



Wavefront Energy and Environmental Services Inc.

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| <input checked="" type="checkbox"/> | First Quarter Report |
| <input type="checkbox"/> | For the three month |
| <input type="checkbox"/> | period ended |
| <input type="checkbox"/> | November 30, 2004 |

NOTICE OF AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.



Management's Discussion and Analysis
For the three months ended November 30, 2004

The following discussion and analysis of financial results should be read in conjunction with the unaudited financial statements and the accompanying notes for the period ended November 30, 2004 and is based on information available to January 18, 2004. Additional information on Wavefront Energy and Environmental Services Inc.'s (the "Corporation" or "Wavefront") is available on SEDAR at www.Sedar.com.

Forward-looking Information

Statements in this Management's Discussion and Analysis relating to matters that are not historical facts are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results implied by such forward-looking statements. Such factors include fluctuations in acceptance rates of our technology, demand for products and services of both integrated monitoring and Pressure Pulse Technology ("PPT"), political and economic conditions globally and other factors that are described in further detail in Wavefront's continuous disclosure filings.

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 PPT.

Pressure Pulse Technology

At the core of Wavefront's strategic value proposition is its patented PPT. 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 are 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. The method of implementation, however, 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. As such, the method of implementation may result in certain circumstances as uneconomical. 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

Given limited financial, engineering design and implementation resources, Wavefront entered into Collaboration and Technology Licensing Agreements with Halliburton Energy Services Inc. The Collaboration Agreement allows 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 were sought to help address the rate of adoption on 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 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.

Wavefront offers 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). Additionally, these monitoring products are sold 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 to Environmental Resource Management ("ERM") 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.

Overall Performance

Revenues

Revenues for the first quarter ended November 30, 2004 were \$322,111; this is an increase of more than 3.5 times over the comparative period in 2003 that recognized revenues of \$68,054.

Energy Sector

Revenues for the quarter ended November 30, 2004 of \$280,400 are due to integrated monitoring programs starting earlier than anticipated this winter season. Revenues in 2003 was lower than expected, as the commercialization of many projects requiring integrated monitoring systems were delayed. Additional revenues of up to \$500,000 are expected be recognized by the end of the second quarter.



Environmental Sector

Included in "sales" is \$29,232 related to the licensing of PPT technology and pulsing equipment to ERM, a US based environmental remediation company. In the comparative period for 2003 there was no environmental revenue included in sales. "Other income" increased slightly due to increased PPT research work in the environmental sector.

As the commercialization of PPT continues, the Corporation expects to have more of its revenue come from PPT projects.

Cost of Goods Sold

Energy Sector

Cost of goods sold, as a percentage of revenue, in the period increased to 74%, compared to the comparative period of 2003 of 60%. This was a result of increased material costs, increased design and labour costs, and changes in project requirements. Pricing was also reduced as competition increased due to a slower than normal past year. Cost of goods sold, as a percentage of revenue, are expected to decrease in the second quarter as more projects are completed.

Environmental Sector

PPT revenue recorded as Sales was licensing fees which had no direct costs, while the direct costs of \$18,508, related to "other income" work, are recorded as "research and development" as the project was used to obtain more data on PPT.

Operating Expenses

Operating expense for the period, compared to the comparative period of 2003, decreased by \$36,662. This was mostly due to a decrease in "professional fees" of \$75,380. Professional fees in 2003 were high due to the legal and accounting fees related to the closing of the "reverse take-over".

Other notable changes in operating expenses were:

- An increase in "wages" of \$24,533 related to the expensing of employee stock option compensation.
- An increase in "research and development" of \$27,467 related to PPT research projects.
- An increase in "travel and promotion" of \$9,329 principally relating to continued promotion of PPT and work with Halliburton.
- A decrease in "consultants" of \$9,885 due to reduction in investor relation expenses.
- An increase in "interest expense" of \$10,831 due to increased use of promissory notes used to provide short-term capital for operating deficit.
- "Research and development tax recovery" of \$12,385 relating to work done in fiscal 2002 and 2003.

