

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



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



**TSX Venture Exchange: ENW**

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**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: Welcome everyone to another interview on Smallcaps Investment Research. We're excited to have Mr. Brent Charleton, the Senior Vice President Business Development at EnWave Corporation, as our guest today. EnWave continues to make significant progress in the food and pharmaceutical markets with its revolutionary drying technology. EnWave is listed on the TSX Venture Exchange with ticker symbol ENW. Brent, it's a pleasure to have you with us again, welcome.**

Brent Charleton: Thanks very much.

**For listeners and readers unfamiliar with EnWave, would you give us a brief introduction of the Company and also inform us about what makes EnWave's drying technology so unique?**

Absolutely. EnWave Corporation has developed a patented applied technology that dehydrates both food and pharmaceutical stuffs in a homogenous and very quick manner.

We're able to dry these products at controllable low temperatures, which allows the user to preserve some of the key value added attributes, including nutrient retention, color, flavor, and texture in food products; and shelf stability and bioactivity in biopharmaceutical products.

We're currently targeting dozens of partners all over the world to license the use of our technology, which provides them a competitive advantage. In return, each of our existing partners agreed to pay us ongoing royalties.

**Very interesting. Let's move over to EnWave's first quarter, which ended December 31st, 2016. Results again showed solid progress. Would you give us the highlights of the first quarter?**

Sure. First, I'd like to state that our financial performance has been improving quarter over quarter for the past 2 to 3 years. As for the first quarter of fiscal year 2017, revenue in our core business - which is selling Radiant Energy Vacuum (REV) machinery and generating royalties - was up compared with the first quarter last year. In addition, revenue at NutraDried LLP, which we own 51% of, was also up in the first quarter versus the comparable quarter last year.

**Fantastic. And what's the outlook like for the rest of the year?**

We're going to maintain our focus on aggressively pursuing new partnerships and deploying as many Radiant Energy Vacuum machines as possible. Our pipeline is robust in terms of potential projects, so it really comes down to execution.

We hope to announce several new partnerships this year, as well as progress at current licensees with some repeat orders.

So in regards to our financial progress, we hope to continue our current growth trend and are quite bullish on 2017 and 2018.

**NutraDried LLC, in which EnWave holds a 51% stake, and which produces the well-known Moon Cheese snacks, was reorganized early 2017. The master distributor was replaced and a new CEO was appointed. How has that progressed since?**

It has progressed extremely well. The team that we now have in place is aggressively growing the NutraDried business. There is a comradery and loyalty within that business that we hadn't seen in some time and we're very pleased with how clean that subsidiary is operating at the moment.

**Well, that's wonderful. Should this reorganization at NutraDried also lead to a sales increase and distribution expansion of Moon Cheese?**

Part of the reorganization was bringing back on board a team of marketing and sales individuals that were responsible for placing Moon Cheese in the Starbucks coffee chain. That group has an extensive network throughout the North American market. Consequently, we anticipate some further announcements this year of Moon Cheese being listed in several other well-known food and convenient store chains.

**The expected increase in Moon Cheese sales is great news for EnWave's royalty income. Obviously, NutraDried is only one of several companies that is generating royalties. Would it be possible to give us an overview of REV-dried products that are already on the market, and as such generating royalties for EnWave?**

EnWave continues to build out its royalty portfolio. We're now close to having 20 commercial licenses. I'll maybe highlight a few of them. One of our longest standing partners is Milne Fruit Products. We announced late 2016 that they purchased a second large scale continuous line to help them address the demand for their MicroDried products on a B2B basis. They have been growing their business very well, so I think that royalties from Milne Fruit will continue to move forward.

In addition, we have nine commercial licenses signed for cheese snack products. Next to NutraDried in the U.S., we have Gay Lea Foods in Canada, La Lydia in Costa Rica, Lake Blue Spa in Chile, Dominant Slice in Portugal, and Kesito in Greece to name a

few. All of those are now generating commercial product, and as such royalties for EnWave through the sale of that product.

**Let's discuss some of EnWave's most advanced customers. First, the Turkish company Ereğli Agrosan, which recently ordered its fourth REV machine. What can you tell us about this company and its potential?**

Well, Ereğli Agrosan is an ideal partner for EnWave. The group is incredibly intelligent and well networked within the European region. We believe that they have tremendous potential for quick growth.

