Unaudited Consolidated Financial Statements of

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

For the Third Quarter ended May 31, 2006 and 2005

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WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Balance Sheets (Unaudited)

		As At May 31, 2006		As At August 31, 2005 (Note 2)
ASSETS				
CURRENT				
Cash	**$**	**13,681,799**	$	144,634
Private Placement Receivable (note 5)		**2,570,661**		-
Accounts receivable (note 7)		**993,027**		69,284
Prepaid expenses		**31,865**		11,026
Inventory		**53,149**		53,149
		17,330,501		278,093
CAPITAL ASSETS (Note 7)		**1,285,287**		549,174
INTANGIBLE ASSETS		**88,685**		73,906
MINERAL PROPERTY INTERESTS (Note 7)		**294,574**		31,394
	$	**18,999,047**	$	932,567
LIABILITIES				
CURRENT				
Bank indebtedness	**$**	**36,412**	$	246,380
Accounts payable and accrued liabilities		**1,161,683**		619,011
Unearned revenue		**100,184**		112,486
Notes payable (Note 4)		**-**		75,686
Advances on share subscription		**-**		450,607
Current portion of obligation under capital leases		**4,812**		11,183
		1,303,091		1,515,353
OBLIGATION UNDER CAPITAL LEASES		**-**		1,878
DUE TO SHAREHOLDERS (Note 3)		**-**		34,189
ASSET RETIREMENT OBLIGATION		**37,058**		29,483
		1,340,149		1,580,903
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Capital stock (Note 5)		**26,000,207**		6,373,647
Contributed Surplus (Note 5)		**573,149**		165,554
Deficit		**(8,914,458)**		(7,187,537)
		17,658,898		(648,336)
	$	**18,999,047**	$	932,567

APPROVED BY THE BOARD

"Brett Davidson" (signed) Director

"D. Brad Paterson" (signed) Director

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.
Consolidated Statements of Loss and Deficit (Unaudited)

	Nine Month Period Ended May 31		Three Month Period Ended May 31	
	2006	2005	**2006**	2005
REVENUE				
Sales	**$ 375,083**	$ 1,194,949	**$ 109,814**	$ 469,555
Other income	**93,591**	15,948	**93,531**	61
	468,674	1,210,897	**203,345**	469,616
COST OF GOODS SOLD	**157,366**	872,948	**14,438**	399,931
GROSS PROFIT	**311,308**	337,949	**188,907**	69,685
GENERAL and ADMINISTRATIVE EXPENSES				
Wages, employee benefits, and contract employees	**996,057**	595,499	**488,894**	215,238
Office	**183,281**	200,079	**56,361**	68,150
Research and development	**46,768**	123,198	**12,812**	26,798
Travel and promotion	**112,913**	85,935	**24,135**	29,402
Professional fees (Note 9)	**350,175**	60,725	**282,043**	4,365
Depreciation and amortization	**77,621**	75,835	**23,204**	26,943
Interest expense	**(4,830)**	43,707	**2,588**	6,419
Vehicle	**57,060**	67,197	**16,292**	32,358
Listing and public company fees	**94,305**	57,735	**24,442**	5,144
Consultants	**81,633**	121,586	**57,227**	54,510
Repairs and maintenance	**29,743**	9,938	**18,722**	514
Miscellaneous	**4,866**	1,966	**597**	(4,457)
Accretion of asset retirement obligation	**7,575**	-	**3,473**	-
Bad Debt	**-**	692	**-**	-
Research and development tax recovery	**-**	(11,657)	**-**	(3,450)
	2,037,167	1,432,435	**1,010,790**	461,934
LOSS FROM OPERATIONS	**(1,725,859)**	(1,094,486)	**(821,883)**	(392,249)
WRITE-DOWN OF INVENTORY	**-**	(59,125)	**-**	-
LOSS ON DISPOSAL OF CAPITAL ASSETS	**-**	(8,309)	**-**	(6,687)
WRITE-DOWN OF MINERAL RIGHTS (Note 7)	**(12,836)**	-	**-**	-
FOREIGN EXCHANGE GAIN (LOSS)	**11,774**	(185)	**20,183**	(1,266)
NET LOSS	**(1,726,921)**	(1,162,105)	**(801,700)**	(400,202)
DEFICIT, BEGINNING OF PERIOD	**(7,187,537)**	(5,579,806)	**(8,112,758)**	(6,341,709)
DEFICIT, END OF PERIOD	**$ (8,914,458)**	$ (6,741,911)	**$ (8,914,458)**	$ (6,741,911)
LOSS PER COMMON SHARE				
Basic and Diluted	**$ (0.05)**	$ (0.05)	**$ (0.02)**	$ (0.02)

