



Wavefront Energy and Environmental Services Inc.

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

The implementation of the Corporation's three-point strategy of licensing DeepWaveSM to industry leaders, selling and implementing the technology directly with end users, and acquiring undervalued oilfields to implement DeepWaveSM, has been gaining momentum. Each of the strategic initiatives not only supports the others but also encourages an accelerated adoption of the technology. This momentum is also reflected in our operating and financial results for the first quarter ended November 30, 2005. Although revenues decreased to \$95,357, approximately 48.5% was derived from DeepWaveSM services. Moreover, the Corporation's working capital deficit improved to \$419,910, as compared to negative \$1,237,260 at August 31, 2005. The increase in working capital is a result of closing a non-brokered private placement and the exercise of convertible securities. Total assets have increased to \$1,288,578 from \$932,567, which was principally due to increases in cash, accounts receivable and mineral property interests.

The development of mineral property interests will continue to be a feature of the Company's strategy in showcasing DeepWaveSM. As we continue to aggressively develop the various oil properties and deploy DeepWaveSM, production revenues will increase while operating costs are expected to remain relatively stable. In addition, as results from DeepWaveSM projects are received, it is anticipated that DeepWaveSM licensing royalties will continue to grow.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "Brett Davidson", is written in a cursive style.

Brett C. Davidson
President & CEO



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2005

Forward-looking Information

Statements in this Management 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 Wavefront's DeepWaveSM technology, demand for products and services, fluctuations in the market for oil and gas related products and services, the ability of Wavefront to attract and maintain key personnel, technology changes, global political and economic conditions, and other factors that are described in further detail in Wavefront's continuous disclosure filings.

Management's Responsibility

Management of the Corporation is responsible for the accuracy of the information disclosed in the Management Discussion and Analysis. The interim and annual Management Discussion and Analysis are also reviewed and approved by the Audit Committee of the Corporation's board of directors. This Management Discussion and Analysis contains information available to December 23, 2005.

Description of Business

The principal business of Wavefront Energy and Environmental Services Inc. ("Wavefront" or "the Corporation") is the development, licensing, and implementation of DeepWaveSM for improved oil recovery and enhanced groundwater remediation.

DeepWaveSM Technology

At the core of Wavefront's strategic value proposition is its patented DeepWaveSM technology. DeepWaveSM is an injection technology / methodology that dramatically improves the flow rate and distribution of liquids in the ground.

DeepWaveSM has been proven to be an effective method of achieving oil production revitalization through the following techniques:

Short-term Well Intervention Applications

- Well intervention (single wells)
- Matrix Acid – typical near wellbore cleanup
- Remedial sand control
- Acid Inhibition treatments
- Paraffin removal

Long-term Stimulation Applications

- Add-on to water injectors for improved injectivity rates, sweep efficiency, and reservoir conformance
- Add-on to water disposal wells
- Liquid CO₂ Injection
- Surfactant and Polymer floods

DeepWaveSM has been successfully applied in heavy and light oil, in gas wells, as well as in groundwater remediation. The method of implementation or system utilized depends upon among other things geology and fluid viscosity. DeepWaveSM implementation is specific to suit a given geological situation. DeepWaveSM can be modified to increase injection and production flow rates, production well efficiency, and oil recovery ratios in a wide variety of configurations.

Environmentally, groundwater contamination came to the forefront in the early 1980s. Since the physics of fluid flow is similar in shallow groundwater conditions to that of the oil industry, Wavefront has diversified its client base and utilizes a scaled-down DeepWaveSM system for groundwater remediation. DeepWaveSM has also been verified as an environmental remedial strategy by Environment and Industry Canada. The following lists some applications of DeepWaveSM in the environmental sector:

- Enhancement of “pump-and-treat” systems to extract the contaminant; a similar methodology to an oilfield waterflood.
- Improved injection of “*in situ*” remedies, such as the injection of biological, chemical or oxidant agents into the ground to neutralize the groundwater contaminant.
- Rehabilitation of water wells.

The optimization of DeepWaveSM is dependant upon, among other things, the frequency and amplitude of the fluid waveform created. Thus, part of Wavefront’s value proposition is to monitor and model, and optimize DeepWaveSM outcomes. Wavefront’s intellectual property strategy is to maintain absolute control over its DeepWaveSM modeling software known as the “DeepWaveSM Analyzer”. The software enables Wavefront to evaluate reservoir characteristics and provides key insights into the optimized waveform required for the desired outcome in any given geological setting.

