

### ENWAVE CORPORATION

Price (July 19, 2010)	\$1.03
52-Week Range	\$1.34-\$0.34
Shares O/S	52.45 million
Market Cap	\$54.0 million
50-day Average Volume	123,500
200-day Average Volume	117,700
Fiscal Year-End	September 30
Symbol	TSX-V: ENW
Website	www.enwave.net

#### Financial Data

(000s)	Year Ending September 30		
	2009	2008	2007
<b>Balance Sheet</b>			
Cash	\$1,785	\$914	\$1,416
Cash Per Share	\$0.04	\$0.03	\$0.05
Current Assets	\$1,946	\$1,466	\$1,673
Current Liabilities	\$243	\$270	\$294
Working Capital	\$1,702	\$1,195	\$1,379
Working Capital Ratio (to 1)	8	5	6
Total Assets	\$2,211	\$1,649	\$1,758
Shareholders Equity (Book Value)	\$1,968	\$1,379	\$1,465
Shares Outstanding (Year End)	41,258	35,405	30,025
Book Value Per Share	\$0.05	\$0.04	\$0.05
<b>Income Statement</b>			
Revenue	\$497	\$74	\$74
Cost of Sales	(\$502)	(\$1)	(\$23)
Gross Margin	(\$5)	\$73	\$51
Operating Expenses	(\$1,990)	(\$2,151)	(\$1,493)
Operating Loss	(\$1,995)	(\$2,078)	(\$1,441)
Other Income/(Expense)	\$23	\$26	\$30
Loss for the Year	(\$1,972)	(\$2,052)	(\$1,411)
Loss per Share (basic and diluted)	(\$0.05)	(\$0.06)	(\$0.05)
<b>Cash Flow Statement</b>			
Operating Activities	(\$1,141)	(\$1,516)	(\$907)
Financing Activities	\$2,142	\$1,145	\$1,803
Investing Activities	(\$130)	(\$131)	(\$70)

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Note: Report prepared with public information only.

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Source: [www.bigcharts.com](http://www.bigcharts.com)

#### PROFILE

EnWave Corporation is a British Columbia-based research-oriented technology company, focused on developing and commercializing a new method of food and biological dehydration. The new method is based on radiant energy technology, which uses less energy and allows for faster processing than the current industry-standard freeze-drying method.

#### PROPRIETARY TECHNOLOGY

The proprietary technology developed by EnWave is Radiant Energy Vacuum or REV. It allows for the rapid dehydration of food, biochemicals and pharmaceuticals versus the current industry standard of freeze-drying.

The Company has commercialized its nutraREV brand, which has applications for fruits, vegetables and dried meats. EnWave's other brands - powderREV and bioREV/freezeREV - have applications in the enzymes and vaccines areas respectively.

REV technology uses microwaves as energy with vacuum to achieve rapid dehydration at or below room temperature. The technology has been applied by EnWave across three business units: (1) nutraREV, (2) powderREV and (3) bioREV/freezeREV. NutraREV is currently the only commercialized brand; the other two are still in the development stage.

## BRANDS

### 1. nutraREV

nutraREV has been shown to be more efficient than traditional freeze or air drying methods for food applications. It may even improve colour and flavour compared with traditional techniques. nutraREV has applications in the low-fat snacks, fruits, vegetables, herbs, and dried-meats areas.

Key benefits of nutraREV over conventional food dehydration techniques include the following:

- rapid processing times (minutes versus hours or days);
- substantially lower energy consumption;
- improved retention of flavour and colour; and
- improved rehydration characteristics.

nutraREV was commercialized in March 2009, with the sale of nutraREV equipment to a dried-berries processor. The equipment demonstrates the viability of nutraREV at a commercial production rate. (The Canadian Institute of Food Science & Technology awarded the Gordon Royal Maybee award to EnWave for its commercialization of nutraREV.)

Several confidentiality agreements on nutraREV were recently signed with food production companies. The agreements will allow Enwave to work with these companies to test the use of nutraREV as a replacement for conventional freeze drying.

### 2. powderREV

powderREV is designed for bulk dehydration of probiotics and enzymes. Probiotics are “good” bacteria found in yoghurt and other dairy products, and which promote good intestinal health. Enzymes are proteins that drive biochemical processes such as the production of wine, cheese, and baked goods.

