

**Transcript of update interview with  
Mr. Brent Charleton**



**Senior Vice President Business Development of  
EnWave Corp.**



**TSX Venture Exchange: ENW**

**September 17, 2016**

**Mr. Brent Charleton - Senior Vice President, Business Development.** Mr. Charleton has extensive experience working in competitive team-based environments in the public, private and not-for-profit sectors. He has managed the marketing, investor relations and corporate affairs mandates for EnWave Corporation since 2010. 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 CFA Level 3 candidate.

**Smallcaps Investment Research: A warm welcome everyone to a new interview on Smallcaps Investment Research. We're excited to have Mr. Brent Charleton, the Senior Vice President Business Development at EnWave Corporation with us today. The Company offers industrial-scale dehydration technology for commercial applications in the food and pharmaceutical sectors. EnWave is listed on the TSX Venture Exchange with ticker symbol ENW. Brent, thanks so much for taking the time to join us today. Welcome.**

Brent Charleton: Thanks very much for having me.

**You mentioned in our previous interview that 2016 would most likely be an inflection point for EnWave. You were absolutely correct as the Company reported a positive net income for the first time in its history in the second quarter, which ended March 31<sup>st</sup>. And in the third quarter, revenues and earnings were even higher. What led to these outstanding results and what can we expect in the coming quarters?**

I believe that the past few quarters' results are directly related to the improvement in proactive business development that our company has undertaken. That's shown in the amount of purchase orders of REV equipment throughout 2016. We received 2 large scale, over 100kW Radiant Energy Vacuum (REV) machine orders and 5 smaller, 10kW machine orders. We believe that this momentum should continue to build and I foresee several strong quarters ahead.

**Excellent news. Next to sales from REV dryers and Moon Cheese, EnWave also generates revenues from royalties that it receives on commercial products that were produced with REV machinery. For example, in the third quarter of 2016, royalties were \$75,000 compared with less than \$10,000 in the same period a year ago. How do you see these royalty streams evolving in the next few years?**

Well, first I'd like to mention that the royalties mentioned in our financial statements do not include the royalties collected from NutraDried LLP, our joint partnership in which we own 51% of. NutraDried does pay a 5% royalty on the top line revenue back to EnWave as any other licensee of our technology would.

We hope to see our royalty those streams continue improving, based on the increased commercialization that our partners are bringing to market. As I mentioned, we had multiple machine orders this year, which will be deployed and installed over the course of the next 12 to 18 months. And each of those machines has royalty generating potential.

**The worldwide market for dried products is around \$400 billion. And EnWave is significantly growing in several segments of that market. Let's discuss the current status and the opportunities in each one. So far, you've made most progress in the dairy sector, where EnWave has signed no less than eight commercial agreements. Which companies from that sector have progressed most in bringing products to the market?**

I think they're all very much on pace for future commercial success. We recently delivered a 100kW machine to Gay Lea Foods Cooperative in Canada. They will be ramping up production for their *Nothing But Cheese* snack product for Canadian distribution and beyond.

It's been no secret to our followers that NutraDried LLP has been doing very well. Also, our partner in Portugal, Dominant Slice, is close to launching its own cheese snack product entitled *Bit Cheese*. So that should be seen in the European marketplace quite quickly.

Our friends in Turkey, Ereğli Agrosan, are also very active, producing a number of product applications, one of which is a cheese product. In Costa Rica, we have La Lydia that is currently doing market testing to hopefully build broader distribution and acceptance of its product in that region.

And then in Chile, we continue to work with Lake Blue Spa on future developments. And finally, Umland in the United States is making advancements with its high kosher cheese.

So our established partners continue to advance and we are putting a large amount of effort into sourcing new potential partnerships in different geographies that have not yet been claimed.

**EnWave also made significant advancements in the fruits area. Three commercial partners, Natural Nutrition, Ereğli Agrosan, and Milne Fruit all ordered a second REV machine in recent weeks. What can we expect from them?**

Natural Nutrition, which does business under the name *Nanuva Ingredients* ([nanuva@cl](mailto:nanuva@cl)), has been doing extremely well. Their products have been regarded as some of the top available in the marketplace and that is reflected in their sales. We have very ambitious aspirations for that partnership. Ereğli Agrosan is no different. The management of that company is top tier and they're extremely active in business development activities. And Milne has been

one of our longest standing partners and we're just extremely happy to be working with a company of their quality.

**You have also signed a technology evaluation agreement with a number of fruit related companies. What progress is being made there?**

What I can say is that the more that our talented food science team works in the fruit snack and ingredient areas, the more processing know-how we're able to offer to our partners. In each case, we have seen dramatic improvements in the ability to process certain products and to retain higher levels of nutritional content. I foresee additional momentum being built in that market vertical going forward.

**A third pillar of EnWave's success is meat. In that category, you have signed royalty-bearing agreements with Hormel Foods and Perdue Farms. Would you give an update on their progress?**

Sure. It was publically disseminated that Hormel discontinued sales of its Spam Snack product. That being said, there is a level of continued optimism to develop and commercialize other REV dried snack products.

At Perdue, the focus is mainly on the pet food and pet treat business. We're very excited to continue working with them to develop that market. This will hopefully lead to additional purchase orders of larger scale equipment.

**In addition, you have engaged in technology evaluation relationships with five other major meat processors, which are based in North America, Europa and Australasia. How do you see those agreements evolving?**

The meat market vertical really excites me. I see clear innovation being generated through the use of our technology. In each case, I would buy the products that are being developed. So I'm hoping that many other consumers, through testing, feel the same way. That way, several of these companies

could convert into commercial license relationships in the future.