Energy Sector Application of DeepWaveSM Technology

Given the Corporation’s limited resources and challenges in implementing a global technology, Wavefront entered into Technology Licensing and Collaboration Agreements with Halliburton Energy Services Inc (“Halliburton”). The License Agreement provides Halliburton non-exclusive rights in Canada and the United States to market DeepWaveSM and exclusive rights outside of Canada and the United States. In consideration of the exclusive component of the Licensing Agreement, Wavefront entered into a Collaboration Agreement, which allows both parties to jointly research, develop and manufacture DeepWaveSM systems for the improvement or enhancement of oil recovery, oil well stimulation and oilfield disposal methodologies. The Halliburton agreements will assist Wavefront in the following:

- Expedite the adoption rate of DeepWaveSM by utilizing Halliburton’s sales networks.
- Eliminate potential DeepWaveSM system manufacturing and implementation bottlenecks.
- Provide the Corporation and DeepWaveSM with greater credibility.
- Through the Collaboration Agreement, expand the markets for DeepWaveSM by having different systems that can operate in different geological environments.

With greater customer acceptance of the DeepWaveSM technology, management is seeing the sales cycle for short-term, well intervention type jobs, dropping to weeks, and long-term waterflood type jobs ranging from one to six months.

Environmental Sector Application of DeepWaveSM 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 DeepWaveSM to the environmental sector. Wavefront also has one registered sales agent in the United States and one in Finland promoting the technology to the user sector. Utilization of licensing and securing outside agents has allowed Wavefront to gain market exposure for DeepWaveSM while limiting the resources required to build a revenue stream from the environmental sector. The sales cycle of environmental remediation projects has approximated between three to six months.

RESULTS OF OPERATIONS

Consolidated Results – three months ended November 30, 2005

Revenues

Revenues for the three months ended November 30, 2005 were \$95,357, a decrease of \$226,754 from the revenue recognized in November 30, 2004 of \$322,111.

Approximately 48.5% revenues for the quarter were generated from activities associated with the DeepWaveSM technology, while the remainder of revenue was related to sale of integrated monitoring products and services to external customers in Alberta. Gross profit as a percentage of revenue was 41% for the quarter and is greater than that for the comparative period of last year of 29%. The increase in gross profit is due to the increase revenue attributed to DeepWaveSM.

General & Administrative Expenses

The Corporation’s general and administrative expenses for the first quarter of fiscal 2006 were \$389,186, reduced from the \$477,909 incurred for the same period of the comparative period (the three months ending November 30, 2004).

A decrease in the recovery of research and development tax recovery (“SR&ED”) expense of \$12,385 relates to the recognition of a SR&ED refund in the first quarter of fiscal 2004 that resulted from a prior year SR&ED claims. The SR&ED claim resulted in cash refunds related to eligible expenditures that the Corporation incurred as a private Canadian controlled corporation prior to the reverse takeover that closed in September 2003. As the Corporation is no longer classified, as a private Canadian controlled corporation, future SR&ED claims will result in a tax credit versus a cash refund.

Total operating expenses were thus, reduced by \$108,445, when adding the \$12,385 expense to the \$96,060 decrease in operating expenses. The change is primarily due to decreases in wages expense of \$32,166, research and development expenses of \$36,660, interest expense \$15,785 and consultant expense of \$15,170. These reductions reflect the following:

- A reduction in the allocation of resources away from the labour intensive integrated monitoring business.
- The Corporation is benefiting from the sunk consulting costs associated with locating and securing an oilfield to showcase DeepWaveSM.

- The successful collaboration of a coiled tubing DeepWaveSM tool with Halliburton has allowed the Corporation to reduce its research and development costs. These costs however, are expected to increase as the Corporation and Halliburton endeavour to develop an additional continuous field stimulation tool for use in waterfloods, disposal wells, etc. The collaborated continuous system would be a new generation of the systems the Corporation is currently deploying or developing on its own.

Net Loss and Loss Per Share

The net loss for the three months ended November 30, 2005 was \$351,948 (\$0.01 per share), compared to \$384,214 (\$0.02 per share) in 2004. The Corporation expects financial results to continue to improve, moving towards profitability, as DeepWaveSM licensing revenues and oil production revenues from mineral right are expected to increase, while operating costs are expected to remain relatively stable.