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Statements of Cash Flow (Unaudited)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES	Nine Month Period Ended May 31 **2006**	Nine Month Period Ended May 31 2005	Three Month Period Ended May 31 **2006**	Three Month Period Ended May 31 2005
OPERATING				
Net loss	**$ (1,726,921)**	$ (1,162,105)	**$ (801,700)**	$ (400,202)
Items not affecting cash				
Depreciation and amortization	**77,621**	75,835	**23,204**	26,943
Write-down of inventory	-	59,125	-	-
Loss on disposal of capital assets	-	8,309	-	6,687
Write-down of mineral rights	**12,836**	-	-	-
Stock based compensation	**438,504**	77,938	**281,547**	31,808
Accretion of asset retirement obligation	**7,575**	-	**3,473**	-
	(1,190,384)	(940,898)	**(493,475)**	(334,764)
Changes in non-cash working capital	**(3,442,267)**	582,521	**(2,511,907)**	266,509
	(4,632,651)	(358,377)	**(3,005,382)**	(68,255)
FINANCING				
Proceeds from (repayment of) bank indebtedness	**(209,968)**	46,289	**36,412**	64,172
Share issuance costs related to shares-for-debt settlement	-	(321)	-	-
Proceeds from private placement (net of share issuance costs)	**17,272,798**	539,095	**7,867,908**	-
Repayment of notes payable	**(35,686)**	(75,686)	**(35,686)**	(75,686)
Repayment of amounts due to shareholders	**(34,189)**	-	**(34,189)**	-
Proceeds from options exercised	**181,027**	-	**31,550**	-
Proceeds from warrants exercised	**2,088,853**	-	-	-
Repayment of obligation under capital leases	**(8,249)**	(12,822)	**(2,840)**	(2,495)
	19,254,586	496,555	**7,863,155**	(14,009)
INVESTING				
Purchase of capital assets	**(798,002)**	(93,037)	**(561,248)**	495
Purchase of mineral property interests (Note 7)	**(263,180)**	(32,687)	**(197,705)**	(32,687)
Proceeds on disposal of capital assets	-	6,100	-	800
Intangible costs	**(23,588)**	(16,758)	**(23,588)**	(495)
	(1,084,770)	(136,382)	**(782,541)**	(31,887)
NET CASH INFLOW (OUTFLOW)	**13,537,165**	1,796	**4,075,232**	(114,151)
CASH, BEGINNING OF PERIOD	**144,634**	45,973	**9,606,567**	161,920
CASH, END OF PERIOD	**$ 13,681,799**	$ 47,769	**$ 13,681,799**	$ 47,769
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Amount of interest paid during the period	**13,127**	37,213	**1,790**	8,443

1. DESCRIPTION OF BUSINESS

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

2. BASIS OF PRESENTATION

These interim consolidated financial statements should be read in conjunction with the financial statements of the Corporation for the year ended August 31, 2005. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") using the same accounting policies as set out in the financial statements of the Corporation for the year ended August 31, 2005.

Omitted from these statements are certain information and note disclosure normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP.

Certain of the prior year amounts have been reclassified to conform with the presentation adopted for the current year.

3. DUE TO SHAREHOLDERS

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 was classified as long-term debt.

In the prior year 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 August 31, 2005 was $34,189. On May 31, 2006 the Corporation repaid the balance of $34,189 to a company controlled by a director and a related party of the Corporation.