Net Loss and Loss Per Share

The net loss for the three month period ended November 30, 2004 was \$384,214 (\$0.02 per share) which is a 23% reduction compared to \$486,654 (\$0.03 per share) for the comparative period in 2003. The Corporation expects losses to decrease in the second and third quarter as revenue and gross profit increase while operating costs are expected to remain relatively stable.



Assets

Total assets increased by \$74,017, which was mostly due to an increase in inventory of \$98,770. The increase in inventory relates to work in progress that should be completed over the next two quarters. Cash remains low and the Corporation is carefully managing its cash flow to ensure it will continue to meet its short-term cash requirements. The Corporation benefited from the use of a short-term note from an insider to assist with a temporary short fall, and the use of trade credit and obtaining progress payments on work in progress.

Liabilities

Total liabilities decreased by \$159,609 this was mostly due to a shares-for-debt transaction that reduced “notes payable” and “due to shareholders” by \$595,848. This decrease, however, was offset by increases in “bank indebtedness” (\$67,611), “accounts payable and accrued liabilities” (\$227,939) and “unearned revenue” (\$69,289). These increases are due to the ramping up for monitoring work scheduled for completion over the next two quarters.

Selected Annual Information

The following table sets forth certain financial information for the Corporation for 2002 to 2004:

(In Canadian dollars, except share data) ⁽¹⁾	Year Ended	Year Ended	Year Ended
	August 31	August 31	November 30
	2004 (12 months)	2003 (9 months) ⁽²⁾	2002 (12 months) ⁽²⁾
Revenue	\$ 519,970	\$ 2,046,269	\$ 1,174,037
Loss From Operations	\$ 1,474,591	\$ 404,271	\$ 2,085,431
Net Loss	\$ 1,574,283	\$ 413,480	\$ 3,294,922
-Per common share - Basic and Diluted	\$ 0.08	\$ 0.03	\$ 0.30
Total Assets	\$ 1,551,842	\$ 1,078,386	\$ 1,269,142
Total Long Term Financial Liabilities	\$ 544,185	\$ 573,348	\$ 599,669
Dividends Declared	-	-	-
Weighted Average Shares Outstanding	20,558,552	14,140,432	10,890,571
Shares outstanding at Year End	23,562,421	14,140,432	14,140,432

(1) This financial data is prepared in accordance with Canadian GAAP

(2) Fiscal 2003 was 3 quarters due to change of year end to match public company fiscal year. Results are those of PE-TECH, which was a private company prior to the reverse take-over.

Wavefront is focused on the commercialization on its core strategic value proposition, PPT. Much of the expertise required for monitoring cross over into development of PPT. Monitoring projects also have provided the Corporation with increased cashflow and have allowed it to maintain some infrastructure. However, the Corporation is an early stage company, with a technology that may represent a paradigm shift, in among other things, the way oil is produced. As PPT gains greater commercial acceptance, the Corporation’s financial picture will change accordingly.

Revenues of \$519,970 for 2004 were lower than expected due to the delay of monitoring projects to 2005, while 2003 includes one specialty monitoring project that contributed \$1.2 million to revenue. 2002 revenue were within reasonable variance of budgets at that time.



Losses in 2004 were high due to lower than anticipated revenue from monitoring projects. During the period the excess capacity was used to re-focus the Corporation's resources on its core strategic value proposition, PPT. 2003 losses were minimized due to larger volumes of work, high margin projects and better management of operating costs. 2002 losses can be attributed to lower work volumes and profit margins, and restructuring and adjustments prior to the Corporation completing the reverse take-over.

Total Assets at the end of 2003 were lower than 2002 due to lower inventory and accounts receivable, which corresponds to lower revenues in 2004. August 31, 2004 accounts receivables and inventory levels increased related to the work in progress associated with the monitoring commitments for 2005.

Total long term financial liabilities continue to decrease as the Corporation has not entered into any new capital leases and many of the non-essential leases have not been renewed.

Results of Operations

The Corporation is managed using two operating segments, which have been determined, based on the industry sectors serviced: energy sector and environmental sector.

The energy sector provides downhole monitoring for the analysis, stimulation, and production optimization of reservoirs, and PPT for the improvement of oil recovery, acidization, diversion and oilfield disposal methodologies to the global oil and gas industry. The environmental sector provides PPT, 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.

