Unaudited Consolidated Financial Statements of

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

For the First Quarter ended November 30, 2006 and 2005

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WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Balance Sheets (Unaudited)

	As at November 30, 2006	As at August 31, 2006 (note 2)
ASSETS		
Current assets		
Cash	**$ 12,140,519**	$ 14,411,315
Accounts receivable	**272,702**	297,329
Prepaid expenses	**118,202**	32,219
Inventory	**38,002**	38,002
	12,569,425	14,778,865
Non-participation amounts due (note 3)	**1,592,774**	1,214,002
Property, plant and equipment (note 3)	**3,134,256**	2,485,671
Intangible assets	**101,569**	83,046
Deposits	**117,249**	142,812
	$ 17,515,273	$ 18,704,396
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,030,722**	$ 1,570,319
Unearned revenue	**309**	309
Current portion of obligation under capital leases	**-**	1,878
	1,031,031	1,572,506
Asset retirement obligation (note 4)	**71,612**	62,668
	1,102,643	1,635,174
Shareholders' equity		
Capital stock (note 6)	**26,279,824**	26,279,824
Contributed Surplus (note 6)	**1,398,045**	1,006,832
Deficit	**(11,265,239)**	(10,217,434)
	16,412,630	17,069,222
	$ 17,515,273	$ 18,704,396

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)
As At November 30, 2006 and 2005

	2006	2005
Revenue		
Sales	**$ 75,307**	$ 95,339
Other	**113,550**	18
	188,857	95,357
Direct costs	**24,885**	56,236
	163,972	39,121
General and administrative expenses		
Wages, employee benefits, and contract employees	**673,066**	163,094
Office	**83,601**	58,445
Research and development	**14,911**	16,951
Travel and promotion	**125,556**	29,861
Professional fees	**121,925**	32,405
Depreciation and amortization	**33,741**	26,530
Interest expense	**344**	7,605
Vehicle	**19,033**	22,784
Listing and public company fees	**21,019**	16,490
Consultants	**56,532**	5,000
Repairs and maintenance	**8,266**	5,686
Miscellaneous	**379**	2,805
Accretion of asset retirement obligation (note 4)	**2,605**	1,530
	1,160,978	389,186
Loss from operations	**(997,006)**	(350,065)
Other income (expenses)		
Foreign exchange loss	**(50,799)**	(1,883)
Net loss for the period	**(1,047,805)**	(351,948)
Deficit - Beginning of Period	**(10,217,434)**	(7,187,537)
Deficit - End of period	**$ (11,265,239)**	$ (7,539,485)
Loss per common share (note 7)		
Basic and Diluted	**$ (0.02)**	$ (0.01)

WAVEFRONT ENERGY AND ENVIRONMENTAL SERVICES INC.

Consolidated Statements of Cash Flow (Unaudited)
As At November 30, 2006 and 2005

Net inflow (outflow) of cash related to the following activities	2006	2005
Operating activities		
Net loss	**$ (1,047,805)**	$ (351,948)
Items not affecting cash		
Depreciation and amortization	**33,741**	26,530
Stock based compensation (Note 6)	**391,213**	16,166
Accretion of asset retirement obligation (note 4)	**2,605**	1,530
	(620,246)	(307,722)
Changes in non-cash working capital	**(602,791)**	(62,860)
	(1,223,037)	(370,582)
Financing activities		
(Repayment of) proceeds from bank indebtedness	**-**	(145,703)
Proceeds from notes payable	**-**	(40,000)
Proceeds from options exercised	**-**	36,141
Proceeds from warrants exercised	**-**	800,942
Repayment of obligation under capital leases	**(1,878)**	(1,764)
	(1,878)	649,616
Investing activities		
Non-participation amounts due (note 3)	**(378,772)**	-
Purchase of property, plant and equipment	**(648,585)**	(135,959)
Intangible costs	**(18,523)**	(18,689)
	(1,045,880)	(154,648)
Increase (decrease) in cash	**(2,270,795)**	124,386
Cash - Beginning of period	**14,411,315**	144,634
Cash - End of period	**$ 12,140,520**	$ 269,020
Supplementary information		
Amount of interest paid during the period	**1,199**	3,278