The balance of $34,189 was unsecured, had an interest of 8.5% per annum and had repayment terms in accordance with the Debt Repayment Agreement noted above. Interest expense for the nine months ended May 31, 2006, totaled $2,181 (2005 - $8,555). Accrued interest payable at May 31, 2006, is $25,234 (2005 - $38,891) and is included in accounts payable and accrued liabilities.

Interest expense for the nine months ended May 31, 2006, owing to a company controlled by a director and a related party of the Corporation totaled $2,181 (2005 - $8,389). Accrued interest payable at May 31, 2006, owing to directors of the Corporation or to a company controlled by a director and a related party of the Corporation is $4,127 (2005 - $17,781) and is included in accounts payable and accrued liabilities.

4. NOTES PAYABLE

On May 31, 2006 the Corporation repaid the principal balance of $75,686, of which, $40,000 was repaid to a director of the Corporation by way of a common share purchase warrant exercise and was recorded as a non-cash transaction. The notes payable were unsecured, had an interest rate of 14% per annum, have no fixed repayment terms and are repayable 30 days after demand. Interest expense for the nine months ended May 31, 2006, totaled $5,052 (2005 - $2,974). Accrued interest payable as at May 31, 2006 is $5,126 (2005 –$9,982) and is included in accounts payable and accrued liabilities.

5. SHARE CAPITAL

Capital stock

The Corporation's authorized and issued share capital as at May 31, 2006 and August 31, 2005 are as follows:

Authorized
Unlimited common shares without par value

	2006		2005	
	Number	**Stated Capital**	Number	Stated Capital
Issued				
Balance, beginning of period	**27,998,341**	**$ 6,306,799**	23,562,422	$ 5,201,515
Shares-for-debt-settlement[1]	**-**	**-**	2,090,694	591,648
Shares issued in private placement[2][3][4][5]	**13,610,979**	**17,282,798**	2,345,225	513,636
Stock options exercised[6]	**409,366**	**212,048**	-	-
Warrants exercised[7]	**5,200,037**	**2,183,430**	-	-
Balance	**47,218,723**	**25,985,075**	27,998,341	6,306,799
Warrants				
Balance, beginning of period	**4,873,314**	**66,848**	2,528,089	44,713
Warrants granted in private placement[2][3]	**1,959,160**	**42,974**	2,345,225	22,135
Exercised[7]	**5,200,037**	**94,577**	-	-
Expired	**942,364**	**113**	-	-
Balance	**690,073**	**15,132**	4,873,314	66,848
		$ 26,000,207		$ 6,373,647

Notes

1. Effective November 29, 2004, the Corporation settled $595,848 of notes payable and amounts due to shareholders by way of a Shares-for-Debt Settlement Agreement that resulted in the issuance of 2,090,694 common shares at a deemed price of $0.285 per common share. This one-time transaction was subject to regulatory approval. The Corporation does not anticipate further shares-for-debt transactions in the foreseeable future. The Corporation paid filing fees of $4,200 resulting in a net increase to share capital of $591,648. This debt settlement has been treated as a non-cash transaction for the purposes of the consolidated statement of cash flows.

