

Transcript of update interview with Mr. Brent Charleton, CFA



President & CEO at EnWave Corp.



TSX Venture Exchange: ENW

May 18, 2019

Mr. Brent Charleton – President and CEO. 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. He became President & CEO of EnWave in August 2018. 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.

SmallCaps Investment Research: Welcome everyone to a new interview on Smallcaps Investment Research. We are very pleased to have Mr. Brent Charleton with us today, the President and CEO of EnWave Corporation. We have obviously been following the Company for quite a while, but recently several events have taken place that indicate that all the pieces of the puzzle are falling into place. The Company is listed on the TSX Venture Exchange with ticker symbol ENW. Brent, it is a pleasure to have you with us, welcome.

Brent Charleton: Thanks for having me again.

Brent, let's start with the significant progress that you've made during the past weeks and months in the cannabis and hemp sectors. Could you start by telling us what the added value of EnWave's Radiant Energy Vacuum (REV) technology is in those industries?

Certainly. Our patented technology uses vacuum and microwaves to create a low temperature controlled environment in order to very precisely remove moisture from cannabis. The end product is going to be very similar to what a cannabis manufacturer would get using other traditional means. However, our REV technology provides significant cost and time savings to the processor.

REV can dry the plant material in less than one hour as opposed to three to seven days, dependent on the strain, with traditional means. That is a massive advantage. Also, the footprint of our machinery is far less than what would be required for traditional

humidity-controlled air-dried rooms to dry the same amount of product.

When you combine the reduced footprint, reduced time, and reduced opportunity for blight or mold to take hold in crops that have been harvested, it's clear that we provide significant cost savings to our licensed producers.

Well that's excellent. Just a few days ago, EnWave entered into a commercial agreement with Aurora, of course one of the world's largest and leading cannabis companies. Would you give us the specifics of this deal?

In essence, Aurora has agreed to enter into a tripartite sublicense to use REV equipment in Canada. They have also signed a master license in Europe, excluding Portugal, to use REV technology.

The second case is a different scenario in that we will work together with Aurora to find additional sub-licensees or other companies in the space to use our technology. We have agreed to share a percentage of any royalties generated through those sub-license partners. This means that we are economically aligned which provides a foundation for a very robust partnership.

All this was further solidified by Aurora's making \$10 million strategic investment into EnWave via a stock swap. The market reacted incredibly favorably to that transaction.

In March of this year you signed a similar agreement with The Green Organic Dutchmen (TGOD), another major Canadian cannabis producer.

Would you give some more color on that partnership?

Absolutely. Our partnership with The Green Organic Dutchmen is slightly different from Aurora. It is a sublicense only for the country of Canada through the Tilray master license. However, the commitment of TGOD to the machinery and technology has been phenomenal.

Thus far, TGOD has placed orders for a 60kW REV dryer and three 120kW REV dryers. These orders are larger than our other two cannabis partners. The plan with TGOD is to have all their machines installed by the end of this calendar year.

In terms of production capacity with those four machines, you are looking at prospectively 140 metric tons of finished products, while they operate one shift of 8 hours per day during 250 days per year. This will be sufficient to take care of a large portion, if not all, of TGOD's drying needs.

Well that's quite impressive. And, are you able to handle all those machine purchase orders what manufacturing capacity is concerned?

Absolutely. We have been diligently planning internally for growth and we will handle it in a number of ways.

First, we will leverage our suppliers. We are master assemblers. We are not metal benders. We acquire different components and then through our know-how and designs create these value-added dehydration mechanisms.

Second, we have confirmed an additional 30,000 square feet for assembly. We have also been hiring additional staff so we can have multiple assembly and installation teams deployed globally at the same time.

We can certainly address our current pipeline and we are preparing for growth in that pipeline throughout the rest of this year and beyond.

Very good to know. Your first major partner in the cannabis sphere was Tilray. Can you give us an update on the developments with that partner company?

Tilray purchased a 10kW REV unit to refine the processing parameters with individual strains and also two 60kW REV machines.

The first 60kW will be installed at their Ontario facility. That machine has now been shipped. It should be installed within the next month and a half. The second machine will be shipped to Portugal during the summer with the goal of having both machines operational before the end of Fiscal 2019.

Thanks to the US Farm Bill, which legalized hemp a few months ago, you're also able to sell REV machines to U.S. hemp companies. What is the potential there, and how does the sales pipeline look at the moment?