1. DESCRIPTION OF BUSINESS

Wavefront Energy and Environmental Services Inc. (the "Corporation") is incorporated under the Canada Business Corporations Act. The Corporation's principal business activities are the enhancement and improvement of oil recovery, oil well stimulation (Powerwave™) and optimization of groundwater remediation (Primawave™) using the Corporation's patented technology. The Corporation's strategy is to license the technology to service providers, provide site licenses to oil producers and to acquire or earn working interests in mature oilfields.

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, 2006. 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, 2006.

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 period.

3. OILFIELD PROPERTY PLANT and EQUIPMENT

In a prior period, 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, Boulder Oil, LLC ("Boulder") 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 Boulder. In consideration of the U.S. $15,000 deposit paid, the Corporation retained a thirty percent (30%) working interest in the leases. The Corporation then acquired an additional ten percent (10%) working interest in the Rogers County venture exchange for $214,352 owed from a third party. Each working interest party is responsible for operating and field development costs in proportions relative to their working interest percentage.

For the reporting period, the Corporation has capitalized and included in property, plant and equipment its proportionate share of the oil well development costs totaling $196,458 (2005 - $36,256) related to the Rogers County venture. In the prior year ending August 31, 2006, the Corporation became the operator of record, and Boulder, as a non-operating partner, exercised its non-participation right in the Joint Operating Agreement. As at November 30, 2006, amounts due to the Corporation by Boulder totaled $1,592,774, and are included in non-participation amounts due. Under the Joint Operating Agreement, the Corporation will receive all production revenues from production wells associated with the costs incurred until such time that the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the working interest proportions.

3. OILFIELD PROPERTY PLANT and EQUIPMENT (continued)

No depletion or amortization expense of any oilfield property, plant and equipment has been recorded to date as no meaningful production has occurred and no proved reserves could be determined.

The Corporation has recognized production revenue of $6,395 (2005 - nil) related to the Rogers County venture.

During the period November 30, 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. $2,750. No costs were incurred on these leases for the period ended November 30, 2006.

4. ASSET RETIREMENT OBLIGATION

The Corporation has asset retirement obligations associated with its oilfield property plant and equipment (note 3). These asset retirement obligations primarily relate to the plugging of wells and abandonment costs.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of the Corporation's proportion of oilfield property, plant and equipment assets:

	2006	2005
Asset retirement obligations, beginning of period	**$ 62,668**	$ 29,483
Liabilities incurred	**6,339**	-
Liabilities settled	**-**	-
Accretion expense	**2,605**	1,530
Asset retirement obligations, end of period	**$ 71,612**	$ 31,013

The total undiscounted amount of estimated cash flows required to settle the obligation is U.S. $322,528 (2005 - $144,550), which has been discounted using credit-adjusted risk free rates ranging from 6.72% to 13.61%. The majority of these obligations are not expected to be settled for six to thirty years in the future and will be funded from general corporate resources at the time of the retirement and removal.

5. CONTINGENCES and COMMITMENTS

Greentree Gas and Oil Inc. Farm-in Agreement

In the prior fiscal year, the Corporation entered into a "Farm-in" Agreement with Greentree Oil and Gas Ltd. ("Greentree") to develop Greentree's Rodney South oilfield lease. Under the Farm-in Agreement the Corporation will supply its Powerwave 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

5. CONTINGENCES and COMMITMENTS (continued)

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. As at November 30, 2006, the Corporation has paid Greentree an aggregate $409,703 and accrued $49,578 under the Farm-in Agreement, which has been recorded as property, plant and equipment on the consolidated balance sheet. The Corporation is obligated to the remaining balance of up to $1,790,719 under the Farm-in Agreement.