Energy Sector

For the three months ended November 30 (1st Quarter)		
	2004	2003
Revenue	\$ 285,386	\$ 60,098
Gross Profit	56,755	24,133
Loss	377,569	452,233
Amortization	14,013	22,384

Revenues for the three-month period ended November 30, 2004 was up considerably over 2003 as monitoring projects began. Monitoring work volumes were low in the quarter ended November 30, 2003, however, revenues for the current period have recovered. Gross profit margin of work, recognized in the quarter ended November 30, 2004, were low due to the nature of the work, change in scope and some delays by the client. The Corporation expects this margin to improve in the second quarter.

The decrease in losses for the quarter is due to the increased profits from projects and the reduction in overheads. Professional fees in 2003 related to the "reverse take-over". Amortization decreased as little new equipment has been added.

Monitoring revenues in the second quarter ended February 28, 2005 is expected to generate additional revenues of up to \$500,000, while the Corporation will continue to expend resources as it works with Halliburton to develop PPT in the energy sector. Resources may also be expended in acquiring the rights to an oilfield for the installation of PPT systems to create revenue and to provide a showcase for the technology and / or for the installation of multiple PPT systems in California for a commercial water flood.



Included in this energy sector segment are corporate overheads, research and development, sales expenses and professional fees for the whole corporation.

Environmental Sector

For the three months ended November 30 (1st Quarter)		
	2004	2003
Revenue	\$ 36,725	\$ 7,956
Gross Profit	36,725	7,956
Loss	6,860	30,249
Amortization	10,269	8,402

Revenue for the three-month period were up by \$28,769 over the comparative period in 2003 to \$36,725 as the Corporation had recurring revenue from license fees for use of its PPT technology and equipment. Revenue includes \$29,292 in “sales”, which has nil cost of goods sold, whereas “other income” of \$7,433 has its direct costs included in “research and development” expenditures. Amortization expense has increased as the Corporation continues to capitalize more PPT systems for implementation in environmental applications. Losses also decreased for the reporting period, due to the increased volume in environmental work.

Summary of Quarterly Results

	1st 2005 Nov 30 '04	4th 2004 Aug 31 '04	3rd 2004 May 31 '04	2nd 2004 Feb 28 '04
All amounts in Canadian dollars, except share figures ⁽¹⁾				
Revenue	\$ 322,111	\$ 110,143	\$ 279,469	\$ 62,304
Income (Loss) from Operations	\$ (384,214)	\$ (102,476)	\$ (396,333)	\$ (493,300)
Net Income (Loss)	\$ (384,214)	\$ (205,438)	\$ (392,709)	\$ (489,482)
- Per Share - Basic and Diluted	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.03)
Shares outstanding	23,608,370	20,558,552	19,704,608	19,358,789

	1st 2004 Nov 30 '03	3rd 2003 ⁽³⁾ Aug 31 '03	2nd 2003 ⁽³⁾ May 31 '03	1st 2003 ⁽³⁾ Feb 28 '03
Revenue	\$ 68,054	\$ 126,159	\$ 1,024,157	\$ 895,953
Income (Loss) from Operations	\$ (482,482)	\$ (489,893)	\$ 47,147	\$ 38,475
Net Income (Loss)	\$ (486,654)	\$ (504,421)	\$ 49,807	\$ 41,134
- Per Share - Basic and Diluted	\$ (0.03)	\$ (0.04)	\$ 0.00	\$ 0.00
Shares outstanding	18,328,850	14,140,432	14,140,432	14,140,432

(1) This Financial data has been prepared in accordance with Canadian GAAP

(2) Each quarters figures are for the three month period ending on the date listed

(3) Fiscal 2003 was 3 quarters due to change of year ends to match public company fiscal year. Results are those of PE-TECH which was a private company prior to the reverse take-over.



4th Quarter 2004, ended August 31, 2004

Revenue

The revenues for the quarter came almost completely from PPT projects. A portion of the revenue relates to an agreement the Corporation had entered into with ERM to use the Corporation's PPT technology and equipment for a six-month period. This revenue for this agreement is recognized in the fourth quarter of 2004 and the first quarter of 2005.