The brand has the potential to considerably reduce distribution and manufacturing costs as well as extend the shelf life of live material in the end-product.

powderREV had successful early test results, and testing is now being undertaken to look at commercialization via a pilot machine due in Q4/2010.

Collaborating with partner Danisco AS, EnWave successfully demonstrated its powderREV prototype as being able to dry kilogram-sized quantities of probiotic cultures. This is an important step forward in the commercialization of powderREV.

### 3. bioREV/freezeREV

bioREV and freezeREV have applications in pharmaceutical drying. The ability to produced dried vaccines and store them at room temperature would be a major breakthrough for the industry. This would eliminate the need for costly refrigeration and allow for easier stockpiling in preparation for emergencies such as pandemics.

bioREV is used to dehydrate materials that require a drying process without extreme changes in temperature. freezeREV is used for frozen material that requires moisture to ensure long product life.

bioREV and freezeREV have had successful lab results with bacteria and viruses. Scaled-up concepts have been developed and discussions are underway with a potential pharma partner.

## INVESTMENT CONSIDERATIONS

### Strengths

- EnWave's technology has the potential to capture a significant share of the freeze-dried food-equipment market which, by 2015, is expected to be over \$2.19 billion.
- The Company has already successfully commercialized its nutraREV technology for a dried-berry freeze-drying application and has proven technology viable for large-scale output.
- EnWave has a diversified portfolio of brands to service the food, vaccines, and food-culture markets, thus increasing the number of applications of REV technology and the potential market size.
- Partnerships are in place to help commercialize and market the technology worldwide, including a testing agreement with global probiotics manufacturer Danisco, which has over US\$2.5 billion in annual revenues.

### Challenges

- A significant number of EnWave's patents are licensed from UBC (although exclusive use is granted).
- The commercial viability of two of the Company's major units (powderREV and bioREV/freezeREV) is yet to be proven; this could be a long and costly process.
- The Company requires outside technical assistance to assist in commercialization and manufacture of food-processing equipment.

## FINANCIAL PERFORMANCE

### 1. Annual Results (2007-2009)

*(See table on Page 1.)*

EnWave Corporation has experienced significant revenue growth in the past three years. From virtually no revenue in 2007 and 2008, revenue surged in 2009 to nearly \$500,000. This was due to the first commercial sale of nutraREV. The agreement with CAL-SAN Enterprises was not only for the sale of equipment but also included royalties of up to 10% of the dried-food products (using nutraREV) sold by CAL-SAN. In addition, marketing expenses increased significantly from a nominal amount in 2007 of \$12,725 to \$105,000 in 2009. After the first commercial sale of nutraREV, EnWave expanded marketing efforts by participating in trade shows and expanding product development testing for a wider range of food products. As such, R&D expense increased from \$621,770 in 2007 to \$869,461 in 2009. EnWave has been able to secure over \$370,000 in government funding (via NSERC, IRAP, the BC Innovation Council) for its R&D of products using the REV technology.

### 2. Second-Quarter 2010 Results

*(See table below.)*

Revenue for the second-quarter ended March 31, 2010 declined by 48.5% over the corresponding 2009 period. Revenue in Q2/F2010 came in at \$63,300 versus \$122,986. Four of the last five quarters have had positive revenue. Losses have been held to \$0.01 for the last six quarters.

Expenses increased by 60.6% to \$818,000 in Q2/2010 from \$509,000 in Q2/2009, due to increased R&D and G&A. R&D has been ramped up to explore more applications of REV technology since the first commercial sale of nutraREV.

**Selected Second-Quarter Results**

(\$000s)	<u>Q2/2010</u>	<u>Q2/2009</u>	<u>Change</u>	
Revenue	63	123	-48.5%	
			<u>Change</u>	<u>% Q2/2010</u>
General and Administrative	245	166	47.8%	29.9%
Sales and Marketing	40	44	-8.6%	4.9%
Research and Development	368	214	71.6%	45.0%
<u>Stock Based Compensation</u>	165	85	93.3%	20.2%
Expense Totals	818	509	60.6%	100.0%
Operating Loss	(755)	(467)	61.5%	
Shares Outstanding (Average)	52,455	38,530		
Net Income per Share	(\$0.01)	(\$0.01)		

**3. Six-Month Results**

*(See table below.)*

Revenue for the six months ended March 31, 2010 improved by 86% (from \$66,133 to \$122,986) over the corresponding 2009 period, due to increased sales of equipment and processing services. The Company also raised \$3.5 million from a private placement during this period.