6. SHARE CAPITAL

Capital stock

The Corporation's authorized and issued share capital for the period ended November 30, 2006 and November 30, 2005 are as follows:

Authorized
Unlimited common shares without par value

	2006		2005	
	Number	**Stated Capital**	Number	Stated Capital
Issued				
Balance, beginning of period	**47,913,796**	**$ 26,279,824**	27,998,341	$ 6,306,799
Shares issued in private placement(1)	-	-	2,087,856	404,408
Stock options exercised(2)	-	-	82,783	42,276
Warrants exercised(3)	-	-	1,979,660	850,656
Balance	**47,913,796**	**26,279,824**	32,148,640	7,604,139
Warrants				
Balance, beginning of period	-	-	4,873,314	66,848
Warrants granted in private placement(1)	-	-	1,959,160	42,974
Exercised(3)	-	-	(1,979,660)	49,714
Expired	-	-	(942,364)	113
Balance	-	-	3,910,450	59,995
		$ 26,279,824		$ 7,664,134

Notes

1. Effective September 1, 2005, the Corporation issued 1,950,069 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 $73,841. 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.

6. SHARE CAPITAL (continued)

2. Of the 82,783 stock options exercised during the comparative period ended November 30, 2005, 68,200 stock options were exercised by directors of the Corporation at a price of $0.40.

3. Of the 1,979,660 common share purchase warrants exercised during the comparative period ended November 30, 2005, 375,276 common share purchases warrants were exercised by directors of the Corporation at prices ranging from $0.40 to $0.55.

Common Share Purchase Warrants

	2006		2005	
Common Share Purchase Warrants	**Number**	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Outstanding, beginning of period	-	**$** -	4,873,314	$ 0.48
Granted	-	-	1,959,160	0.40
Exercised	-	-	(1,979,660)	0.40
Expired	-	-	(942,364)	0.56
Outstanding, end of period	-	**$** -	3,910,450	$ 0.46

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 November 30, 2006 and 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	**2,941,089**	**$ 1.29**	2,050,455	$ 0.46
Granted	**-**	**-**	240,000	0.40
Exercised	**-**	**-**	(82,783)	0.44
Cancelled	**(50,000)**	**0.40**	-	-
Outstanding, end of period	**2,891,089**	**$ 1.31**	2,207,672	$ 0.45

6. SHARE CAPITAL (continued)

The following table summarizes information about stock options outstanding at November 30, 2006:

	Options outstanding		Options exercisable	
Exercise Price	**Number outstanding**	**Weighted average remaining contractual life**	**Number outstanding**	**Weighted average remaining contractual life**
2.95	725,000	4.1	362,500	4.1
2.57	200,000	4.5	66,667	4.5
1.76	175,000	4.7	29,167	4.7
0.55	125,000	2.0	125,000	2.0
0.50	690,000	1.9	690,000	1.9
0.45	407,755	2.8	407,755	2.8
0.44	210,000	2.4	210,000	2.4
0.40	358,334	3.7	331,250	3.7
	2,891,089	3.3	2,222,338	3.3

Notes:

1. During the reporting period ended November 30, 2006, 50,000 non-employee incentive stock options, with an exercise price of $0.40 were cancelled.

2. In the comparative period ending November 30, 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 expire on September 1, 2010.

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, assuming the following:

	2006		2005	
	Ranging from		Ranging from	
Dividend Yield	-	-	-	-
Risk-free Rate	**3.17%**	**4.29%**	3.51%	3.88%
Average Life	**5 yrs**	**5 yrs**	5 yrs	5 yrs
Volatility Rate	**58.70%**	**115.06%**	59.41%	61.94%
Marketability Discount	**0%**	**60%**	60%	60%
Weighted Fair Value of Options Granted	**$0.07**	**$2.42**	$0.07	$0.12

During the period ended November 30, 2006, the Corporation incurred $391,213 (2005 - $16,166) in compensation expense relating to outstanding employee stock options.