Expenses

Offsetting the operating expenses for the quarter was a "research and development tax recovery" of \$494,875, which was claimed under the Scientific Research and Experimental Development ("SR&ED") program related to work on PPT completed in fiscal years 2002 and 2003. Professional fees in the quarter increased sharply relating to fees with assisting the Corporation in claiming the SR&ED tax recovery and the year-end audit.

In connection with a financing completed in the prior quarter, the Corporation was working on completing two additional environmental systems with five additional downhole environmental PPT tool components. By the end of the fourth quarter, the Corporation had completed and was using one additional PPT environmental system and had completed the five additional PPT downhole tools. An additional PPT environmental system is not being manufactured, as it is not currently required. Additionally, the planned capitalization of an energy PPT system has been indefinitely postponed pending the new system(s) being collaborated with Halliburton.

Other Expenses

During the period the Corporation wrote down intangible assets, related to inter-company royalty agreements, for \$169,832. Related to the write-down, future income tax recovery was adjusted.

3rd Quarter 2004, ended May 31, 2004

Revenues were up \$217,435 compared to the second quarter of fiscal 2004 but below expected levels due to monitoring projects being delayed until winter 2005. Cost of Goods Sold was higher than expected due to unexpected costs on a project during the quarter.

The Corporation completed an agreement with Halliburton's Energy Services Group for the joint research, development and commercialization of PPT systems, while at the same time working on agreements with ERM and Top Gun Sand Pumps and Rentals. The later agreements, announced during the quarter, provide the Corporation with licensing fees for the non-exclusive use of PPT. These agreements resulted in increased travel and professional expenses of \$49,526 during the period.

During the quarter the Corporation worked on the design and development of pulsing equipment for the environmental sector, in preparation for PPT systems for ERM, noted above, and improved on previous designs.

2nd Quarter 2004, ended February 28, 2004

Revenues from monitoring were far below expectations but the Corporation completed two environmental PPT projects, one at NASA's Cape Canaveral facility. Both projects were for existing and repeat customers, but were considered research projects as they provided more data on PPT in different conditions. Costs remained



relatively stable with an increase in public company related expenses due to a financing the Corporation was undertaking and investor relation's fees.



1st Quarter 2004, ended November 30, 2003

The Corporation completed the reverse take-over transaction during this quarter; as a result of the transaction Professional fees were slightly higher. Revenues were slightly below expectations as monitoring work generally commences in the second quarter and widespread commercialization of PPT has yet to be accepted. The operating costs for the quarter remained constant with what was expected.

Due to the delay of monitoring projects, the Corporation re-focused its capacity to designing, building and testing new PPT systems and tools, as it continued to work on the promotion and development of PPT.

3rd Quarter 2003, ended August 31, 2003

The information provided relates to PE-TECH, private company, as it is considered the operating company prior to the close of the reverse take-over. PE-TECH changed its year-end from November 30th to August 31st to create a co-terminus year end with that of Wavefront, the public entity.

Revenue was low as is common in the summer months as monitoring work is generally completed during the winter. The Corporation recorded a "research and development tax recovery" of \$85,756 for work PE-TECH completed in 2001. Other costs remained within budgeted levels.

2nd Quarter 2003, ended May 31, 2003

The information provided relates to PE-TECH, private company, as it is considered the operating company prior to the close of the reverse take-over.

Revenue for monitoring was above budgeted as the Corporation completed a specialty monitoring project that accounted for \$836,322, or 82%, of revenue in the quarter. Due to the risks of this project the margin was much higher than regular monitoring projects. Operating costs remained within budgeted levels with a slight rise due to increased use of resources related to monitoring projects. While this work provided the Corporation with cashflow for future operations, it also required resources, which should have been used to develop PPT, to be used in completing monitoring projects.

1st Quarter 2003, ended February 28, 2003

The information provided relates to PE-TECH, private company, as it is considered the operating company prior to the close of the reverse take-over.

This quarter was on budget with monitoring projects being completed for four different clients. Gross profits were very strong due to increased pricing of products, improved cost controls and better budgeting. Pricing was changed from a cost plus system to market based pricing in preparation of going public by ways of the reverse take-over. The Corporation also began requiring deposits and progress payments to improve cash flows. Due to these changes and the increase in revenue, the Corporation had a net income of \$41,134.



