

Unaudited Consolidated Financial Statements of

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

For the Third Quarter ended May 31, 2004 and May 31, 2003

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WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.
Consolidated Balance Sheets
Unaudited - Prepared by Management

	<u>As At</u> <u>31-May-04</u>	<u>As At</u> <u>31-Aug-03</u>
ASSETS		
CURRENT		
Cash	\$ 688,655	\$ 18,220
Accounts receivable	77,778	152,158
Promissory notes receivable	-	20,200
Prepaid expenses	15,787	31,421
Inventory	217,864	183,431
	1,000,084	405,430
CAPITAL ASSETS	601,933	435,642
INTANGIBLE ASSETS	210,144	223,311
DEPOSITS	13,453	14,003
	\$ 1,825,614	\$ 1,078,386
LIABILITIES		
CURRENT		
Bank indebtedness	\$ 295,438	\$ 100,009
Accounts payable and accrued liabilities	946,481	720,602
Unearned revenue	139,368	208,093
Notes payable	100,333	-
Current portion of obligation under capital leases	16,712	25,400
	1,498,332	1,054,104
OBLIGATION UNDER CAPITAL LEASES	17,837	28,460
DUE TO SHAREHOLDERS	529,704	469,480
FUTURE INCOME TAXES	68,680	75,408
	2,114,553	1,627,452
CAPITAL DEFICIENCY		
Capital stock	4,994,970	4,134,539
Contributed Surplus	11,255	-
Deficit	(5,295,164)	(4,683,605)
	(288,939)	(549,066)
	\$ 1,825,614	\$ 1,078,386

APPROVED BY THE BOARD

.....Brett C. Davidson (signed) ... Director

.....D. Brad Paterson (signed) Director

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Statements of Income and Deficit

Unaudited - Prepared by Management

	Nine Month Period Ended May 31		Three Month Period Ended May 31	
	2004	2003	2004	2003
REVENUE				
Sales	\$ 331,606	\$ 1,991,432	\$ 244,313	\$ 1,021,231
Other income	78,221	19,037	35,156	2,926
	409,827	2,010,469	279,469	1,024,157
COST OF GOODS SOLD	237,605	872,581	189,207	458,172
GROSS PROFIT	172,222	1,137,888	90,262	565,985
OPERATING EXPENSES				
Wages, employee benefits, and contract employees	530,072	778,976	177,888	221,147
Office	223,181	259,240	60,907	83,904
Professional fees	165,625	180,269	29,200	30,996
Research and Development	123,473	49,303	45,267	-
Travel & Promotion	95,658	134,184	49,526	59,076
Depreciation & Amortization	100,495	101,119	35,309	32,818
Listing and Public Company Fees	97,499	-	14,883	-
Consultants	88,423	169,845	24,770	61,329
Vehicle	54,925	53,752	25,190	14,898
Interest Expense	38,341	37,534	13,684	12,778
Repairs & Maintenance	23,346	15,907	6,778	1,892
Miscellaneous	2,299	11	2,193	-
Bad Debt	1,000	-	1,000	-
	1,544,337	1,780,140	486,595	518,838
INCOME (LOSS) FROM OPERATIONS	(1,372,115)	(642,252)	(396,333)	47,147
GAIN (LOSS) ON DISPOSAL OF CAPITAL ASSETS	(490)	-	-	-
FOREIGN EXCHANGE GAIN (LOSS)	(2,968)	-	1,381	-
IMPAIRMENT OF GOODWILL	-	(1,280,117)	-	-
IMPAIRMENT OF INTANGIBLE ASSETS	-	(154,189)	-	-
GAIN ON ISSUANCE OF SHARES BY SUBSIDIARY	-	98,953	-	-
NET (LOSS) INCOME	(1,375,573)	(1,977,605)	(394,952)	47,147
FUTURE INCOME TAX RECOVERY	6,728	91,235	2,243	2,660
NET (LOSS) INCOME	(1,368,845)	(1,886,370)	(392,709)	49,807
DEFICIT, BEGINNING OF PERIOD	(4,683,605)	(2,292,814)	(4,902,455)	(4,228,991)
Acquisition of PE-TECH Inc. (Note 4)	757,286	-	-	-
DEFICIT, END OF PERIOD	\$ (5,295,164)	\$ (4,179,184)	\$ (5,295,164)	\$ (4,179,184)
EARNINGS (LOSS) PER COMMON SHARE				
Basic and Diluted	\$ (0.0695)	\$ (0.1334)	\$ (0.0278)	\$ 0.0035