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. SHARE CAPITAL (continued)

Contributed Surplus

	2006	2005
Balance, beginning of period	**$ 1,006,832**	$ 165,554
Stock option issuance	**391,213**	16,279
Stock options exercised	**-**	(6,026)
Balance, end of period	**$ 1,398,045**	$ 175,807

Escrow Shares

In connection with the reverse take-over that occurred in 2003, 499,380 escrow shares were cancelled for nominal value. Included in the 14,140,432 common shares issued in conjunction with the acquisition were 8,351,486 escrow shares. These common shares held in escrow are being released from escrow over a period of three years from the date of issue. There was no balance of common shares held in escrow as at November 30, 2006 (2005 – 2,903,466).

7. 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 47,913,796 (2005 – 30,872,461).

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 period ended November 30, 2006.

8. ECONOMIC DEPENDANCE and SEGMENTED INFORMATION

In the three month period ended November 30, 2006, sales from the top two customers amounted to $32,207 and $21,835, which represent 17% and 12% of total revenue respectively. In addition, during the reporting period, the Corporation recognized production revenue of $7,463, which represented 4% of total revenue. In 2005, sales from the top two customers amounted to $39,262 and $27,300, which represented 41%, and 29% 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 $128,420 (2005 – $76,354). The remaining revenue of $60,437 (2005 - $36,725) was generated from the United States.

9. CONTINGENT COMMITMENTS

During the year ended August 31, 2006, 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 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 during the year ended August 31, 2006, the Corporation also 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 Top Gun and OET 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 transaction will be completed as proposed or at all.

10. RELATED PARTY TRANSACTIONS

During the period ended November 30, 2006, the Corporation had the following related party transactions:

i. The Corporation incurred charges for wages, employee benefits, and consultants totaling $97,434 (2005 - $77,201) that were paid to significant shareholders or a company controlled by a party related to a director of the Corporation. At the end of the period, no amounts (2005 – nil) were included in the accounts payable and accrued liabilities.

ii. In connection with the September 1, 2005 non-brokered private placement, whereby the Corporation issued 1,595,069 units at a price of $0.23 per unit for gross proceeds of $450,586. Each unit consisting of one common share and one share purchase warrant expiring on September 1, 2007. A director of the Corporation subscribed for 276,676 units for total subscription proceeds of $63,635.

iii. During the period there were no exercises of incentive stock options by related parties (2005 – 68,200 incentive stock options were exercised at a price of $0.44 for aggregate consideration $30,008).

iv. During the period there were no exercises of common share purchase warrants by related parties (2005 – 375,276 common share purchase warrants were exercised at a prices ranging from $0.44 to $0.45 for aggregate consideration of $169,960).

10. RELATED PARTY TRANSACTIONS continued

In a prior reporting period, the Corporation became the operator of record of the Rogers County venture, and Boulder, as a non-operating partner and related party, exercised its non-participation rights in the Joint Operating Agreement. As at November 30, 2006, amounts due to the Corporation by Boulder totaled $1,592,774, and are included in non-participation amounts due. Under the Joint Operating Agreement, the Corporation will receive all production revenues from production wells associated with the costs incurred until such time that the Corporation is repaid 200% of the costs incurred, after which, production revenues will revert back to the working interest proportions.

9. SUBSEQUENT EVENTS

Subsequent to the reporting period, the Corporation entered into a Letter of Intent to acquire a 100% undivided interest in ICI Solutions Inc. ("ICI Acquisition"), an arms length privately held Alberta company. Total consideration for the ICI Acquisition will not exceed Sixteen Million Dollars ($16,000,000) (the "ICI Purchase Price"). Of the total ICI Purchase Price, the Corporation will issue common shares in its capital, such value equal to fifty percent (50%) of the Purchase Price (i.e., up to $8,000,000), based on the closing share price of the Corporation's listed common shares on the TSX Venture Exchange on the trading day prior to the execution date of the Purchase Agreement(s). In addition, ICI Solution's principals have agreed to have all shareholder advances, loans, debts, interest, etc. to be restructured as unsecured and non-interest bearing, to be repaid over three (3) years. The common shares to be issued by Wavefront will be subject to the required hold periods, escrow restrictions, earn-out profits or other restriction that the TSX Venture Exchange may impose.

Completion of the ICI 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.