Summary of Quarterly Results

	1st Qtr 2006 Nov 30 '05		4th Qtr 2005 Aug 31 '05		3rd Qtr 2005 May 31 '05		2nd Qtr 2004 Feb 28 '05	
All amounts in Canadian dollars								
Revenue	\$	95,357	\$	123,387	\$	469,616	\$	419,170
Loss from Operations	\$	342,728	\$	452,468	\$	392,249	\$	317,808
Net Loss	\$	351,948	\$	447,248	\$	400,202	\$	376,067
- Per Share - Basic and Diluted	\$	0.012	\$	0.012	\$	0.016	\$	0.016

	1st Qtr 2004 Nov 30 '04		4th Qtr 2004 Aug 31 '04		3rd Qtr 2004 May 31 '04		2nd Qtr 2004 Feb 28 '04	
Revenue	\$	322,111	\$	110,143	\$	279,469	\$	62,304
Loss from Operations	\$	384,429	\$	132,115	\$	418,709	\$	509,456
Net Loss	\$	384,214	\$	235,077	\$	415,085	\$	505,638
- Per Share - Basic and Diluted	\$	0.016	\$	0.006	\$	0.021	\$	0.026

(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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As at the end of three months ending November 30, 2005, the Corporation had a negative working capital of \$419,910 (compared \$1,237,260 for the first quarter ended November 30, 2004). Working capital will continue to be derived from profits generated from current and future work and financing efforts.

Given the upfront costs associated with fabricating DeepWaveSM systems and integrated monitoring projects, the Corporation continued its policy of requiring customers to provide a deposit upon execution of a purchase order, allowance for expenditure or contract. This assists the Corporation in better managing its cash flow, and thus requiring less external working capital financing.



The Corporation had experienced significant losses as a result of operations and was in a significant working capital deficiency.

During the three months ending November 30, 2005, the Corporation closed a non-brokered private placement for gross proceeds of \$450,607. The private placement was priced at \$0.23 per unit and resulted in the issuance of 1,959,160 common shares (plus 276,767 common shares were issued as a finders fee at a deemed price of \$0.23). In addition, the following convertible securities were exercised to net the Corporation gross proceeds of \$837,083:

- 82,783 incentive stock options were exercised at prices ranging from \$0.40 to \$0.44 resulting in gross proceeds of \$36,141, of which a director of the Corporation exercised 68,200 incentive stock options.
- 1,979,660 common share purchase warrants were exercised at prices ranging from \$0.35 to \$0.55 resulting in gross proceeds of \$800,942, of which 375,276 common share purchase warrants were exercised by directors of the Corporation.

Subsequent to the three months ending November 30, 2005, the Corporation closed to a private placement ("Private Placement") for 7,038,008 common shares of the Corporation at a price of \$1.35 for gross proceeds of \$9,501,311. The subscription of the Private Placement is by two institutions as portfolio managers. Management has estimated total transaction costs of approximately \$500,000, resulting in net proceeds from the financing of approximately \$9,001,311. The proceeds will be used to support Halliburton's marketing efforts, to collaborate on new DeepWaveSM systems, to develop mineral properties rights to showcase DeepWaveSM, to initiate the manufacturing of an inventory of DeepWaveSM systems for field-wide implementation and for unallocated working capital.

In addition subsequent to the three months ending November 30, 2005, the following convertible securities were exercised to net the Corporation gross proceeds of \$115,016:

- 4,800 common share purchase warrants were exercised at price of \$0.35 resulting in gross proceeds of \$1,680.
- 254,083 incentive stock options were exercised at prices ranging from \$0.40 to \$0.50 resulting in gross proceeds of \$113,336, of which a director of the Corporation exercised 227,000 incentive stock options.

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 customers generally serviced.

The Corporation did not default nor was it in arrears on any lease interest or principal payments. Interest on notes payable is due and payable on demand; however, interest was accrued and was not paid during the year.

Capital Resources

Currently, the Corporation has no firm commitments for capital expenditures. However, in accordance with the Corporation's strategic plan, cash resources will be required for the following:

- To maintain the Milam County mineral rights, the Corporation must expend resources to develop the property by the end of the second quarter of 2006.

- To support the ongoing collaboration efforts with Halliburton for the development of DeepWaveSM systems. The research and development of such systems allows the Corporation (and Halliburton) to expand the types of potential applications that DeepWaveSM can be used in.
- To support the marketing efforts and to train Halliburton employees for the implementation of DeepWaveSM.
- To further develop the Roger County property in proportion to the Corporation's working interest. The Corporation is also currently evaluating the acquisition of the sixty percent (60%) working interest held by Boulder Oil LLC.
- To build an inventory of DeepWaveSM systems for deployment in Rogers County and for licensing to external oil producers for use in waterfloods or disposal wells.

There are no known trends or expected fluctuations in the Corporation's capital resources.

