

British Columbia Securities Commission
Quarterly Report
BC Form 51-901F

ISSUER DETAILS:

Name of Issuer: Wavefront Energy and Environmental Services Inc.	For Quarter Ended: August 31, 2004	Date of Report: December 22, 2004
Issuer's Address: Suite 104, 11430 – 168 th Street	City: Edmonton	Province: Alberta
Postal Code: T5M 3T9	Issuer Telephone No.: 780.486.2222	Issuer Facsimile: 780.484.7177
Contact Name: D. Brad Paterson	Contact Position: Chief Financial Officer	Contact Telephone No.: 780.486.2222 ext 224

CERTIFICATE

The schedule(s) required to complete this Quarterly Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Quarterly Report will be provided to any shareholder who requests it.

SIGNED: Brett C. Davidson (signed)
Brett C. Davidson

December 22, 2004
DATE SIGNED

SIGNED: D. Brad Paterson (signed)
D. Brad Paterson

December 22, 2004
DATE SIGNED

Wavefront Energy and Environmental Services Inc.

Quarterly Report
For Period Ended August 31, 2004

Schedule A: Financial Information

See the audited Financial Statements for the twelve (12) months ended August 31, 2004 attached to, and forming part of, this Quarterly Report and Schedules B and C for further discussion and analysis. The audited Financial Statements for August 31, 2004 were prepared by management and have been audited by the Corporation's external auditors, Deloitte & Touche LLP.

Schedule B: Supplementary Information

Item 1. Analysis of revenues, expenses and deferred costs.

Effective September 30, 2003, Wavefront Energy and Environmental Services Inc ("Wavefront Energy" or the "Corporation") acquired PE-TECH Inc. ("PE-TECH" or the "Acquisition"). The Acquisition constituted a reverse takeover under TSX Venture Exchange policies. With the Acquisition the business of PE-TECH became that of the Corporation. As a result of the Acquisition, the PE-TECH group of companies adopted an August 31 year-end, to be consistent with that of the Corporation. The Corporation's financial results for the fiscal year ended August 31, 2004 are discussed and compared to results of PE-TECH for the nine-month period ending August 31, 2003.

- a. Revenue decreased to \$519,970 (2003 - \$2,046,269). This is a result of the delay of major monitoring projects to 2005 and 2006 and the focusing of efforts on the promotion of Pressure Pulsing Technology ("PPT"). Management had not expected 2004 revenue to reach the same levels as 2003 but due to the delays in customer's monitoring projects, revenues were much lower than expected. Additionally, the nine-month period ending August 31, 2003 includes a monitoring project with an approximate value of \$1.2 million (59% of 2003 revenue), which allowed the Corporation to exceed its revenue expectations for fiscal 2003.

Other income more than doubled to \$139,356 (2003 - \$68,009). This income relates to work on pilot and research projects in PPT. Revenues for this type of work were below budgeted. Direct expenses related to these pilot projects are recorded as a part of research and development expenses.

Cost of goods sold of \$252,225 (2003 - \$879,290) represented 66% of sales compared to 44% of sales for the previous year.

- b. The increase in operating expenses by \$171,086 to \$1,742,336 (2003 - \$1,571,250) were congruent with expectations and were principally a result of comparing twelve month reporting period to a nine-month period. The results and variances are further discussed as follows:
 - i. Wage expense decreased by \$62,870 to \$578,659 (2003 - \$641,529). The decrease results from the reversal of \$120,000 expense relating to an accrual in 2003 for a seconded person from a major international oil company, who was to assist the company. The reversal was recorded as no contract was entered into, the agreed deliverables were not started and the oil company recalled the seconded person during fiscal 2004. This decrease, however, was offset by less wage expense being charged to cost of goods sold, due to the reduced amount of work during fiscal 2004. Wage expense will vary as more labour is charged directly to projects.

Average number of full time employees during the year was 16 (2003 – 14). The increase in staff was due to the addition of engineering staff with the increased focus on developing new PPT systems. The increase in staff did not increase wage expense as employee turnover allowed the Corporation to replace redundant employees with more appropriately needed skills.

The Corporation also participated in the “First Jobs in Science and Technology Program,” offered by Western Economic Diversification Canada, which paid 50% of a certain new employees salary for 12 months, thus reducing wage expense by \$13,529 (2003 – nil). This program ended in October 2004 and will not be renewed.