5. SHARE CAPITAL (continued)

2. Effective February 28, 2005, the Corporation issued 2,345,225 units of the Corporation at a price of $0.23 per unit for gross proceeds of $539,416. The 2,345,225 units were issued by way of a non-brokered private placement. Each unit consisted of one common share and one-half 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 ended February 28, 2006. The common share purchase warrants were valued at $22,135. Of the 2,345,225 units issued, directors of the Corporation subscribed for 637,104 units. In connection with this non-brokered private placement, the Corporation paid filing fees of $3,645, resulting in net cash proceeds of $535,771.
3. Effective September 1, 2005, the Corporation issued 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 issued 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. The common share purchase warrants were valued at $42,974. Of the 1,959,160 units issued, a director of the Corporation subscribed for 276,767 units. In connection with this non-brokered private placement, the Corporation issued 128,696 common shares at a deemed price of $0.23 as a finder's fee to two arm's length parties. In addition, the Corporation paid filing and legal fees of $3,225 resulting in net cash proceeds of $447,382.
4. Effective January 11, 2006, the Corporation issued 7,038,008 common shares at a price of $1.35 per common share for gross proceeds of $9,501,311. The 7,038,000 common shares were issued by way of a non-brokered private placement. The Corporation paid a finders fee in the amount of $450,079 to an arms length party. In addition, the Corporation paid filing and legal fees of $48,181 resulting in net cash proceeds of $9,003,051.
5. Effective May 26, 2006, the Corporation issued 4,485,115 common shares at a price of $1.80 per common shares for gross proceeds of $8,073,207. The 4,485,115 common shares were issued by way of a non-brokered private placement. The Corporation paid finder's fees in the amount of $153,700 to two arm's length parties. In addition, the Corporation paid filing and legal fees of $44,168 resulting in net cash proceeds of $7,875,339. As at May 31, 2006 gross proceeds of $2,570,660 were recorded as a private placement receivable and were received subsequent to the reporting period.
6. Of the 409,366 stock options exercised during the nine months ended May 31, 2006, 340,000 stock options were exercised by directors of the Corporation at a prices ranging from $0.44 to $0.45. Subsequent to the reporting period, 5,000 incentive stock options were exercised at $0.40 per share resulting in gross proceeds of $2,000.
7. Of the 5,200,037 common share purchase warrants that were exercised during the nine months ended May 31, 2006, 906,484 common share purchases warrants were exercised by directors of the Corporation at prices ranging from $0.35 to $0.55.

Common Share Purchase Warrants

The following table summarizes information about common share purchase warrants outstanding for the nine months ended May 31, 2006:

Number	Exercise Price	Expiry Date
690,073	$ 0.40	September 1, 2006

Subsequent to the reporting period, 100,000 share purchase warrants were exercised at $0.40 per share purchase warrant for gross proceeds of $40,000.

5. SHARE CAPITAL (continued)

Stock-based compensation Plan

The Corporation maintains an Employee, Director, Officer and Consultant Stock Option Plan under which the Corporation may grant options for up to 5,130,623 shares of the Corporation at an exercise price equal to or greater than the market price of the Corporation's stock at the date of grant. All options awarded are exercisable for a period of five years and vest in equal tranches at three (3) month intervals over a period of eighteen (18) months.

A summary of the status of the Corporation's stock option plan as at May 31, 2006 and August 31, 2005, and the changes during the periods ending on those dates are presented below:

	2006		2005	
Stock Options	**Number**	**Weighted Average Exercise Price**	Number	**Weighted Average Exercise Price**
Outstanding, beginning of period	**2,050,455**	**$ 0.46**	1,547,955	$ 0.48
Granted	**1,165,000**	**2.36**	702,500	0.43
Exercised	**409,366**	**0.44**	-	-
Cancelled	**35,000**	**0.43**	200,000	0.52
Outstanding	**2,771,089**	**$ 1.40**	2,050,455	$ 0.46

The following table summarizes information about stock options outstanding at May 31, 2006:

	Options Outstanding		**Options Exercisable**	
Exercise Price	**Number Outstanding**	**Weighted average remaining contractual life**	**Number Exercisable**	**Weighted average remaining contractual life**
$2.95	725,000	4.6	120,833	4.6
$2.57	200,000	5.0	-	5.0
$0.55	125,000	2.5	125,000	2.5
$0.50	690,000	2.4	947,500	2.4
$0.45	407,755	3.4	470,000	3.4
$0.44	210,000	2.9	255,000	2.9
$0.40	413,334	4.1	226,750	4.1
	2,771,089	3.6	2,145,083	3.6

Notes:

1. Effective September 1, 2005, the Corporation issued 240,000 stock options to directors of the Corporation with an exercise price of $0.40. These stock options are subject to the stock option plan and set to expire on September 1, 2010.
2. Effective January 11, 2006, the Corporation issued 725,000 stock options to directors and employees of the Corporation with an exercise price of $2.95. These stock options are subject to the stock option plan and set to expire on January 11, 2011. Of the 725,000 stock options issued, 525,000 were issued to directors of the Corporation.
3. Effective May 15, 2006, the Corporation issued 200,000 stock options to an employee of the Corporation with an exercise price of $2.57. These stock options are subject to the stock option plan and set to expire on May 15, 2011.