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Statements of Cash Flow

Unaudited - Prepared by Management

	Nine Month Period Ended May 31		Three Month Period Ended May 31	
	2004	2003	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	\$ (1,368,845)	\$ (1,886,372)	\$ (392,709)	\$ 49,807
Items not affecting cash				
Depreciation and amortization	100,495	101,119	35,309	32,818
Loss (gain) on sale of capital assets	490	-	-	-
Foreign exchange loss (gain)	2,968	-	(1,381)	-
Gain on issuance of shares by subsidiary	-	(98,953)	-	-
Impairment of goodwill	-	1,280,117	-	-
Impairment of intangible assets	-	154,189	-	-
Future income tax recovery	(6,728)	(85,916)	(2,243)	-
	(1,271,620)	(535,816)	(361,024)	82,625
Changes in non-cash working capital	1,055,536	228,027	258,743	(182,754)
	(216,084)	(307,789)	(102,281)	(100,129)
FINANCING				
Proceeds from Short Form Offering and Private Placement	959,351	-	959,351	-
Share issuance costs	(98,920)	-	(98,920)	-
Proceeds from notes payable	100,333	197,873	25,333	-
Repayment of obligation under capital leases	(19,311)	(5,928)	(6,694)	(5,724)
	941,452	191,945	879,069	(5,724)
INVESTING				
Purchase of capital assets	(244,288)	(64,014)	(156,076)	(19,750)
Proceeds on disposal of capital assets	2,300	-	-	-
Intangible Costs	(8,374)	(11,284)	3,589	(593)
	(250,362)	(75,297)	(152,487)	(20,342)
NET CASH INFLOW (OUTFLOW)	475,006	(191,141)	624,301	(126,195)
(LOSS) CASH, BEGINNING OF PERIOD	(81,789)	307,090	(231,084)	242,144
CASH, END OF PERIOD	\$ 393,217	\$ 115,949	\$ 393,217	\$ 115,949
COMPRISED OF:				
Cash	\$ 688,655	\$ 215,937	\$ 688,655	\$ 215,937
Bank indebtedness	(295,438)	(99,988)	(295,438)	(99,988)
	\$ 393,217	\$ 115,949	\$ 393,217	\$ 115,949
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Amount of interest paid during the period	\$ 11,121	\$ 1,705	\$ 5,873	\$ 17,983

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

1. DESCRIPTION OF BUSINESS

Wavefront Energy and Environmental Services Inc. (the "Corporation" or "Wavefront Energy") is incorporated under the Canada Business Corporations Act. The Corporation's principal business activities are the enhancement and improvement of oil recovery and environmental groundwater remediation using patented fluid flow enhancement technologies.

Effective September 30, 2003, the Corporation acquired PE-TECH Inc. (the "Acquisition"). The Acquisition constituted a reverse takeover under TSX Venture Exchange policies (Note 4). The comparative figures represent the consolidated results of PE-TECH Inc. ("PE-TECH").

These consolidated financial statements include the accounts of the Corporation for the period since the reverse takeover, and its wholly owned subsidiaries, PE-TECH Inc., Wavefront Environmental Technologies Inc., Wavefront Reservoir Technologies Ltd. (formerly Prism Production Technologies Inc.), Wavefront Energy and Environmental Services USA Inc. (formerly E2 Solutions USA Inc.), and South Mountain Resources Inc.

2. BASIS OF PRESENTATION

These interim consolidated financial statements should be read in conjunction with the financial statements of the Corporation for the year ended August 31, 2003 and the most recently completed interim consolidated financial statements of PE-TECH for the nine month period ended August 31, 2003. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies as set out in the financial statements of the Corporation for the year ended August 31, 2003 and the consolidated financial statements of PE-TECH for the nine month period ended August 31, 2003, except as reported in Note 5.

3. CONTINUATION OF BUSINESS

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern; that is, assets can be realized and liabilities discharged in the normal course of business.

The Corporation has experienced significant losses as a result of operations and is in a significant working capital deficiency. The Corporation's continued existence is dependent on its ability to achieve operational profitability and to raise additional capital in order to finance future operations.