- ii. Professional expense increased by \$206,625 to \$330,091 (2003 - \$123,466). These expenses relate principally to the legal and external audit work related to the closing of the reverse takeover, the Short Form Offering Document and concurrent private placement and to the audit of the Corporation and its subsidiaries. Delays in the closing the reverse takeover and Short Form Offering Document increased professional expenses as legal work had to be reassessed and creating an interim accounting period which required additional work by the Corporations audit firm. Also included are employee hiring costs of \$65,000.
- iii. Office expense increased by \$36,163 to \$294,282 (2003 - \$258,119) principally because the comparative period related to a 9 month reporting period. During the period the Corporation moved its Cambridge office, as the larger facility was not needed at this time and with the termination of the lease the Corporation obtained a \$10,000 refund. Included in this category are rent of \$113,000, (2003 - \$127,000) and insurance of \$78,000, (2003 – 33,000) (inclusive of Directors and Officers Liability Insurance and General Insurance), with the remaining relating to the cost of operating the Corporation’s offices.
- iv. Research and development expense increased by \$166,484 to \$316,231 (2003 - \$149,747) due to the increase in environmental PPT pilot projects, which are recorded as other revenue. These projects are responsible for \$199,923 (2003 - \$54,039) of these costs with the remaining costs related to the development of a PPT model and analyzer.
- v. Travel and promotion expense increased by \$28,867 to \$132,721 (2003 - \$103,854). This expense is in line with management’s expectations as the Corporation continued to promote PPT to environmental companies, multi-national and independent oil companies, and work with Halliburton on multi-year license and collaboration agreements.
- vi. Depreciation and amortization expense principally relates to PPT assets and increased by \$42,605 to \$134,747 (2003 - \$92,142). The Corporation does not sell the PPT systems it builds, rather it charges for the licensing and use of the technology.
- vii. Consultant expense decreased by \$38,066 to \$109,311 (2003 - \$147,377) due to the reduction of the number of consultants and their rates.
- viii. Vehicle expense increased by \$21,903 to \$69,721 (2003 - \$47,818). In the period, \$10,005 of these costs related to warranty work done in the monitoring sector (fuel and truck rentals). These warranty costs were a one-time expense. The remaining costs relate to sales, general shop and overhead vehicle expenses.

- ix. Repairs and maintenance expense decreased by \$2,500 to \$31,328 (2003 - \$33,828). These costs relate to the repair and maintenance of equipment and tools.
 - x. Interest expense increased by \$28,044 to \$67,193 (2003 - \$39,149), which is in line with management's expectations. Interest expense relates to notes payable, shareholder loans, lines of credit and interest on leases. Please refer to Schedule C, Item 3, Subsequent Events, for details on a shares-for-debt transaction, which extinguishes the notes payable that will affect the interest payable.
 - xi. Listing and Public Company Fees was \$166,468 for the period. There was no expense in 2003 as PE-TECH was not a publicly listed company. Investor relation expenses made up \$86,898 of this category. The remaining portion relates to the filing fees (\$16,846), dissemination expenses (\$12,497), Board of Directors fees (\$10,495), transfer agent fees (\$29,574) and other related expenses (\$10,157).
 - xii. Research and Development tax recovery relates to a scientific research and development tax recovery claims, totalling \$494,875, for the Corporation's subsidiaries for the fiscal periods of 2002 and 2003.
- c. Accounts receivable in the amount of \$568,334 (2003 - \$172,358) are comprised of scientific research and experimental development receivables from the Government of Canada of \$494,875 (See Research and Development note above) and other receivables of \$73,459.
 - d. Inventory in the amount of \$259,555 (2003 - 183,431) is comprised of work in progress of \$200,430 and sensor inventory of \$59,125. Work in progress includes \$150,576 related to an integrated monitoring project, which is scheduled to be completed in the first half of 2005. The remaining relates to miscellaneous ongoing projects.
 - e. Intangible assets decreased by \$183,382 to \$39,929 (2003 - \$223,311) due to a write off of inter-company PPT licence agreements (\$169,832). The remaining change is due to regular depreciation of the intangible assets and costs related to patents.
 - f. Accounts payable and accrued liabilities in the amount of \$766,484 (2003 - \$720,602) are comprised of accounts payable of \$460,581 (2003 - \$382,664) and accrued liabilities of \$305,903 (2003 - \$337,938). The accounts payable relate to overheads (\$83,000), manufacture of pulsing equipment (\$25,000), ongoing monitoring work (\$120,000), ongoing pulsing work (\$30,000), professional fees related to the Acquisition, financing and audit (\$135,000), and other professional fees (\$67,000). Accrued liabilities are interest (\$69,000), Professional services (\$108,000), payroll holiday accruals (\$56,000) and operational accruals (\$73,000).
 - g. Unearned Revenue of \$214,198 is made up of monitoring and PPT projects for which payment has been received but which have not been completed due to rescheduling by the client. Some of these projects are scheduled for completion and revenue will be recognized in the first half of 2005.
 - h. Notes Payable comprises of short-term loans from a related party, which was made during the period. The aggregate notes total \$100,333. The notes are unsecured, bear interest at 8.5%, and are repayable 30 days after demand. Please refer to the subsequent events section for details on a shares-for-debt transaction, which extinguishes these notes payable.
 - i. Long-term notes include shareholder loans of \$482,486 and accounts payables of \$47,218. This amount increased by \$60,224, from 2003, due to the consolidation of shareholder loan in Wavefront Energy that resulted of the closing of the PE-TECH Acquisition and reverse takeover.