5. SHARE CAPITAL (continued)

The fair value for the compensation costs of stock options issued to both employees and non-employees were calculated using the Black-Scholes option pricing model resulting in an additional charge to wage and to consultant expense with a corresponding increase in contributed surplus.

During the nine months ending May 31, 2006, the Corporation incurred $438,504 in compensation expense relating to outstanding employee stock options. The fair value of each set of options granted by the Corporation was estimated using the Black-Scholes option-pricing model assuming the following:

	Ranging from	
Dividend Yield	-	-
Risk-free Rate	3.17%	4.29%
Average Life	5 yrs	5 yrs
Volatility Rate	58.70%	78.12%
Marketability Discount	0%	60%
Weighted Fair Value of Options Granted	$0.07	$1.88

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

6. LOSS PER SHARE

The Corporation uses the treasury stock method to calculate diluted earnings per share. Under the treasury stock method, the numerator remains unchanged from the basic earnings per share calculation, as the assumed exercise of the Corporation's share purchase warrants and stock options do not result in an adjustment to income. The weighted average number of common shares outstanding was 33,926,976 (2005 – 25,005,307).

Diluted loss per share is computed by giving effect to the potential dilution that would occur if stock options and common share purchase warrants were exercised. The treasury stock method assumes that the proceeds received from the exercise of the "in-the-money" stock options and common share purchase warrants are used to repurchase common shares at the average market price for the nine months ending May 31, 2006.

7. MINERAL PROPERTY INTERESTS

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. Each working interest party is responsible for operating and field development costs in proportions relative to their working interest percentage.

7. MINERAL PROPERTY INTERESTS (continued)

Certain of the prior year amounts have been reclassified from mineral rights to capital assets to conform with the presentation adopted for the current year. In addition, the Corporation has capitalized and included in capital assets its proportionate share of the oil well development costs totaling $66,210 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 May 31, 2006 is $74,604.

In addition, during the reporting period the Corporation became the operator of the Rogers County venture. As the operator, the Corporation is responsible for 100% of all operating and development costs, which are then reduced by its working partners' proportionate share. These amounts are due from the LLC and an arms length party and are included as an offset to operating expenses, oil well development costs and accounts receivable. As the operator, the Corporation has capitalized and included in capital assets its proportionate share of the oil well development costs totaling $284,497 related to the Rogers County venture. As at May 31, 2006, total receivables owed to the Corporation by its working interest partners totaled $674,067. Of the total receivables, $578,845 is due from the LLC joint venture partner.

The Corporation has recognized production revenue of $13,974 related to the Rogers County venture. Of the $13,974 in production revenue, $3,629 is due from the LLC joint venture partner and is included in accounts receivable.

During the reporting period ended May 31, 2006, the Corporation acquired 100% of the working interest in certain mineral leases adjacent to the Rogers County leases for total consideration of U.S. $219,000. No costs were incurred on these leases for the period ended May 31, 2006.

During the reporting period ended May 31, 2006, the Corporation decided not to proceed with development of the Milam County mineral rights, and wrote-down mineral rights totaling $12,836.

No depletion or amortization expense of any mineral rights or production equipment has been recorded to date.

8. ECONOMIC DEPENDANCE and SEGMENTED INFORMATION

In the nine month period ended May 31, 2006, sales from the top two customers amounted to $134,001 and $99,691, which represent 29% and 21% of total revenue respectively. In 2005, the Corporation recorded revenue from the top three customers of $828,210, $129,756 and $119,450, which represents 68.4%, 10.7% and 9.9% of total revenue respectively.

The Corporation operates with one operating segment. The Corporation has generated revenue from products sold and services provided within Canada of $150,411 (2005 – $1,122,459). The remaining revenue of $66,493 (2005 - $43,848) was generated from the United States (2005 - $21,945 was generated from Venezuela).

