared to $9,971 for the nine months ended June 30, 2018, an increase of $8,121 or 81%. NutraDried reported segment income of $2,556 for the nine months ended June 30, 2019, compared to $2,280 for the nine months ended June 30, 2018, an increase of

$276. NutraDried's revenues improved year over year due to additional distribution of Moon Cheese into the U.S. and Canadian markets.

Balance Sheet As Of June 30, 2019

On March 31, 2019, the Company had working capital of $25.89 million, compared to $ 13.31 million on June 30, 2018.

As at June 30, 2019, the cash and cash equivalents balance was $21.82 million compared to $7.08 million on June 30, 2018, an increase of $14.74 million. The change in cash and cash equivalents is primarily due to the Aurora Investment with net proceeds of $9.17 million. The remaining increase is due to deposits received from customers on machine purchases as well as cash received from the exercise of stock options and warrants. The Company had net cash inflows from operating activities of $423,000 for the nine months ended June 30, 2019.

Amounts in $000's	06/30/19	06/30/18
Cash and Cash Eq.	21,824	7,086
Restricted Cash	250	250
Trade Receivable	4,261	4,122
Due From Customers Under Contract	993	1,610
Inventories	7,234	3,793
Total Current Assets	**35,342**	**17,127**
Plant and Equipment	4,329	2,769
Total Assets	**40,316**	**20,958**
Trade and Other Payables	5,227	3,252
Customer Deposits	3,829	460
Total Current Liabilities	**9,447**	**3,811**
Long Term Debt	272	379
Total Liabilities	**9,922**	**4,190**
Total Stockholder Equity	30,394	16,768

Selected balance sheet data on June 30, 2019 and June 30, 2018. Source: Company Filings

Inventory at June 30, 2019 was $7.23 million, an increase of $3.44 million compared with June 30, 2018. EnWave Canada had inventory of 2.04 million on June 30, 2019 and relates to 10kW machines used for rentals and those under fabrication. NutraDried's food product and packaging supplies inventory was $5.18 million, which is an increase of $4.06 million compared to $1.2 million on June 30, 2018. This is due to an inventory buildup for the Costco MVM coupon program.

OUTLOOK

An increasing number of food, cannabis, and biopharmaceutical companies are realizing that REV is the way to go if they want to maintain their competitive advantage.

The sale of REV dryers is generating millions of dollars for EnWave. Moreover, with each additional REV unit becoming operational, the minimum quarterly royalties are increased proportional to the size of the machine. A 100kW machine will typically generate between $200,000 and $400,000 in royalties per year at full utilization. As more and more machines are taken into production, EnWave benefits big time.

Although EnWave is already on the right track to achieve sustained growth and profitability, it has a vast number of solid growth opportunities in its pipeline.

The cannabis sector is evolving into one of the fastest growth channels for new REV machine sales. The application to use REV technology as an efficient method to dry cannabis is an important advantage ensuring rapid and uniform processing, at much lower temperatures than possible through other methods.

REV processing also enables greater control over how much moisture is removed from the plants. Ideally, about 10% moisture content is preferred for the smokeable cannabis, while those plants that will be further processed for extractions and CBD oil are further dried down to 1% moisture content. This precise level of control is a material advantage inherent with the REV process that saves cannabis and hemp producers lots of time and money. Ever more parties involved in these industries realize that the REV technology is key to stay competitive in this evolving market place.

With the continued strength in revenue growth, and the highlighted accomplishments to build new partnerships and secure further royalty-bearing license agreements, EnWave

is clearly making inroads to establish a long term profitable enterprise. The Company has also been able to maintain a strong balance sheet, and achieve positive cash flow on a quarterly basis.

It is common for an emerging technology company to encounter growth pains along the way. EnWave has been adept to navigate through its rapid growth rate while adjusting operations to achieve greater production. This is reflected in the transition of the S&M department for NutraDried, and the subsequent restructuring fee charged during the quarter. It should be noted that offsetting fees related to third-party sales personnel will no longer appear in future quarters due to this process.

EnWave has continued to attract talented personnel for senior management positions. The recruitment of additional engineering staff will enable the Company to develop enhancements for REV technology and build production of REV units to match the sales growth in the future.

EnWave achieved significant targets during Q3 and remains on track for a breakthrough year. The steady rise in the value of its shares is a testament to this overall success story. EnWave remains one of the top small cap growth stories in Canada.

SHARE DATA & OWNERSHIP

As of August 28, 2019, EnWave had approximately 110.7 million common shares outstanding. In addition, the Company had approximately 7.74 million warrants outstanding with an average exercise price of $1.26.

Finally, EnWave had about 7.96 million stock options outstanding with a weighted average exercise price of $1.39. Each stock option entitles its holder to purchase one common share of the Company.

The principal owners of the Company's common stock are Manulife Asset Management (3.04%), DJE Kapital AG (3.32%), and Kimelman & Baird (0.82%).

MANAGEMENT

- **MR. BRENT CHARLETON, CFA - PRESIDENT & CEO, DIRECTOR**

Mr. Charleton has extensive experience working in competitive team-based environments in the public and private sectors. He has managed the business development, marketing and investor relations mandates for EnWave Corporation since 2010 and was recently promoted to President and Chief Executive Officer. Brent, an ex-professional athlete, is a graduate of the Marketing Management program at the British Columbia Institute of Technology and has earned a Bachelor of Arts degree in Criminology and Communications from Simon Fraser University. Mr. Charleton has completed the Canadian Securities Course and is a holder of the right to use the Chartered Financial Analyst® designation.

- **MR. DANIEL HENRIQUES, CPA, CA – CFO**

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 2016 – 9M 2019

All numbers in thousands

PERIOD ENDING	FY 2016	FY 2017	FY 2018	9M 2019
Total Revenue	**14,933**	**15,954**	**22,825**	**26,654**
Cost of Revenue	10,383	11,654	13,915	17,639
Gross Profit	**4,550**	**4,300**	**8,910**	**9,015**
Expenses				
General & Administrative	1,989	2,072	2,439	3,165
Sales & Marketing	793	2,160	3,731	3,263
R&D	1,656	1,138	1,213	1,375
Amortization Intangible Assets	1,222	888	573	337
Stock-based Compensation	399	891	545	1,310
Total Operating Expenses	6,387	7,286	9,317	9,947
Net Income (Loss) Before Income Taxes	**(1,837)**	**(2,986)**	**(407)**	**(932)**
Income Tax Expense	-	-	538	629
Net Income (Loss)	**$(1,923)**	**$(2,986)**	**$(945)**	**$(1,561)**

Annual Income Statement FY 2016 – 9M 2019. Source: Company Filings

TSX Venture: ENW
OTC: NWVCF
Frankfurt: E4U

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