**Let's move over to vegetables. Can you first give our listeners and readers, who are not so familiar with the Bonduelle story, a short recap? And can you give some color on the latest developments with this leading processed vegetable producer?**

Bonduelle aims to be a disruptive force in the frozen vegetable marketplace. It has developed a way to dramatically improve the quality of frozen vegetables. They're able to take a small amount of moisture out of a fresh blanched vegetable, and then they freeze it the old fashioned way like they would normally do for a standard frozen vegetable.

By taking out that initial moisture, they produce so-called dehydrofrozen vegetables, which are rich in flavor, nutritional content, color and have a texture which is more appetizing to the consumer.

They're branding this product line under the *InFlavor* brand and are actively marketing this on a B2B basis in North America. The Bonduelle relationship is one that we highly value, and we hope to see further developments in 2016.

**And in June you announced that Merom Farms would soon start selling wasabi based products in Canada and the United States. Can you give some details about that deal?**

Merom Farms has been putting a lot of effort into developing the market opportunity for their natural health product wasabi. The company has received its designation from Health Canada, and is currently looking to secure significant distribution.

**A final sector that I'd like to discuss is pharmaceuticals. We know that EnWave has already made some serious progress with Sutro Biopharma, a pharmaceutical company based in San Francisco, and with Merck, obviously one of the world's**

**leading pharmaceutical, and life science companies. Would you give us a thorough update on those cooperations?**

I wish I could give you a thorough update, but I can't due to confidentiality arrangements with each of those companies. What I can say is that the initial findings through the use of our lab scale technology have been positive, which have resulted in further advancement and investment in the projects from both parties. We anticipate to see some significant milestones with each of those companies in the first half of 2017, assuming that the projects continue to proceed on an acceptable basis.

**EnWave clearly expects a lot from pharmaceutical applications, as it attracted Dr. Richard Mitchell to become the new Senior Vice President of Pharmaceutical Business Development. What can you tell us about the potential for that sector and about Dr. Mitchell's role at EnWave?**

Well, Dr. Mitchell's breadth of experience, both on the science and business development side, is an incredible asset for EnWave Corporation. His role is to spur on business development efforts in the pharmaceutical space through his existing network, but also through new contacts. He is definitely focused on attracting new projects.

So we hope that this additional effort will help to expedite the commercialization of REV technology in the pharmaceutical space.

**Let's move on to a different topic. A few weeks ago Dr. Tom Yang, a food technologist at the U.S. Army Combat Feeding Directorate, gave a presentation at the Institute of Food Technologists (IFT) show in Chicago, in which he touted the use of EnWave's nutraREV technology to produce U.S. soldiers' ration. Could you tell us some more about Dr. Yang and the potential application of REV technology in the U.S. Army?**

Dr. Yang is a believer in our REV technology. He has been monitoring our progress and has done some product development work with us throughout the years.

He was able to deliver a presentation at the IFT Expo in Chicago this summer where he talked about the potential of using REV for military rations. He believes that there is a huge amount of potential. But it's just potential at this point in time.

We hope that we can continue to develop our relationship with Dr. Yang to the point where we can forge a material relationship. But we don't know where that will go right now.

**We already discussed the dairy sector, but we haven't touched upon EnWave's direct participation in it through Moon Cheese. The cheese snack is available at Starbucks and in over 20,000 grocery stores in the United States and Canada. Do you think that distribution of Moon Cheese will continue to expand the coming quarters?**

I do. Basically, a lot of effort is being put forth to expand that distribution. The product itself is selling well and consumers are very likely to continue purchasing this product based on the uniqueness of the offering. There's truly nothing else like it on the market that can offer the variety in

cheese flavors. So I do believe that Moon Cheese will have continued success in the upcoming quarters.

**As a final question, what are some of the milestones that investors should look out for? What can we expect?**

I don't believe that there will be a singular 'home run' announcement that's going to change the game for EnWave. However, through our vigorous business development pursuit, I anticipate further Technology Evaluation and License Option Agreement (TELOAs) to be confirmed with leading companies around the world. I also anticipate that several of those TELOAs will evolve into commercial license royalty-bearing agreements.

I have a high level of confidence that the consistency of newsflow should remain high going through the calendar year. And I'm looking very much forward to continuing that progress in 2017.

**Fantastic. Brent, we really appreciate the time you've taken to speak with us today. All the best to you and EnWave, and I look forward to speaking with you again soon.**

Thanks, very much.

## **Interview Feedback**

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/enwave-interview-provides-thorough-update-on-current-status-and-upcoming-milestones>

Transcripts are edited for clarity.

## **About Smallcaps Investment Research**

We're proud that Smallcaps Investment Research is recognized as one of the most trusted online sources on U.S. and Canadian small cap stocks. We've earned that trust because we only highlight stable, ethical companies to our visitors and newsletter subscribers. We focus on fundamentally undervalued companies with a market cap below \$100 million, and we have a special interest in stocks with a high potential, innovative product or service.

## **Contact Smallcaps Investment Research**

Twin Squares  
Culliganlaan 1  
1831 Brussels  
Belgium  
Tel. +32 (0)2 808 58 41  
E-mail: [contact page](#)

## **Copyright**

You're free to distribute this publication. You may not however add, remove, or change any content or links within this publication.

## **Legal Notice Regarding Forward Looking Statements**

The interview referenced herein 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.