Liquidity and Capital Resources

Liquidity

During the reporting period ended November 30, 2004 the Corporation used a short-term note, from an insider of the Corporation, to bridge a short-term gap in its cash requirements. Subsequent to the quarter, inflows of cash from the research and development tax credit and accounts receivables for monitoring work allowed the Corporation to repay the short-term note.

Given the large proportion of direct materials required in implementing integrated monitoring projects, the Corporation continued its 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 with little external working capital financing.

The Corporation will be required to obtain financing, as required to, 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 or conventional debt. However, there can be no assurance that any of these methods will be successful in the future. Due to the stage of 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, 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.

As at the end of the quarter the Corporation had a negative working capital of \$669,902. Working capital will continue to come from profits generated from current and future work and financing efforts.

Liquidity risk associated with financial instruments, which is generally related to accounts receivable, and is believed to be very low based on the Corporation's history and the clients generally serviced.

The Corporation has not defaulted nor is in arrears on any lease interest or principal payments. Interest on notes payable is due and payable on demand; however interest has been accrued and has not been paid during the quarter.

Capital Resources

Currently the Corporation has no firm commitments for capital expenditures. However, the Corporation has recently announced a non-brokered private placement to complete the due diligence and potential option fee and capitalization of the Milam County property. Additionally, proceeds from the private placement will be used to support the ongoing collaboration efforts with Halliburton, to commence the development of PPT systems for a commercial water flood in California and for unallocated working capital.

There are no known trends or expected fluctuations in the Corporations capital resources.

The Corporation has fully utilized its lines of credit and as the lines have not fluctuated from positive to negative they are recorded as bank indebtedness. As of December 31, 2004 the lines of credit balance was \$247,127.

Off-Balance Sheet Arrangements



The Corporation has no off balance sheet arrangements.

Transactions with Related Parties

Expenses in the form of wages, employee benefits, contract employees and consultants, paid to insiders and related parties, during the period ended November 30, 2004 totaled \$72,986 (2003 - \$68,920). 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 and agreed to by the related parties.

During the period the Corporation completed a shares for debt transaction, which settled debt held by shareholders, insiders and related parties of the Corporation. As a part of this transaction \$458,430, owing to directors, an officer and a company controlled by an officer, was settled for 1,608,527 shares.

Proposed Transactions

The Corporation is seeking to gain an interest in an oilfield, such as the Milam County property, either directly or by a joint venture, to allow it to install PPT systems permanently in a field scale situation. The effect of this on the Corporation's financial situation will depend on the structure of the transaction, but may require an upfront investment in production equipment and PPT system(s) that may result in long term revenues as a result of increased oil recovery.

Additionally, the Corporation is negotiating the installation of several PPT systems for use in a commercial waterflood in California. The successful implementation will augment efforts with Halliburton and may, upon agreement of the definition of success, lead to the implementation of multiple PPT systems for the long term.

Changes in Accounting Policies

Other than the Corporation's adaptation of Section 3870 of the Handbook of the Canadian Institute of Chartered Accountants ("CICA") with respect to the accounting and disclosure of stock-based compensation, there have been no changes in any accounting policies.

Outstanding Security Data

Description of share capital

During the period ended November 30, 2004, share capital increased by \$595,527 to \$5,815,527 from \$5,220,000 at the end of fiscal 2004 as a result of closing a shares-for-debt transaction. The transaction settled amounts "due to shareholders" and "notes payable" for 2,090,694 shares at a price of \$0.285 per share. As at November 30, 2004, the Corporation has 25,653,115 shares issued and outstanding. Of the shares issued and outstanding, 9,678,220 shares are subject to a value escrow agreement, and 3,871,288 value escrow shares have been released. In addition, 323,078 shares are subject to seed share matrix restrictions that are similar escrow restrictions, of which 129,231 seed shares have been released.