9. LITIGATION

During the reporting period the Corporation initiated a lawsuit against Applied Seismic Corporation ("ASR") of Plano, TX asserting tortuous interference with a pending contract for the implementation of DeepWave^{SM} with Occidental Petroleum of Elk Hills in California. ASR has made a counterclaim against the Corporation asserting patent infringement. The legal and patent attorney cost totaled $221,527 and are recorded within the professional fees.

Management is of the belief that a potential contingency is unlikely and that the amount of a contingency cannot be reasonably estimated. The Corporation maintains its position that no patent infringement is occurring.

10. SEASONALITY of OPERATIONS

Integrated monitoring services offered by the Corporation are seasonable and related to the product offering and geographical extent to which products were offered for sale. The Corporation's main product offering is pressure measuring systems suitable for two distinct well types: steam injection wells and independent pressure monitoring wells. The target geographical area of the product offering is Alberta, and more specifically the heavy oil belt in the area north of Cold Lake. Due to temperature influences on ground conditions, the majority of work is completed in the months between November and March when the ground is in a "frozen" state passable by vehicles as well as drilling and services rigs. The Corporation however, is focusing its resources on DeepWave^{SM} and where it can showcase DeepWave^{SM} technology in oilfields where it has mineral rights. As such management believes that this seasonality of operations will have less of an affect moving forward.

In regards to the application of DeepWave^{SM} and the Corporation's mineral rights, there are no known seasonal fluctuations.

11. COMMITMENTS

During the reporting period the Corporation entered into a "Farm-in" Agreement with Greentree Oil and Gas Ltd. ("Greentree") to develop Greentree's Rodney South oil field lease. Under the Farm-in Agreement the Corporation will supply its DeepWave^{SM} technology and fund up to $2.25 million for initial capital expenditures and working capital requirements. Additional development costs are expected to be financed 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 flows from operating activities will be allocated 70% and 30% to the Corporation and Greentree, respectively, until payout of the Corporation's initial $2.25 million capital investment. Subsequent to payout, cash flow from operating activities will be allotted 50% to the Corporation and Greentree respectively.

12. SUBSEQUENT EVENTS

Subsequent to the reporting period the Corporation entered into a Letter of Intent to acquire a 100% undivided interest (the "Top Gun Acquisition") in Top Gun Sand Pumps and Rentals ("Top Gun"), an arms length privately held Saskatchewan company. Total consideration for the Top Gun Acquisition will not exceed $1.2 million (the "Top Gun Purchase Price"). Of the total Purchase Price, the Corporation will issue common shares in its capital, such value equal to fifty percent (50%) of the Top

12. SUBSEQUENT EVENTS (continued)

Gun Purchase Price (i.e., up to $600,000), based on the closing share price of the Corporation's listed common shares on the TSX Venture Exchange (the "TSX") on the trading day prior to the execution date of the purchase agreement(s). In addition, Top Gun's principals have agreed to have all shareholder advances, loans, debts and interest to be restructured as unsecured and non-interest bearing, to be repaid over three (3) years.

In addition, and subsequent to the reporting period, the Corporation entered into a purchase agreement to acquire fifty (50%) percent of the outstanding membership units of Oil Enhancement Tools LLC ("OET"), a privately held Wyoming company, from an arms length individual (the "OET Acquisition"). Total consideration for the OET Acquisition will not exceed U.S. $250,000 (the "Purchase Price"). In connection with entering into the Letter of Intent, the Corporation advanced a U.S. $100,000 refundable deposit (the "OET Deposit). The OET Deposit is be secured by a demand promissory note, with the membership units or shares in OET placed in trust with the Corporation's lawyers. Upon closing of the OET Acquisition, the Corporation will issue common shares in its capital, such value equal to U.S. $100,000 of the purchase price, based on the closing share price of Corporation's listed common shares on the TSX on the trading day prior to the execution date of the Purchase Agreement(s) and the balance of U.S. $50,000 in cash.

Completion of the above acquisitions is subject to a number of conditions, including but not limited to, TSX acceptance, further due diligence by the Corporation, definitive purchase agreements and the Corporation's board approval. There can be no assurances that the transactions will be completed as proposed or at all.