If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported net loss, and the balance sheet classifications used.

4. ACQUISITION OF PE-TECH INC.

Effective September 30, 2003, the Corporation received TSX Venture Exchange acceptance of its Acquisition of PE-TECH, a reverse take-over and acquisition by Wavefront Energy of all the issued and outstanding common shares of PE-TECH.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

4. ACQUISITION OF PE-TECH INC. (Continued)

In consideration for the Acquisition of the PE-TECH issued and outstanding common shares, the Corporation issued 14,140,432 Wavefront Energy common shares to the shareholders of PE-TECH, and in consideration for the PE-TECH issued and outstanding share purchase warrants, Wavefront Energy issued 2,081,983 Wavefront Energy share purchase warrants, each share purchase warrant exercisable at a price of \$1 per share, on or before December 31, 2003 (Note 9).

In this transaction, Wavefront Energy, a non-operating publicly listed enterprise, was acquired for accounting purposes. Wavefront Energy did not meet the definition of a business under generally accepted accounting principles, as such, the reverse takeover transaction did not constitute a business combination and is instead considered to be a capital transaction. Canadian generally accepted accounting principles requires that any net liability of the public enterprise (Wavefront Energy) should be treated as a charge to the retained earnings or deficit of the consolidated enterprise.

As at September 30, 2003, the financial position of Wavefront Energy resulted in a charge to the deficit of the consolidated enterprise of \$757,286, as follows:

	As At September 30, 2003
Current assets (no cash)	\$ 1,059,153
Total Assets	1,059,153
Current liabilities	241,643
Due to shareholders	60,224
Total liabilities	301,867
Shareholders equity	757,286
	\$ 1,059,153

5. CHANGE IN ACCOUNTING POLICY

Effective September 1, 2003, the Corporation adopted Section 3870 of the Handbook of Canadian Institute of Chartered Accountants (CICA) with respect to the accounting and disclosure of stock-based compensation, which recommends awards to employees be valued using the fair value method of accounting.

The Corporation has elected to account for stock options by measuring expense as the excess, if any, of the quoted market value of the stock at the date of grant over the exercise price.

Under CICA 3870, companies that elect a method other than the fair value method of accounting are required to disclose pro forma net income and earnings per share information, using a pricing model such as the Black-Scholes option pricing model, as if the fair value method of accounting had been used. The new rules do not apply to pre-existing awards except for those that call for settlement in cash or assets. Prior to September 30, 2003, the Corporation had no outstanding stock-based compensation instruments.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

6. ACQUISITION OF MINORITY INTEREST OF SUBSIDIARIES

On May 31, 2002, PE-TECH acquired the outstanding minority interest positions in its subsidiaries in exchange for 3,064,390 Class A common shares and accounted for the acquisition using the purchase method. The share transaction was recorded at the estimated fair value of the PE-TECH's shares, which was determined to be the unit price of \$0.50 per share received during a PE-TECH private placement totaling \$1,532,195. PE-TECH performed a valuation to allocate the purchase price based on the fair value of the tangible and intangible assets acquired and determined the full purchase price allocation at the date of acquisition was as follows:

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Assets acquired	
Pressure pulse technology licenses	\$ 378,452
Computer software	41,678
Future income tax liability	(168,052)
Goodwill	1,280,117
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Purchase price	\$ 1,532,195
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Goodwill was tested for impairment by PE-TECH as at November 30, 2002. PE-TECH completed the impairment test by applying the prescribed method of comparing the fair value of its reporting units, PE-TECH's subsidiaries, and determined that there was goodwill impairment of \$1,280,117, which was charged directly to earnings at November 30, 2002. As at November 30, 2002, the balance of acquired intangible assets was impaired and appropriately written down to a net book value of \$205,340. Consistent with current industry-specific valuation methods and recommendations for assessment from the CICA Handbook Section 3062, PE-TECH used a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units.