Industrial hemp makes sense for us to pursue similarly to the global marijuana industry. At this point in time, our business development pipeline includes several major U.S. hemp companies that we are discussing perspective partnerships with. We will vigorously target and pursue that market.

However, we will not be selling any machines into the United States for the use of dehydrating marijuana or any federally illegal substance. Once the legalities change in the country as a whole, then certainly we will also pursue that opportunity in the U.S.

Earlier this year, you announced significantly improved first quarter financial results for the period ended December 31st, 2018. I know you can't disclose a lot, but how does the rest of the year look like what sales and earnings is concerned?

It looks very promising. We have already disclosed several machinery purchase orders. In fact, the amount of purchase orders that we received in the first half of 2019 has

vastly exceeded all purchase orders over the past 4 years. We will recognize a high percentage of that revenue over the coming quarters in fiscal 2019. We are targeting profitability in fiscal 2019.

We should see steady growth over the coming quarters and everyone internally is very optimistic. We are firing on all cylinders.

Of course, Moon Cheese was a major contributing factor to those excellent first quarter results. What are the goals for the crunchy cheese snack this year?

The growth prospects for NutraDried, our 100% subsidiary responsible for Moon Cheese sales, is heavily influenced by the very talented management we have brought in. We hired a gentleman by the name of Mike Pytlinski in August of last year, and he has done a phenomenal job of providing us with a budget and certain fiscal targets to achieve throughout this year and next.

NutraDried achieved \$16.4 million in sales in fiscal 2018. We are targeting sales north of \$25 million for fiscal 2019. I would add though that my targets are looking a bit conservative based on some recent interesting updates.

Moving through for 2020, we would like to prospectively double that to be frank. These are the targets we set for ourselves. I think it is achievable based on the plan that Mike and his team have created.

Fantastic. Can we expect new products being launched at NutraDried this year?

Yes, but not necessarily new products in the sense of different materials. Rather, we are going to launch different flavor profiles, different formats in terms of size of packaging, along with a rebrand later this year.

All of these decisions, changes and improvements have been guided by hard data collected through vigorous market research. Hopefully, this will again accelerate the growth of the company.

And with all the ongoing sales growth at NutraDried is the sales team there being expanded as well?

Indeed. Mike recently made a senior hire, the new VP of sales to work alongside him in the execution of the plan for growth. He is a top-notch, very experienced salesperson who is only going to improve the execution of our plan.

Next to cannabis and Moon Cheese, what are the other major growth drivers for EnWave in the foreseeable future?

We really have a basket of options. We have another 24 commercial royalty-bearing licenses that are all active and that can continue to grow and thrive.

Some of them might be slower in terms of growth, but I foresee others, such as Arla Foods or FrieslandCampina, two of the largest global dairy companies, to potentially grow quickly into commercial successes.

I think there is a huge amount of runway for growth in the food space with our license partners. Not only with current ones, but also with new partners being signed on this year.

Another major potential business opportunity for EnWave is of course the agreement with the United States Army. Would you give us an update on the latest developments there, and also tell us what the potential is for REV applications in the military?

We are working on a project with the U.S. Armed Forces to improve the quality and phytonutrient content of military rations for close combat warriors. They purchased two machines to accelerate product development.

We hope this year they will determine a number of military rations which they would like to procure through their supplier network. The Army would then post a contract to be fulfilled. The selected suppliers are then the likely licensees of REV technology. They would buy the machinery and then supply the US Armed Forces with the finished military rations.

We hope we can see progress so that sometime in calendar 2020 we have at least one supplier producing at least one product for the US Armed Forces.

As a final question, in July last year, you announced a collaboration agreement with GEA Lyophil of Germany, a giant company that has been active in freeze drying for over 60 years. During our previous interview you mentioned that you were still in the 'feeling out' stage. Has that evolved since?

It has evolved. However, we are still feeling each other out in terms of how our future potential partnership would be structured.

We do have a meeting forthcoming this summer with both Merck, our partner in the pharmaceutical space, and GEA. I think if we can have a fruitful discussion this summer there is the potential for a long-term partnership to commercialize REV in the pharmaceutical sector.

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:

<https://www.smallcaps.us/to-the-point-interview-with-ceo-brent-charleton-tells-investors-all-they-need-to-know-about-enwave-corp>

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.