Options outstanding

Date Granted	Expiry date	Number of share purchase warrants	Price per share
October 5 '04	October 5 '09	470,000	\$0.45
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
		1,977,955	

Warrants outstanding

Date Granted	Expiry date	Number of shares purchase warrants	Price per share
May 31 '04	May 31 '05	1,370,501	\$0.55
May 31 '05	May 31 '06	220,224	0.35
September 30 '03*	September 30 '05	<u>937,364</u>	\$0.55
		2,528,089	

* In a prior reporting period, the TSX Venture Exchange approved a reduction in the exercise price of 912,664 warrants to \$0.55 with no change to the exercise price of the remaining 24,700 warrants held by insiders. In addition, the TSX Venture Exchange approved an extension of the expiry dates of all 937,364 warrants from September 30, 2004 to September 30, 2005.

Securities issued during the period

Date of Issue	Security	Type of Issue	No. of Shares	Total Proceeds	Consideration	Commission Paid
Nov. 30 '04	Common shares	Shares-for-Debt	<u>2,090,694</u> 2,090,694	N/A	\$0.285	Nil

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.

Options granted during the period

Date of Grant	Number of Shares	Optionee	Exercise Price	Expiry Date
Oct. 5 '04	<u>470,000</u> 470,000	Directors and officers	\$0.45	Oct. 5 '09

The security data reported above has not changed from November 30, 2004 to the date of this report.

Financial and Other Instruments

The Corporation's significant financial and other instruments consist of accounts receivable, as well as accounts payable and accrued liabilities and interest bearing obligations, such as its operating line and promissory notes, and other amounts that will result in future cash outlays.

Accounts Receivable

The Corporation is exposed to credit risk from its customers, the majority of who are involved in the oil and gas industry. Additionally, the Corporation has a small number of customers. Concentrations of credit risk with respect to accounts receivable are limited as the majority of transactions are with large publicly traded corporations or government organizations and the dispersion of these customers across geographic areas. Credit risk, with respect to



accounts receivables in Canada and the United States, is also limited due to the Corporation's credit evaluation and cash management processes. In addition, the Corporation maintains accounts receivable and work in progress insurance for any work related to Venezuela.



Interest rate risk

Interest rate risk reflects the sensitivity of the Corporation's financial results and condition to movements in interest rates principally related to its operating lines of credit, promissory notes payable and lease obligations. This risk is partially mitigated because a portion of the Corporation's borrowings is based on fixed interest rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk.

Foreign currency risk

The Corporation is exposed to currency risks as a result of its export to foreign jurisdictions of goods produced in Canada or services provided from Canada. These risks are partially covered by purchases of goods and services in the foreign currency. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

Fair value of financial instruments

The carrying value of the Corporation's interest in financial instruments approximates their fair value. The estimated fair value approximates the amount for which the financial instruments could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Certain financial instruments lack an available trading market; therefore, fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instrument.

Risk Factors

No History of Earnings - Wavefront is an early stage development company and does not yet have a history of earnings, profit or return on investment. There is no assurance that it will earn sufficient revenues to operate profitably or provide a return on investment in the future. The Corporation has no intention for the foreseeable future to pay dividends.

Need For Additional Financing – Wavefront may require additional financing in order to make further investments in the technology or to fund unanticipated demand or take advantage of unanticipated opportunities or to fund the Corporation through a slower than anticipated scale up to profitability. In addition the Corporation may chose, in an attempt to expedite the achievement of market acceptance and/or to increase the yield from pulsing jobs, to become engaged in the upfront financing of certain pulsing jobs in return for a share of the benefits of the pulsing over time. There can be no assurance that additional financing will be available to the Corporation on acceptable terms, or at all. Such financing, if available, might have the effect of diluting the holdings of existing shareholders.

Market Acceptance – Pressure pulse technology is a new technology and market acceptance will be dependent on the Corporation consistently demonstrating the benefits of it in the field and under a variety of conditions. Much of the field validation of pulsing technology has been obtained to date in heavy oil environments. While the Corporation has demonstrated applicability to lighter viscous environments through certain programs there may be a certain amount of skepticism that must be overcome in order to obtain economically viable pulsing jobs in different environments/applications and to ultimately establish pulsing as an acceptable technology in fluid flow enhancement. As a result, there can be no assurance that commercial acceptance of the Corporation's products and services will be achieved within a reasonable timeframe and with the financial resources available to the Corporation now or in the future.



Rapid Changes / Competition – Other companies have developed and may be developing alternative technologies faster than Wavefront. Such companies may develop products that are as or more effective than those developed by Wavefront and there can be no assurance that research and development by others will not render Wavefront’s technology obsolete or non-competitive.