Please refer to the subsequent events section for details on a shares-for-debt transaction, which extinguishes most of these notes payable and accounts payable.

Item 2. Summary of related party transactions.

Expenses in the form of wages, employee benefits, contract employees and consultants, paid to insiders and related parties, during the period totalled \$282,742 (2003 - \$140,320). The amounts were paid as part of the normal course of business and are measured at the exchange amount, which is the amount of consideration established at normal commercial rates and terms.

During the period, the Corporation accrued board of directors' fees of \$10,495 for three board members who are non-salaried officers of the Corporation.

During the reporting period, insiders of the Corporation subscribed for \$135,000 to a non-brokered private placement of Wavefront Energy. The private placement was done in connection with the approval of the reverse takeover and Acquisition. The private placement was for 270,000 units at \$0.50 per unit. Each unit consisting of one common share and one half of one share purchase warrants, with each full share purchase warrant originally exercisable at \$1.00 for one year from the date of closing of September 30, 2004. During the reporting period, the TSX Venture Exchange approved a reduction in the exercise price of 110,300 insider warrants to \$0.55 with no change to the exercise price of the remaining 24,700 warrants. In addition, the TSX Venture Exchange later approved an extension of the expiry dates of all warrants to September 30, 2005.

During the reporting period, insiders of the Corporation subscribed for \$188,566 to a non-brokered private placement of Wavefront Energy. The private placement was done in connection with a Short Form Offering financing. The private placement was for 538,760 units at \$0.35 per unit. Each unit consisting of one common share and one half of one share purchase warrant, with each full share purchase warrant exercisable at \$0.55 for one year from the date of closing of May 31, 2004.

As at August 31, 2004, a non-arms length party advanced to the Corporation a total of \$100,333, under various promissory notes. Such notes were unsecured, were repayable upon demand and bear interest rates of 8.5% per annum. Accrued interest of \$8,701 related to these promissory notes. Please refer to the subsequent events section for details on a shares-for-debt transaction, which extinguishes these notes payable.

During the period, the Corporation recorded interest of \$35,403 relating to notes payable of \$100,333 and shareholder loans of \$482,486. The notes payable, shareholder loans and accounts payable owed by the Corporation to the shareholders totalled \$630,037, of which \$492,619 is owed to insiders. An interest payment of \$264 was made during the year. Subsequent to the period these notes were settled in a shares for debt agreement (See subsequent events).

Item 3. Summary of securities issued and options granted during reporting period.

Summary of options granted.

No options were issued during the reporting quarter. Subsequent to the period however, options were issued to two insiders of the Corporation.

<u>Date of Grant</u>	<u>Number of Shares</u>	<u>Optionee</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
5-Oct-04	470,000	Directors and Officers	0.45	5-Oct-09

The Corporation has implemented a fixed plan whereby it has reserved 3,641,162 shares for issuance under the Plan. All stock options issued under the plan vest, at a minimum, equally over an 18 month period.

Item 4. Summary of securities as at the end of the reporting period

a) Description of share capital.

Authorized Capital:

Unlimited common shares

Issued and Outstanding:

Common shares 23,562,421 \$ 5,220,000

b) Summary of options, warrants, and convertible securities outstanding at the end of the reporting period.