7. DUE TO SHAREHOLDERS

In connection with the Acquisition, certain directors and shareholders of the Corporation and a company controlled by a director of the Corporation entered into a Debt Repayment Agreement. Under the terms of the Debt Repayment Agreement, the creditors agreed to postpone their ability to demand repayment of the notes, totaling \$ 482,486 (2003 - \$422,262) and certain accounts payable, totaling \$ 47,218 (2003 - \$47,218) until September 30, 2004, after which principal repayment is restricted to twenty percent (20%) of consolidated cash flows from operations. As such, these amounts have been classified as long-term debt until such time the Corporation achieves or anticipates positive cash flows from operations.

These notes payable are unsecured, bear interest at rates ranging from nil to 8.5% per annum, and have no fixed terms of repayment. Interest expense recorded in the period totaled \$ 26,550 (2003 - \$15,345). Accrued interest payable at May 31, 2004, is \$ 52,416 (2003 - \$24,839) and is included in accounts payable and accrued liabilities.

8. NOTES PAYABLE

Notes payable represents amounts due to related parties of the Corporation. The notes payable are unsecured, bears interest at a rate of the greater of \$3,000 or 8.5% per annum, has no fixed repayment terms and is repayable 30 days after demand. Accrued interest payable as at May 31, 2004 is \$897.17 (2003 - nil) and is included in Accounts Payable and Accrued Liabilities.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

9. SHARE CAPITAL

Capital stock

The Corporation's authorized and issued share capital prior to the reverse takeover (Note 4) was as follows:

Authorized		
100,000,000 common shares without par value		
	<u>Number</u>	<u>Stated Capital</u>
Issued		
Balance, August 31, 2003	5,677,107	\$ 8,902,083
Escrow shares cancellation (a)	(624,225)	-
Share consolidation (a)	(1,010,576)	-
Private placement (b)	2,206,000	1,103,000
Balance, September 30, 2003	6,248,306	\$ 10,005,083

The Corporation's authorized and issued share capital subsequent to the reverse takeover and as at May 31, 2004 is as follows:

Authorized		
unlimited common shares without par value		
	<u>Number</u>	<u>Stated Capital</u>
Issued		
Arising on reverse takeover		
Stated capital of PE-TECH's shares	-	\$ 4,134,539
Wavefront Energy's shares outstanding	6,248,306	-
Issued shares for PE-TECH Inc. (c)	14,140,432	-
Shares issued in Short Form Offering (d)	2,741,002	\$ 860,431
Balance, May 31, 2004	23,129,740	\$ 4,994,970

Warrants

The Corporation's issued share purchase warrants prior to the reverse takeover (Note 4) was as follows:

	<u>Number</u>
Balance, August 31, 2003	-
Private placement (b)	1,103,000
Balance, September 30, 2003	1,103,000

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

9. SHARE CAPITAL (continued)

The Corporation's issued share purchase warrants subsequent to the reverse takeover and as at May 31, 2004 is as follows:

	<u>Number</u>
Wavefront Energy's share purchase warrants outstanding	1,103,000
Short Form Offering and concurrent private placement (d)	1,590,816
Balance, May 31, 2004	2,693,816

Options

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Expiry Date</u>
Balance, August 31, 2003	-		
Granted	2,345,000	\$ 0.49	Sept '08 – Apr '09
Exercised	-		
Cancelled	390,000		
Balance, May 31, 2004 (e)	1,955,000	\$ 0.48	

<u>Exercise Price</u>	<u>Options Outstanding</u>		<u>Options Exercisable</u>	
	<u>Number Outstanding</u>	<u>Weighted average remaining contractual life</u>	<u>Number Exercisable</u>	<u>Weighted average remaining contractual life</u>
\$0.44	587,500	4.9	-	4.9
\$0.50	1,187,500	4.3	574,583	4.3
\$0.55	180,000	4.5	60,000	4.5
	1,955,000	4.4	634,583	4.4

- (a) In connection with and prior to the Acquisition, the TSX Venture Exchange approved the Corporation's cancellation of 624,255 pre-consolidation escrow shares, and consolidation of the Corporation's share capital at a ratio of five pre-consolidated shares for four post-consolidated shares.
- (b) In connection with and prior to the Acquisition, the Corporation closed a non-brokered private placement of 2,206,000 units (the "Private Placement Units"), each unit comprised of one post-consolidation common share and one-half of one non-transferable share purchase warrant in the capital stock of the Corporation at a price of \$0.50 per unit to net the treasury an aggregate of \$1,103,000. Each share purchase warrant is exercisable at a price of \$1.00 per share on or before September 30, 2004.