Expenses increased 42.9% to \$1,548,688 in the six months compared with \$1,083,697 in the corresponding period of 2009. This was mainly due to increases in G&A and R&D expenses.

G&A increased 42.6% to \$469,491 from \$329,354 in the year-earlier period, due to higher management bonuses and increased shareholder communication efforts in European and domestic markets. R&D expenses increased to \$752,916 from \$463,529 over the same period in 2009, due to the Company's hiring of full-time personnel to work on the design and manufacture of nutraREV and bioREV equipment.

**Selected Six-Month Results**

(\$000s)	<u>2010</u>	<u>2009</u>	<u>Change</u>	
Operating Revenue:				
Sales, Net of Costs	123	66	86.0%	
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Q2/2010</u>
General & Administrative	469	329	42.6%	30.3%
Sales & Marketing	75	52	43.4%	4.8%
Research & Development	753	464	62.4%	48.6%
Stock-based Compensation	252	239	5.4%	16.3%
	1,549	1,084	42.9%	100.0%

**4. Revenue Growth**

The Company signed a marketing agreement with equipment manufacturer Hans Binder of Germany (see page 3). The agreement allows for mutual markets of each company's products, with a view to accelerating revenue growth. The Company has also signed over 15 confidentiality agreements with production companies in North and South America, Europe, and Asia. It is hoped that this will lead to further revenue growth as companies purchase equipment based on EnWave's REV technology.

## OUTLOOK

With the successful commercialization of one of its major brands, nutraREV, the Company's other two brands have shown promising results in testing and have attracted interest from potential partners. As a primarily research-oriented company, EnWave will benefit from partners with knowledge of equipment manufacturing and marketing expertise. Such partners will enable the Company to significantly expand its product reach.

EnWave's strategy is to seek out partnerships for broader market acceptance on two levels:

- (1) The first level is working with multi-nationals in a specific market segment of revenues in the \$25-\$50 million range. The Company has been successful in this respect, as Danisco AS has signed on to test powderREV technology and has now expanded its agreement to test the viability of powderREV on a larger scale.
- (2) The second level is entrepreneurial partners with regional or product exclusivity, with targeted revenues of \$1-\$5 million per partner. EnWave has been able to follow through on this objective, with CAL-SAN Enterprises and IFS/Smartpac having signed on as limited partners.

In terms of equipment manufacturing, EnWave has signed a marketing agreement with Hans Binder Maschinenbau of Germany to provide local machine service to users in Europe and North America. Together, the two companies will be able to compete for all aspects of the freeze-dried food market of over 400 products globally.

The Company has filed several patent applications under its own name. This is a positive step, as it shows that EnWave's own R&D has the potential to add new products to the pipeline, and complement the several UBC patents which are licensed exclusively to EnWave.

In a relatively difficult market, EnWave was able to raise approximately \$3.5 million (January 2010), which shows confidence in management's ability to carry out the Company's commercialization plans. As of June 2010, EnWave had over \$6.3 million in cash, no debt, and \$1 million in capital and prototype projects planned.

## RECENT DEVELOPMENTS

**July 13, 2010:** EnWave announced that it had begun testing a multiple-vial prototype of the Company's freezeREV pharmaceutical dehydration technology, designed to dry standard industry serum vials containing vaccines, injectable drugs, analytical enzymes, diagnostic reagents, antibodies and other biological materials. The new multiple-vial prototype has a dehydration capacity of up to 100 vials per hour, and has shown significant potential to reduce the time and costs associated with drying vaccines and other biological materials.

## MANAGEMENT

**Dr. Tim Durance:** Chairman and Co-CEO

**John McNicol:** President and Co-CEO

**Salvador Miranda:** CFO

**Jennifer Thompson:** VP Corporate Development & Investor Relations

## BOARD OF DIRECTORS

**Dr. Tim Durance, John McNicol, Salvador Miranda, Beenu Anand, Dr. Gary Sandburg.**

## BACKGROUND

EnWave is a spin-off from the Faculty of Land and Food Systems at the University of British Columbia (UBC). The Company emerged from the UBC research laboratory of Tim Durance, EnWave's Co-CEO. It was established in 1996 and went public in 1999. EnWave maintains an exclusive licence from UBC for several equipment and food dehydration patents, but also has several patent applications of its own.

## CORPORATE INFORMATION

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