As of January 20, 2005, the outstanding balance on the lines of credit was \$19,453 and the Corporation had \$287,493 of cash on hand plus \$8.8 million invested in Guaranteed Investment Certificates.

The Corporation declined to extend its corporate facilities lease in Edmonton; instead it elected to move to alternative facilities at rates that are expected to be similar. The new facility will encompass a one-year lease at a rate of \$7,163 per month. The Corporation will have an option on the second year at a rate of \$7,365 per month. The structure of the corporate facilities lease is to allow the Corporation flexibility to adapt to its growth rate.

The Corporation intends to buyout its capital leases and certain operating leases.

Off-Balance Sheet Arrangements

The Corporation has no off balance sheet arrangements.

CAPITAL ASSETS AND EXPENDITURES

Assets

Total assets increased by \$356,011 to \$1,288,578, which was principally due to an increase in cash, accounts receivable and mineral property interests. These increases are a result of the equity private placement and the exercise of convertible securities that has allowed the Corporation to continue to develop its mineral properties to showcase DeepWaveSM. The increase in accounts receivable however, is still principally related to integrated monitoring work.

Liabilities

Total liabilities decreased by \$598,802 to \$982,101 from the previous year-end. This was principally due to the closing of a non-brokered private placement, which allowed the Corporation to eliminate the \$450,607 "advances on share subscription" to "share capital", and the reduction of bank indebtedness. The Corporation intends to use a portion of the funds from the 7,038,008 share private placement to reduce its liabilities.

TRANSACTIONS WITH RELATED PARTIES

In connection with the reverse take-over of PE-TECH Inc., dated September 30, 2003, certain directors and shareholders 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 balance until September 30, 2004, after which principal repayment was restricted to twenty percent (20%) of consolidated cash flows from operations. As such, the entire balance has been classified as long-term debt at November 30, 2005 as the Corporation does not anticipate achieving positive cash flows from operations in fiscal 2006. In a prior period the Corporation settled \$495,515 of amounts due to shareholders in accordance with a Shares-for-Debt Settlement Agreement. As a result, the balance outstanding at November 30, 2005, was \$34,189. The balance payable at November 30, 2005 is unsecured, bears interest at 8.5% per annum and has repayment terms in accordance with the Debt Repayment Agreement noted above. Interest expense for the three months ended November 30, 2005, totaled \$727 while accrued interest payable at November 30, 2005 total \$40,350.

Notes payable represents amounts due to directors of the Corporation. The notes payable are unsecured, bear an interest rate of 14% per annum, have no fixed repayment terms and are repayable 30 days after demand. Interest expense for the three months ended November 30, 2005, totaled \$2,649. Accrued interest payable as at November 30, 2005 is \$15,280.

Effective September 1, 2005, the Corporation sold 1,959,160 units of the Corporation at a price of \$0.23 per unit for gross proceeds of \$450,607. The 1,959,160 units were sold by way of a non-brokered private placement. Each unit consisted of one common share and one common share purchase warrant, with each full share purchase warrant entitling the holder to acquire a common share at a price of \$0.40 for a period of 12 months ending September 1, 2006. Of the 1,959,160 units sold, a director of the Corporation subscribed for 276,767 units.

Of the 82,783 stock options exercised during the three months ended November 30, 2005, 68,200 stock options were exercised by a director of the Corporation at a price of \$0.44. Of the 1,979,660 common share purchase warrants that were exercised during the reporting period, 375,276 common share purchase warrants were exercised by directors of the Corporation at prices ranging from \$0.40 to \$0.55.

In the prior year the Corporation entered into an Option Agreement (the "Option Agreement") to acquire ninety percent (90%) of the working interest in the production, equipment and mineral leases of Phoenix Oil, LLC of Claremore, Oklahoma, for total consideration of U.S. \$180,000. The leases, known as the Chelsea-Alluwe Waterflood Leases, are comprised of 780-acres and are situated in Rogers County, Oklahoma. For the Option Agreement, the Corporation paid a U.S. \$15,000 deposit that was applied to the total purchase price. A related limited liability company ("LLC") executed the Option Agreement on behalf of the Corporation by paying the remaining U.S. \$165,000 of the purchase price for a sixty percent (60%) working interest in the leases. A director and a related party to a director of the Corporation control fifty-five percent (55%) of the voting membership units of the LLC. In consideration of the U.S. \$15,000 deposit paid by the Corporation, it retained a thirty percent (30%) working interest in the leases. The LLC provides the corporate management of operations. Each working interest party is responsible for operating and field development costs in proportions relative to their working interest percentage.