Technology Risks – Although the results of research, development and testing have demonstrated the PPT technology to be viable, there is no guarantee that Wavefront’s technology will be successful or be applied successfully in all cases in the field. Although Wavefront believes there will be many applications for its products and services and that the anticipated market will be receptive and expand, these beliefs may prove to be incorrect for a variety of reasons, including competition from other products and the degree of commercial viability of its products. The possibility of a pressure pulsing project not providing the intended benefits (albeit, believed by management to be manageable and small), due to unforeseeable factors, could also impede the acceptance of the technology by the market place. Any failure of the PPT technology to generate the intended benefits, even in isolated circumstances, could have an adverse effect on or slow market acceptance.

Volatile Commodity Markets - The marketability of Wavefront’s products and services could be affected, directly or indirectly, by significant declines in oil prices. The Corporation believes that there would have to be a fairly major decline before the incremental cost / benefit of pulsing would be rendered unconvincing.

Government Regulations / Policy – The Corporation may be subject to and adversely affected from time to time by changes in regulation and policy in the countries it is or plans to be operating in and such factors may create delays in project procurement and implementation that may result in the need for additional funding.

International Business – The Corporation undertakes business internationally. Securing of such business introduces currency risks, credit risks, political risks and other risks inherent to conducting business internationally. There can be no assurance that steps taken by management to address these risks will eliminate all adverse affects and, accordingly the Corporation may suffer losses.

Management of Growth and Key Personnel – Wavefront’s anticipated growth and expansion into new geographic areas and ultimately, new applications for the PPT technology, will require additional management expertise and will place increased demands on Wavefront’s resources and management with respect to recruiting, training, budgeting, scheduling and technical skills. These demands will require the addition of new management and technical personnel and the development of additional expertise by existing personnel. A shortage of, or failure to retain, such personnel or develop or acquire the expertise could adversely affect prospects for Wavefront’s success.

Patents – Wavefront’s success will depend, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent the Corporation’s rights. Wavefront has filed, and is actively pursuing, applications for patents in Canada, the United States and other countries. Furthermore, there can be no assurance that others will not independently develop similar products, which duplicate any of Wavefront’s technology or products or, if patents are issued to Wavefront, design around those patented products developed by Wavefront.

Conflicts of Interest - Directors and officers of the Issuer may serve as directors of, or have shareholdings in, other reporting companies. To the extent that such other companies may participate in ventures in which the Issuer may participate, the directors or officers of the Issuer may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The laws of Canada, applicable to the Issuer, provide that the directors of the Issuer must act honestly, in good faith and in the best interests of the Issuer in resolving any conflicts that may arise, and all directors of the Issuer are aware of these fiduciary responsibilities. In determining whether or not the Issuer will participate in a particular venture, the directors will primarily



consider the degree of risk to which the Issuer may be exposed, its financial position at that time and, depending on the magnitude of the venture and the absence of any disinterested directors, whether or not to subject any ventures in question to the shareholders of the Issuer for their approval. There are currently no such conflicts of interest as described above.

Reliance on Third Parties and Future Collaboration - Wavefront has, and are to enter into, various arrangements with collaborators, licensors, licensees and others for the research, development, testing, manufacturing and marketing of its products and services. There can be no assurance that Wavefront will be able to establish such collaborations on favorable terms, if at all, or that its current or future collaborative arrangements will be successful.

Product Liability, Warranties and Uninsured Risks – The sale of products and services may expose Wavefront to warranty costs or other potential liability resulting from such use. Although product liability insurance is currently maintained, the obligation to pay a claim in excess of insurance could have a material adverse effect on the business, financial condition and future prospects of Wavefront. With regards to warranty exposure, the Corporation shall establish a reserve for such in accordance with GAAP.

Environmental Matters – As Wavefront supplies oilfield products and services, there is the possibility that it will be subject to federal, provincial and local laws and regulations regarding the environment. Although management believes its safety procedures are appropriate, the risk of offence or liability cannot be completely eliminated. Moreover, there can be no assurance that Wavefront will not be required to incur significant costs to comply with laws and regulations in the future.