In accordance with securities legislation, the securities that are issued in connection with the Private Placement Units will be subject to a hold period of four months plus one day expiring on January 31, 2004.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

9. SHARE CAPITAL (continued)

- (c) Effective September 30, 2003, the TSX Venture Exchange approved the Acquisition of all of the issued and outstanding common shares and share purchase warrants of PE-TECH Inc. In consideration of the Acquisition of the issued and outstanding PE-TECH common shares, the Corporation issued 14,140,432 Wavefront Energy common shares. In consideration of the Acquisition of the issued and outstanding PE-TECH share purchase warrants, the Corporation issued 2,081,983 (which were set to expire on various dates from May 2003 to April 2003), Wavefront Energy share purchase warrants to the shareholders of PE-TECH, each share purchase warrant exercisable at a price of \$1.00 per share, expiring on or before December 31, 2003. These 2,081,983 share purchase warrants have all since expired and none were exercised.
- (d) Effective May 31, 2004 the company sold 2,741,002 units (the "Units") of the Company at a price of \$0.35 per Unit for gross proceeds of \$959,351. 2,202,242 Units were sold by way of a short form offering document (the "Short Form Offering") and 538,760 units by way of a non-brokered private placement with two non-arms length placees. Each Unit consists of one common share (a "Common Share") and one half of one Common Share purchase warrant (a "Warrant"), with each full Warrant entitling the holder to acquire a Common Share at a price of \$0.55 for a period of 12 months ending May 31, 2005. The Private Placement Units will be subject to a four-month hold period expiring on September 30, 2004. The agent of the Short Form Offering was paid a cash commission of \$61,663 and 220,224 Broker warrants, with an exercise price of \$0.35, for a period of 12 months ending May 31, 2005, were issued. In addition, the Corporation paid the agent a corporate finance fee and disbursements of \$16,485 and legal fees of \$20,640 to provide a net proceeds of \$686,997.
- (e) During the quarter 587,500 options were issued insiders, employees and consultants of the company. All Stock Options issued under the plan vest, at a minimum, equally over a 18 month period.

Stock-based compensation

Effective September 1, 2003, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants for accounting for stock-based compensation. As permitted under the new rules, the Corporation has elected to measure compensation expense as the difference, if any, between the quoted market value or fair value of the stock at the date of grant and the exercise price at the date of grant. The exercise price of options granted by the Corporation is not less than the market value at the date of grant, and consequently, no compensation related to employee stock options has been recorded. Compensation costs for stock options issued to non-employees were calculated using the Black-Scholes option pricing model resulting in an additional charge to consultants of \$11,255 with a corresponding increase in contributed surplus.

There were no stock options outstanding prior to September 1, 2003. During the nine month period ended May 31, 2004, the Corporation issued 1,290,000 stock options on September 30, 2003, 410,000 stock options on November 30, 2003, 57,500 stock options on January 15, 2004 and 587,500 stock options on April 30, 2004.

If compensation costs for employee stock options issued subsequent to September 1, 2003 had been determined based on the fair market value methodology, using the Black-Scholes option pricing model, the Corporation's net loss and loss per share would have been increased to the pro forma amounts indicated below:

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

9. SHARE CAPITAL (continued)

Net loss, as reported	\$ (1,371,097)
Pro forma net loss (employee expense 54,066)	\$ (1,425,163)
Loss per common share, as reported:	
Basic and fully diluted	(0.0696)
Pro forma loss per common share:	
Basic and fully diluted	(0.0723)

The fair value of each set option granted by the Corporation was estimated using the Black-Scholes option pricing model assuming the following:

	Ranging from	
Dividend Yield	-	-
Risk-free Rate	3.52%	4.46%
Average Life	5 yrs	5 yrs
Volatility Rate	59.41%	65.74%
Marketability Discount	60.9	60.9
Weighted Fair Value of Options Granted	\$0.11	\$0.07

The amounts computed according to the Black-Scholes pricing model may not be indicative of the actual values realized upon the exercise of the options by the holders.