As we've previously announced, they purchased two smaller commercial units to get product to the market and to establish themselves with several large consumer goods companies. Early 2017, they ordered their first large scale machine, which will dramatically increase their production capabilities. That machine is scheduled for installation during the coming summer. Moving forward, the growing demand for Ereğli's REV dried products should hopefully lead to additional machine orders.

**Next is Natural Nutrition, a Chilean fruit processor, that ordered its third REV dryer in January of 2017. How do you see this company progressing?**

Natural Nutrition has made significant strides in building out its business. It's another fantastic partner for EnWave in that they're selling high-value, high-nutrition specialty fruit and vegetable products on a B2B basis. They've made very good progress, and I look forward to seeing them continue growing their business.

**Another exciting partner is obviously Bonduelle and its InFlavor REV-dried vegetables. Can you, first of all, give us an idea of the potential of Bonduelle as a partner for EnWave?**

Sure. Bonduelle is truly harnessing the unique nature of our technology. They are creating a product application that can't be

replicated using any other drying technology by taking only a small portion of the water out of a pre-blanching sliced vegetable and then freezing it the old fashioned way. By doing this homogeneously, and using REV, they create an end-product that doesn't weep water as much, it maintains a better texture, better flavor, and better nutrient profile. Bonduelle has actively been marketing these premium products on a B2B basis to many global players.

I feel that Bonduelle has huge upside in this market place and we're very much looking forward to assisting them in the build-out of this market opportunity. If it proceeds as we hope, then Bonduelle could potentially become a multiple REV machine company.

**Late 2016, Bonduelle engaged EnWave to double the throughput of its existing 120kW REV machine. Do you have an idea when this will be completed?**

We're hoping to complete that project within the next couple of months. Bonduelle has been so busy with different clients that we had to schedule the upgrade to coincide with the sporadic availability of the machine because they've been running it just so much.

**That's fantastic news. Is it also possible to highlight some of EnWave's other recent successes?**

We recently announced a commercial license with Bare Foods. They have a number of snack products that are currently being distributed in Starbucks, Whole Foods, and many other reputable grocery chains. They position themselves in a very unique way by offering high quality healthy snacking options.

We feel that through them harnessing our technology, they'll be able to increase the potential and value of their snacking portfolio. So, we're very much looking forward to continuing to work with them.

We've also had very good success on an R&D basis with several unnamed companies

throughout Europe, North America and Australasia.

Some of our shareholders may have become a bit frustrated in the lack of information in the R&D phase, but that's in the best interest of both EnWave and our partners until they reach commerciality. Several of those projects are accelerating and we hope to bring more detailed and transparent news to the marketplace throughout this year identifying new commercial partners.

**Let's discuss the pharmaceutical side of the business. EnWave currently has two partners in this area, Merck and Sutro Biopharma. How are these partnerships evolving?**

Both projects are progressing nicely. We're in the process of completing machinery design for Merck. Our goal is to deliver the machine in 2018. We're also very active with Sutro, as we're in the machinery testing phase.

We remain very optimistic about both projects, and hope to provide more information on them in the coming months.

**Are there more pharmaceutical partners in the pipeline?**

There are a number of interested parties, but we first would like to confirm progress with our current projects to then justify the internal investment in terms of human resource capacity and R&D dollars before we take on new pharmaceutical projects.

At the moment, our food licenses are generating cash, and there's been a keen focus at EnWave to accelerate opportunities that are near-term cash generating.

**Interesting. Before we go, what are the two or three most compelling reasons for a long term investor to buy, or add, shares of EnWave today?**

I think we're uniquely positioned from an investment case perspective in that we offer the opportunity for exposure to a diverse

portfolio of royalty streams. We're de-risking our investment case almost on a monthly basis by adding royalty streams coming from different verticals within the food space.

Furthermore, our revenue model where we sell REV machinery upfront and then receive royalty payments from our partners for the use of those machines, is vastly different from a typical royalty model. This is in fact the only model that I know of where the counterparty is actually paying money to

participate in paying future royalties back to the main company.

**Fantastic. Brent, it's been a pleasure speaking with you and we certainly appreciate your time. We'll be keeping track of the Company's progress and look forward to having you back for an update.**

Great, thanks very much.

## **Interview Feedback**

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/enwaves-brent-charleton-gives-thorough-update-and-discusses-future-prospects-of-company>

Transcripts are edited for clarity.

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