The Corporation has capitalized and included in mineral property interests its proportionate share of the development costs of \$36,256 related to the Rogers County venture. This amount is due to the LLC joint venture partner and is included in accounts payable and accrued liabilities. Total accrued liabilities owed to the LLC joint venture partner, as at November 30, 2004 is \$48,596.



In addition, the Corporation has recognized production revenue of \$7,579 related to the Rogers County venture. This amount is due from the LLC joint venture partner and is included in accounts receivable.

PROPOSED TRANSACTIONS

The Corporation acquired the mineral property interests in Milam County, Texas and Rogers County, Oklahoma. As the Rogers County mineral property interests includes production equipment and is currently producing oil, initial efforts will be focused on working over all existing producing oil wells, then implementing and measuring waterflood results to establish a baseline before installing the Corporation's DeepWaveSM systems. With the Corporation having a 30% interest in the Rogers County oilfield, it will be responsible for 30% of the costs required to meet the previously noted objectives and the capitalization of the requisite DeepWaveSM systems.

The Corporation is in the final stages of analyzing and expects to enter into a farm-in agreement ("Farm-in Agreement") with Greentree Gas and Oil Ltd. (TSX-V: GGO) ("Greentree") for the Rodney South oil field lease. Greentree has 100% working interest in 800 acres of leased lands, which comprise the mapped extent of the Rodney South oil property. The Rodney South oil field lease has an estimated 3.65 MMStb of oil in place and can be expected to recover 1.33 MMStb if fully developed by standard waterflooding. It is anticipated that with the implementation of DeepWaveSM during flooding, in excess of 2 MMStb of oil may be producible.

Should the Corporation proceed with Farm-in Agreement with Greentree, Wavefront will provide up to \$2.25 million for initial capital expenditures and working capital requirements. Additional development costs are expected to be derived from cash from operations. Greentree will act as the Operator of the lease and will contribute the petroleum leases, existing seismic and geological data, and the use of its existing field facilities. Greentree will also provide its field maintenance staff, administrative, and office support staff. In consideration for each party's contributions, cash flow from operating activities will be allocated seventy percent (70%) and thirty percent (30%) to Wavefront and Greentree, respectively, until payout of Wavefront's initial \$2.25 million capital investment. Subsequent to payout, cash flow from operating activities will be allotted fifty percent (50%) to each of Wavefront and Greentree respectively. The costs associated with intended applications of DeepWaveSM comprise part of the capital expenditures and working capital requirements.

The intent of the mineral property interests acquisition is to have permanently installed DeepWaveSM systems to showcase the Corporation's technology to its customers, licensed agents and financial markets. The acquisitions address the Corporation's three-point strategy of licensing the DeepWaveSM stimulation process to industry leaders, marketing and implementing the technology within Canada and the United States and acquire undervalued oilfields to implement the technology. Management believes that each of the strategic initiatives will support the other initiatives and accelerate overall technology adoption.

CHANGES IN ACCOUNTING POLICIES

Variable Interest Entities

The Corporation adopted Accounting Guideline AcG-15, Consolidation of Variable Interest Entities, which requires the consolidation of certain entities that are subject to control on a basis other than ownership of voting interests. This Guideline provides guidance for determining when an enterprise includes the assets, liabilities and results from operations of a variable interest entity in its consolidated financial statements. The adaptation of this Guideline had no effect on the Corporation's consolidated interim financial statements.



FINANCIAL AND OTHER INSTRUMENTS

There are no significant changes, since the annual M&A issued for the fourth quarter ended August 31, 2005, in financial or other instruments.

RISK FACTORS

The Corporation's business risks are the same as disclosed in its annual MD&A issued for the fourth quarter ended August 31, 2005.

OUTLOOK

Looking forward, some industry experts expect that the high price environment for crude oil and natural gas appears to be sustainable for the foreseeable future. Production efforts in not only North America, but worldwide, will drive how DeepWaveSM is commercialized and will affect the Corporation's financial performance in fiscal 2006.

Fiscal 2006 efforts will focus on leveraging the Rogers County project to bring the Corporation to a positive cash flow position and to market DeepWaveSM to mainstream oil producers. As Halliburton focuses on well intervention applications for DeepWaveSM, the Corporation will endeavor to implement field-wide waterflood applications with mainstream producers. In addition, with the given positive results of Halliburton projects, the Corporation anticipates that Halliburton will continue to expand its offering of DeepWaveSM well intervention services thus, increasing the Corporation's licensing revenue. The Corporation also anticipates growing licensing revenues from Top Gun. Oil production and licensing revenue will be a strong financial driver in fiscal 2006.