Wavefront Energy and Environmental Services Inc.

Second Quarter Report

For the six month

period ended

February 28, 2005

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.

Wavefront Energy and Environmental Services Inc.

TO THE SHAREHOLDERS:

As anticipated the Corporation's financial performance has rebounded from that of the previous year with revenues dramatically up for the second quarter. For the second quarter ending February 28, 2005, your Corporation generated revenues of $741,281 resulting in a net loss of $760,281 versus revenues of $130,358 and loss of $976,782 for comparative period of last year. Coupled with this revenue generation, your Corporation made significant in roads in the commercialization of its Pressure Pulsing Technology in the energy sector.

The return of revenues to previously established levels is a result of the changing market conditions in integrated monitoring. Whilst improving the Corporation's financial position we remain focused on the enhancing shareholder value through the commercialization of our core technology of Pressure Pulsing. To that end with Halliburton Energy Services Group, we have successfully concluded "yard tests" of a new Pressure Pulsing system that will be applicable for use in secondary recovery efforts as well as coil tubing well intervention involving wellbore cleanup, and the placement of acids, chemicals, or surfactants. In addition, the Corporation has obtained an option on the mineral rights of a couple of oilfields in the United States with the intent of using a field as a permanent "show case" for Pressure Pulsing.

Revenues for the balance of fiscal 2005 remain on track with the Corporation's overall financial performance and commercialization of Pressure Pulsing expectations in 2005.

On behalf of the Board of Directors

Brett C. Davidson
President & CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2005

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 February 28, 2005 and is based on information available to April 26, 2005. The interim financial statements have not been audited or reviewed by Wavefront Energy and Environmental Services Inc.'s (the "Corporation" or "Wavefront") auditors. Additional information on Wavefront is available on SEDAR at www.Sedar.com.

OVERVIEW

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.

Pressure Pulse Technology

At the core of Wavefront's strategic value proposition is its patented Pressure Pulsing Technology ("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 oilfields, 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 are 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 oilfield 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 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.

RESULTS OF OPERATIONS

The Corporation no longer manages its operations using separate operating segments; as such, all results are reported on a consolidated basis. The Corporation however, still provides PPT to the energy and environmental sectors and integrated monitoring to internal and external customers.

Consolidated Results – six months ended February 28, 2005

Revenues for the six months ended February 28, 2005 were $741,281, an increase of more than 5.6 times the revenue of $130,358 that was recognized for comparative period (the six months ending February 29, 2004).

Revenues for the quarter were primarily generated from sale of integrated monitoring products and services to two outside customers in Alberta. Our gross profit percentage of 36.19% for the quarter is lower than that for the comparative period of last year of 62.87% due to the increase in integrated monitoring sales in the Corporation's product mix. The gross margin for the six months ended is also lower than that for the three months ending February 28, 2005 as the projects' cost and revenue relate to larger projects than those recognized for the first quarter of fiscal 2005, which also had a higher cost component relative to the revenue stream.

The Corporation's general and administrative expenses for the second quarter of fiscal 2005 were $970,501, reduced from the $1,057,742 incurred for the same period of the comparative period (the six months ending February 29, 2004). The decrease was primarily due to a decrease in office expense of $30,345 associated with not maintaining a sales office in Calgary, Alberta, and decreases in professional fees of $80,065, listing and public company fees of $30,035 that were related to the closing of the "reverse take-over". Other notable changes included increases in wages and benefits $28,077 and travel of $10,401 that were both related to the efforts to locate and secure an oilfield to show case

PPT, and increase in research and development expenses of $18,194 related to work associated with PPT projects and modelling.

There was a write down of inventory of $59,125 related to sensors that the Corporation acquired in a prior fiscal year but now does not believe will be utilized internally or sold to an external customer.

The net loss for the quarter was $760,281 ($0.03 per share), a decrease from the net loss of $980,621 ($0.05 per share) for comparative period (the six months ending February 29, 2004). The decrease in the net loss is due to the increase of sales.

Consolidated Results – three months ended February 28, 2005

Revenues for the three months ended February 28, 2005 were $419,170, an increase of more than 6.7 times the revenue of $62,304 that was recognized for comparative period (the three months ending February 29, 2004).

Revenues for the quarter were primarily generated from sale of integrated monitoring products and services to two outside customers in Alberta. Our gross profit percentage of 41.7% for the quarter is lower than that for the comparative period of last year of 80.04% due to the increase in integrated monitoring sales in the Corporation's product mix.

The Corporation's general and administrative expenses for the second quarter of fiscal 2005 were $492,592, reduced from the $543,171 incurred for the same period of the comparative period (the three months ending February 29, 2004). The decrease was primarily due to a decrease in office expense of $27,707 associated with not maintaining a sales office in Calgary, Alberta, and decreases listing and public company fees of $31,407 that were related to the closing of the "reverse take-over". Other notable changes included an increase in consulting expenses of $13,308 to the efforts to locate and secure an oilfield to show case PPT.

The write down of inventory of $59,125 related to sensors that the Corporation acquired in a prior fiscal year but now does not believe will be utilized internally or sold to an external customer.

The net loss for the quarter was $376,067 ($0.02 per share), a decrease from the net loss of $492,472 ($0.03 per share) for comparative period (the three months ending February 29, 2004). The decrease in the net loss is due to the increase of sales.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

During the reporting period ending February 28, 2005 the Corporation lost $606,134 in cash from operations, compared to losing $914,945 for the six months ending February 29, 2004. The primary reason for the decrease in losses is a result of increased sales.