Options outstanding

Date Granted	Expiry date	Number of shares purchase warrants	Price per share
April 30 '04	April 30 '09	570,455	\$0.44
January 15 '04	January 15 '09	57,500	\$0.50
November 30 '03	November 30 '08	170,000	\$0.55
September 30 '03	September 30 '08	<u>750,000</u>	\$0.50
		1,547,955	
Option issued subsequent to reporting period			
October 5 '04	October 5 '09	<u>470,000</u>	\$0.45
		2,017,955	

Warrants outstanding

Date Granted	Expiry date	Number of shares purchase warrants	Price per share
May 31 '04	May 31 '05	1,590,725	\$0.55
May 31 '05	May 31 '06	220,224	0.35
September 30 '03	September 30 '04	<u>937,364</u>	\$1.00
		2,748,313	

c) Summary of shares in escrow or subject to a pooling agreement:

The following is a summary of the escrow and pooled shares of the Corporation prior to the PE-TECH Acquisition and reverse takeover:

24,225 (56,250 escrow shares released)
600,000 escrowed earnout shares

The following is a summary of the escrow and pooled shares subsequent to the PE-TECH Acquisition and reverse takeover:

9,678,220 shares subject to TSX Venture Exchange value escrow agreement
323,078 seed shares subject to similar escrow restrictions
10,001,298 total restricted shares

As at August 31, 2004 2,419,555 value escrow shares have been released, and 80,770 seed shares are no longer under seed share matrix restrictions.

Item 5. Directors:

Brett C. Davidson
Roger Kazanowski
Dennis Minano
D. Brad Paterson
Steve Percy

Wavefront Energy and Environmental Services Inc.

Quarterly Report
For Period Ended August 31, 2004

Schedule C: Management Discussion and Analysis

Item 1. Description of Business.

The principal business of the Corporation is the development and commercialization of innovative technologies for fluid flow optimization and monitoring processes in both the environmental and energy sectors. To that end, the Issuer operates two distinct business units in both sectors, Integrated Monitoring and *Pressure Pulse Technology* (“PPT”).

Pressure Pulse Technology

At the core of Wavefront’s strategic value proposition is its patented Pressure Pulse Technology. PPT is an injection technology / methodology that dramatically improves the flow of liquids in the ground. PPT has been proven to be an effective method of achieving oil production revitalization through both a well intervention technique and a stimulation technique in water injectors during secondary recovery. It has also been verified as an environmental remedial strategy by Environment and Industry Canada.

There are no limits to the type of oil viscosity to which PPT can be applied, just as there are no geographical or depth limitations. The physical principles on which PPT is based are fundamental, and its physics is valid everywhere, all the time. PPT is applicable to production enhancement from conventional oil fields, to waterfloods in light oils, to deeper wells, to shallower wells, in vertical, inclined or horizontal wells. Of course, the method of implementation will have to be modified to suit the physical situation and to meet design goals in individual wells and fields. As an analogy, consider the internal combustion engine: it powers mobile power plants, motorcycles, automobiles, caterpillar tractors, and 350 ton diesel-electric mine haulers, yet the physics is the same. PPT can be modified to increase flow rates, production well efficiency, and oil recovery ratios in a wide variety of configurations.

The optimization of PPT is dependant upon, among other things, the frequency and amplitude of the pressure pulse created. Thus, part of Wavefront’s value proposition is to monitor and model pressure pulsing outcomes. Wavefront’s intellectual property strategy is to maintain absolute control over its PPT modeling software internally known as the “PPT Analyzer”. The software enables Wavefront to evaluate reservoir characteristics and provides key insights into the frequency and amplitude of the pressure pulse required for the desired outcome in any given oil reservoir or ground water aquifer.

Energy Sector Application of *Pressure Pulse Technology*

At this time the immediate challenge for Wavefront is accelerating the rate at which PPT is introduced into and adopted by the oil industry. Establishing worldwide acceptance of PPT within the oil industry and being able to measure and communicate that success throughout the industry is paramount.

Given limited financial, engineering design and implementation resources, Wavefront entered into a Collaboration and Technology Licensing Agreements with Halliburton Energy Services Inc. The Collaboration Agreement will allow Wavefront to jointly research, develop and manufacture PPT systems for the improvement or enhancement of oil recovery, oil well stimulation and oil field disposal methodologies. The License Agreement provides Halliburton non-exclusive rights in Canada and the United States to market PPT and exclusive rights outside of Canada and the United States. The Halliburton agreements will aid in addressing the rate of adoption of PPT throughout the world.