10. LOSS PER SHARE

The Corporation uses the treasury stock method to calculate diluted earnings per share. Under the treasury stock method, the numerator remains unchanged from the basic earnings per share calculation, as the assumed exercise of the Corporation's share purchase warrants and stock options do not result in an adjustment to income. The denominator also remains unchanged as all dilutive securities, the outstanding share purchase warrants and stock options, are out-of-the-money and anti-dilutive. The weighted average number of common shares outstanding was 19,704,608 (2003 - 14,140,432).

11. RELATED PARTY TRANSACTIONS

During the nine-month period ended May 31, 2004, the Corporation incurred charges for wages, employee benefits, contract employees, and consultants totaling \$211,896 (2003 - \$144,600) that were paid to directors, significant shareholders, or a corporation controlled by a shareholder of the Corporation. As at May 31, 2004, \$6,051 (2003 - \$nil) was included in accounts payable and accrued liabilities. These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During this quarter, 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. The private placement was for 538,760 units at \$0.35 per unit, each unit consisting of one Wavefront Energy common share and one half of one share purchase warrant, each full share purchase warrant exercisable at \$0.55 for one year from the date of closing of May 31, 2004.

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Notes to the Consolidated Financial Statements (Unaudited)

Nine Month Period Ended May 31, 2004

11. RELATED PARTY TRANSACTIONS (continued)

In the first quarter, insiders of the Corporation subscribed for \$ 137,000 to a non-brokered private placement of Wavefront Energy. The private placement was for 270,000 units at \$0.50 per unit, each unit consisting of one Wavefront Energy common share and one half of one share purchase warrant, each full share purchase warrant exercisable at \$1.00 for one year from the date of closing.

As at the end of the reporting period, ending May 31, 2004, a non-arms length party had advanced the Corporation \$100,333. These amounts were advanced under Promissory Notes, are unsecured, bear an 8.5% interest and are repayable 30 days after demand.

Board of directors fees of \$6,051 were expensed for the period. These fees are for three non-salaried directors and officers of the Corporation

11. SEGMENTED INFORMATION

The Corporation is managed using two operating segments, which have been determined based on the nature of products produced and services provided: Wavefront Environmental Technologies Inc. (Wavefront) and Wavefront Reservoir Technologies Ltd. (Prism). Wavefront provides a unique solution for environmental groundwater remediation to increase the rate of removal of potentially harmful subsurface substances known in the industry as non-aqueous phase liquids (NAPLs). Prism provides downhole monitoring and improved oil recovery technologies for the monitoring, analysis, stimulation, and production optimization of reservoirs to the global oil and gas industry.

Nine Month period ended	Intangible			Segment	Depreciation and		Capital	Assets
	Revenue	Goodwill Impairment	Asset Impairment		Amortization	Expenditures		
May 31, 2004								
Prism	\$ 365,775	\$ -	\$ -	\$ 1,234,088	\$ 75,370	\$ 252,662	\$ 1,676,849	
Wavefront	\$ 44,051	-	-	\$ 171,276	\$ 25,014	(2,300)	148,763	
	\$ 409,827	\$ -	\$ -	\$ 1,405,365	\$ 100,383	\$ 250,362	\$ 1,825,612	
Nine Month period ended								
May 31, 2003								
Prism	\$ 1,948,821	\$ 998,920	\$ 102,998	\$ (315,703)	\$ 86,096	\$ 75,297	\$ 1,164,315	
Wavefront	\$ 61,648	\$ 281,197	\$ 51,191	\$ (321,228)	\$ 15,023	\$ -	\$ 225,564	
	\$ 2,010,469	\$ 1,280,117	\$ 154,189	\$ (636,931)	\$ 101,119	\$ 75,297	\$ 1,389,879	

In the nine-month period ended May 31, 2004, the Corporation recorded revenue from ten customers. Sales from four customers amounted to \$119,621, \$75,067, 60,732 and \$45,691, which represent 29%, 18%, 15% and 11% of total revenue respectively. In 2003, the Corporation recorded revenue from three customers of \$1,207,932, \$335,126 and \$174,237, which represents 60%, 17% and 9% of total revenue respectively.

The Corporation has generated revenue from products sold and services provided within Canada of \$221,193. The remaining revenue was generated from the United States (\$73,572), China (\$45,691) and Venezuela (\$60,732).

12. SUBSEQUENT EVENTS

Subsequent to the reporting period the Corporation was awarded a monitoring project, with an approximate value of \$520,000, with a single client.