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 $530,225. Working capital will continue to come from profits generated from current and future work and financing efforts. Net tangible assets however, had increased to $150,864 from a negative $269,928 for the same periods as a result of a prior period's shares-for-debt settlement and the repayment of a short-term note.

Liquidity risk associated with financial instruments, which is generally related to accounts receivable, 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 it has entered into an option agreement to acquire 90% of the working interest in the existing production, equipment, and mineral lease of an oilfield in Rogers County, Oklahoma from an arms length party for total consideration of US $180,000.

There are no known trends or expected fluctuations in the Corporation's 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 April 15, 2005 the Corporation had cash on hand of $95,452 with its lines of credit balance at $168,567 (maximum available $250,000).

CAPITAL ASSETS AND EXPENDITURES

Assets

Total assets remained relatively stable from the year end as much of the increase in inventory recorded in the first quarter ended November 30, 2004 related to work in progress that's revenue and associated costs were recognized in the reporting quarter. Cash had increased as a result of the non-brokered private placement, while accounts receivable was reduced by $221,138 as a result of obtaining deposits on pending projects. The Corporation continues to carefully manage its cash flow to ensure it will continue to meet its short-term cash requirements.

Capital additions to environmental PPT systems and patents of $16,263, net of amortization, were also made during the reporting quarter.

Liabilities

Total liabilities decreased by $421,537, principally resulting from a shares-for-debt transaction that reduced notes payable and due to shareholders by $595,848. This decrease, however, was offset by increases in unearned revenue of $197,797 that relates to deposits received by the Corporation for integrated monitoring projects. It is anticipated that the Corporation will be able to recognize much of the unearned revenue in forthcoming quarters as the work scheduled for completion.

SHARE CAPITAL

Description of share capital

During the quarter ending February 28, 2005, share capital increased to $6,354,943 from $5,220,000 at the end of fiscal 2004 as a result of closing a non-brokered private placement for $539,416 in the reporting quarter, and the closing of a shares-for-debt transaction for $595,527 in the first quarter. The non-brokered private placement that closed during the reporting period resulted in the issuance of 2,345,225 units at a price of $0.23 per unit, each unit consisting of one common share and one share purchase warrant, each full share purchase warrant entitling the holder to an additional common share with an exercise price of $0.40 for a period of one year from the date of closing. Directors of the Corporation acquired 637,104 units of the non-brokered private placement for gross proceeds of approximately $146,534.

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 to escrow restrictions, of which 129,231 seed shares have been released.

Options outstanding

Date Granted	Expiry date	Number of incentive stock options	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	750,000	$0.50
		1,977,955	

Warrants outstanding

Date Granted	Expiry date	Number of shares purchase warrants	Price per share
February 28 ‘05	February 28 ‘06	2,345,225	$0.40
May 31 ‘05	May 31 ‘06	220,224	$0.35
May 31 ‘04	May 31 ‘05	1,370,501	$0.55
September 30 ‘03	September 30 ‘05	937,364*	$0.55
		4,873,314	

* 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.

Options granted during the period

Date of Grant	Number of Shares	Optionee	Exercise Price	Expiry Date
	N/A			

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 February 28, 2005 totaled $147,042 (2003 - $141,050). 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.

PROPOSED TRANSACTIONS

The Corporation acquired the mineral rights in the Milam County property to show case the Corporation's PPT technology. However, subsequent to the reporting period, the Corporation acquired an option to acquire a 90% of the working interest in the existing production, equipment, and mineral lease of an oilfield in Rogers County, Oklahoma from an arms length party for total consideration of US $180,000. In connection with the option agreement the Company has advanced a US $15,000 non-refundable deposit. Should the Company exercise its option the deposit will be applied against the total consideration. The option on the Rogers County property was obtained as it includes production equipment and is currently producing oil.

In seeking to gain an interest in an oilfield, such as either the Milam or Rogers County property, either directly or indirectly, will allow the Corporation to install PPT systems permanently in a field scale situation as a showcase. The effect of this on the Corporation's financial situation will depend on the structure of the transaction, but may require an upfront investment or a joint venture on the property.

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

Stock-based compensation
As noted in the first full MD&A issued for the first quarter ended November 30, 2004, the Corporation adopted revisions to Section 3870 of the Canadian Institute of Chartered Accountants Handbook with respect to the accounting and disclosure of stock-based compensation. The revised section requires that the fair value of stock options be recorded in the financial statements. The Corporation applied these provisions retroactively with restatement of the prior year.

Segmented reporting
Effective December 1, 2004 the Corporation will no longer report its financial results based on operating segments, as the Corporation no longer distinguish between operating segments nor does it assess operating results independently.

FINANCIAL AND OTHER INSTRUMENTS

There are no changes, since the first quarter's MD&A, in significant financial or other instruments consisting of accounts receivable, interest rates or foreign currency risks.

RISK FACTORS

The Corporation's business risks are the same as disclosed in its first full MD&A issued for the first quarter ended November 30, 2004. The most significant risk facing the Corporation, at present, is the ability to secure financing or to generate earnings sufficient to cover its working capital deficit and ongoing obligations.

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, political and economic conditions globally and other factors that are described in further detail in Wavefront's continuous disclosure filings.