Oil producers worldwide are under competitive pressure to maximize their production levels and reduce production costs. To increase production efficiencies producers require in real time, information on the behavior of the reservoir so that immediate production decisions can be drawn. Throughout the industry down hole monitoring has emerged as a significant tool for reservoir surveillance so as to reduce costs and to maximize oil recovery for producers.

There are generally two types of monitoring systems: permanent systems specifically designed for placement within the cemented well casing for continuous monitoring throughout the life of the well; and reusable systems (production tubing and coil tubing). Wavefront offers both types of monitoring systems. Additionally, these monitoring products are also sold to internal and external customers in the oil sector to monitor the frequency and amplitude of the pressure pulse created. The revenue from the well monitoring business has provided cash flows to allow Wavefront to attend to its infrastructure whilst marketing PPT.

Environmental Sector Application of Pressure Pulse Technology

With the negative net present value of environmental remediation projects and the long sales cycles, Wavefront, in parallel fashion, has also licensed Environmental Resource Management non-exclusive rights to market PPT to the environmental sector. Wavefront also has two registered sales agents in the United States promoting the technology to the user sector. Licensing and securing outside agents has allowed Wavefront to gain market exposure for PPT while limiting the resources required to build a revenue stream from the environmental sector.

The sales cycle with regards to energy PPT is averaging 18 months from first discussions with a client to implementation. With customer acceptance of the technology, management expects that this should decrease. In the oilfield monitoring sector, the sales cycle is approximately 4-6 months.

Item 2. Operations and Financial Condition.

Please see Schedule B Item 1, analysis of revenue, expenses and deferred costs for additional discussion and analysis.

Sales

Revenues for fiscal 2004 dropped significantly from 2003 due to the commercialization of oilfield projects to 2005, and the slower than anticipated market acceptance of PPT. The Corporation used this as an opportunity to focus more of its resources on the advancement of PPT, which included the Halliburton agreements, to help expedite PPT market acceptance.

Revenues were derived from the sale of monitoring products and services to energy sector customers, the provision PPT services in the energy and environmental sectors. The Corporation is managed using two operating segments, which have been determined, based on the industry sectors serviced: energy sector and environmental sector.

Operating Results

Despite the inclusion of public company expenses, the PE-TECH Acquisition and Short Form Offering Document related costs, the Corporation's average monthly operating expenses decreased by approximately 17% from \$174,583 to \$145,195 (i.e., the operating expenses of \$1,571,250 divided by nine for 2003 and \$1,742,336 divided by twelve months for 2004). As such, the net loss from operations of \$1,474,591 this fiscal year are principally a result of decreased monitoring revenue stream and the Corporation increased resource allocation to commercialization of PPT. The size of the losses, greatly increased due to the delay of monitoring projects and the slower than expected acceptance of PPT.

Investor Relations Activity

Due to the restrictions placed on the Corporation, investor relations' activities were limited to the dissemination of news releases and presentations by senior executives to financial institutions and analysts. During the reporting period, the Corporation took part in investor presentations throughout the United States and Canada. Additionally the Corporation has been focused on efforts to have the Corporation written in mainstream media and was recently featured in The Edmonton Journal, CNBC Europe, CEOcast and the Wall Street Reporter.

During the fiscal year the Corporation engaged Strategic Investor Relations of Toronto, Ontario and Barry Kaplan Associate of Fair Haven, New Jersey. Both investment relations firms were to assist Wavefront in obtaining meetings for investor presentations and increasing shareholder liquidity. At present the Corporation currently manages it's own investor relations.

Natural Resource Properties

The Corporation has no rights to natural resources or any property claims. However, South Mountain Resources Inc., a wholly owned subsidiary of the Corporation, was incorporated for the purpose of participating in joint venture oil field projects and/or to acquire oil field properties that are considered unprofitable or marginal, where PPT can be utilized to rejuvenate and/or increase production, making the field a profitable resource. To date, South Mountain Resources remains inactive while the Corporation advances PPT. However subsequent to the period, the Corporation has engaged a landman in Texas with the objective of acquiring or joint venturing on an oilfield. The Corporation is currently assessing a number of oilfields.

Item 3. Subsequent Events.

- (i) On September 1, 2004, the Corporation, in an effort to streamline operations, amalgamated two of it's operating subsidiaries, Wavefront Reservoir Technologies Ltd. (formerly Prism Production Technologies Inc.) and Wavefront Environmental Technologies Inc. under the name of Wavefront Reservoir Technologies Ltd.
- (ii) The Corporation has been manufacturing integrated monitoring systems, which are expected to be installed in the first and second quarter of 2005. The completions of these projects will enable the Corporation to recognize revenue of approximately \$850,000.
- (iii) The Corporation also received TSX Venture Exchange approval for a shares-for-debt settlement. Under the settlement, the Corporation issued 2,090,694 common shares, at a deemed price of \$0.285, to settle outstanding liabilities of \$595,848. The liabilities are comprised of certain notes payable and accounts payable that were classified as long-term liabilities as they are subject to the Debt Repayment Agreement and certain notes payable classified as current liabilities. Of the total liabilities settled, \$458,430 were amounts owing to related parties, and \$548,630 of the liabilities related to prior period cash advances to further the commercialization of PPT.

Item 4. Financings, principal purposed and milestones.

The Corporation will continue to work towards developing new PPT systems with Halliburton. It is anticipated that a new system will be developed by Spring 2005 and that subsequent sales efforts will encompass well interventions.

The Corporation, separate of its efforts with Halliburton, is also working to implement several PPT systems in an oilfield water flood application and to potentially acquire oilfield leasehold rights. It is

expected that the PPT systems for an oilfield water flood will occur by early summer 2005 and be in the United States. Should oilfield leasehold rights be acquired, the objective will be to implement PPT systems to leverage as marketing tools and to generate incremental oil production.

It is anticipated that the Corporation will require additional financing to support these initiatives. The principal purposes of the financing would be for research and development, systems manufacturing and deployment, sales and marketing and general working capital.

Item 5. Liquidity and solvency

Cash flow from operations as at the end of the reporting period amounted to \$(906,969). This is a decrease in the inflow of cash from operations of \$977,814 from the prior year's comparative period of \$70,845. The decrease in cash from operations is primarily due to the decrease in integrated monitoring revenue.

Capital expenditures for the twelve months totalled \$310,554. At the end of the year \$269,688 of the expected \$450,000 (as noted in the Short Form Offering Document) in capital costs for PPT systems had been occurred. The \$269,688 was for additional environmental PPT systems, upgrades to two existing systems and six additional downhole environmental tool components. The balance of \$139,446 in planned capital expenditures was used towards general working capital.

As at December 13, 2004, the Corporation had negative working capital of \$800,454, cash on hand of \$118,865 and accounts receivable of \$274,583. The credit facilities of the Corporation and its subsidiaries as at the end of the year include revolving credit facilities of \$250,000.

The Corporation subsequent to the reporting period received Scientific Research and Experimental Development ("SR&ED") tax refunds, inclusive of interest, of \$152,622 relating to work undertaken by PE-TECH and its subsidiaries in periods ended November 30, 2002 and August 31, 2003. The Corporation anticipates a further SR&ED tax refunds of \$375,338, and various progress and final payments on the current work in progress during the second fiscal quarter. However, the Corporations will require additional funding to support Halliburton's efforts, to implement PPT systems based on fee for service and to potentially acquire oilfield leasehold rights.

Given the large proportion of direct materials required in implementing integrated monitoring projects, the Corporation established a policy of requiring clients to provide a deposit upon execution of a purchase order, allowance for expenditure or contract. This assisted the Corporation in better managing its cash flow and allowed it to continue its integrated monitoring operations.

The Corporation will be required to generate financing as required through the exercise of stock options, share purchase warrants or the issuance of new share capital, as well as other financing opportunities such as strategic partnering arrangements. However, there can be no assurance that any of these methods will be successful in the future. Due to the Corporation's business, the market prices of the Corporation's shares have been subject to significant volatility. The ability of the Corporation to raise funds from the additional share capital or from the exercise of share options and warrants will depend upon the strength of the equity markets and the acceptance of PPT technology, which are always uncertain.

The solvency of the Corporation is directly related to its ability to continue to generate and increase the cash generated from operations or obtain conventional or further loans from its Board of Directors or securing additional equity financings. There is no guarantee that any of these alternatives will occur or continue to occur.